PREFACE

Before I came to the United States in the late 1990s, I spent eight reasonably happy years working as a civil servant in the headquarters of the British Department of Transportation. At one point I even joined the National Union of Civil and Public Servants. It was a time of great change for the British civil service. Successive Prime Ministers Margaret Thatcher and John Major, having successfully privatized the great nationalized industries, were turning their attention to government itself. By the time I left my government job, the civil service was barely recognizable.

Then I moved to America. Literally the first thing I had to do was deal with American bureaucracy—the unlamented Immigration and Naturalization Service. It was everything British bureaucracy had ceased to be (not that British bureaucracy was perfect, I hasten to add)—arrogant in the extreme, driven by rules rather than by any sense of customer service, unresponsive and above all slow, glacial even. The slowness had a serious effect on me, as I was stuck for months after my initial work permit expired, unable to get a job and using up my savings (my payoff from the British government, as it happened). I recall at one point receiving a dressing-down from an immigration officer for missing an appointment. It turned out that they had sent the notification letter to my old address in Richmond, Virginia, rather than my new address in Alexandria, Virginia, despite them acknowledging they had received my change of address notification. I was upbraided for their incompetence.

Ever since that experience, I have been astonished at just how out-of-date American bureaucracy is. Its forms are incomprehensible, its procedures are mind-numbing, and its contempt for the people who pay its salaries is palpable. It appears to be driven by a simple principle: government of the people, by the bureaucrat, for the bureaucrat.

Yet I should stress here that the civil servants themselves, with several notable exceptions, have been decent, ordinary Americans I would be happy to have as my neighbors. Yet the system in which they operate almost forces them to disdain their fellow citizens. When you closely examine the system, it is one of legally sanctioned and enforced robbery.

Robbery can take many forms. It can take the form of plunder—simple expropriation of your property without so much as a by-your-leave. It can be extortion, where they take your property under threats of something bad happening to you. Or it can be a swindle, where you part with your property thinking you will get something in return and instead get far less or nothing at all. The American bureaucracy engages in all these forms of theft, and those who do the thieving are well-rewarded—at our expense. This book will expose how it's being done and identify the politicians, bureaucrats, and unions who perpetuate its being done—and what we can do to stop them.

Woodbridge, Virginia
February 2011

CHAPTER ONE

LIFESTYLES OF THE RICH AND POWERFUL

In their brilliant 2008 film *Not Evil Just Wrong*, Irish film-makers Phelim McAleer and Ann McElhinney present an interesting contrast between the powerful in America and the rest of us. They profile the family of Tim and Tiffany McElhany in Vevay, Indiana. The McElhanys live in a small house, but are putting away money for their dream house, which they're building.

The trouble is Tim's job at the steel plant is under threat from environmental regulations that are purportedly necessary to prevent global warming. At the end of the movie, Tiffany drives to Nashville to deliver a letter to former vice president Al Gore, the main proponent of such regulations. In contrast to Tiffany's modest home, Gore lives in a vast mansion.

What makes this more interesting is that Gore's resume is one of what is euphemistically called "public service." From Harvard, Gore served as an Army journalist in Vietnam for four months before returning in 1971 to spend a few years bouncing between divinity school, journalism, and law school, which he entered in 1974. He failed to complete law school, being elected to the United States Congress in 1976. From there he went on to serve successively as congressman, senator, and vice president of the United States, until his seemly progress along the *cursus honorum* was cut short by the electorate and the United States Supreme Court in 2000. Since then he has made a living lecturing and investing in green technologies for which he is a de facto lobbyist.

So Al Gore's mansion was essentially paid for by the taxpayers of Tennessee and the United States, who supplied his salary as a "public servant." He had no other career to speak of, and certainly had never worked in a steel plant. When Tiffany McElhany drove through the front gates, she probably had no inkling that she and her husband were contributors to the Al Gore mansion fund.

Gore's residence is a twenty-room mansion near Nashville, Tennessee. It has two wings and a large outdoor pool, spaciously set in lushly wooded grounds with a circular driveway and extensive parking space. Type "312 Lynnwood Boulevard, Belle Meade" into Google or Bing maps and you can bring up a satellite picture of the place. That's Al Gore's house. What does your house look like?

Gore is not alone. In fact, his partner in the White House, President Clinton, has an astonishingly similar resume. While coming from much humbler roots than the patrician Gore, Bill Clinton was also the beneficiary of a political career. Indeed, he set his sights on this at an early age, as he relates in his autobiography, *My Life*:

> Sometime in my sixteenth year, I decided I wanted to be in public life as an elected official. I loved music and thought I could be very good, but I knew I would never be John Coltrane or Stan Getz. I was interested in medicine and thought I could be a fine doctor, but I knew I would never be Michael DeBakey. But I knew I could be great in public service.[1]

Clinton went straight from Hot Springs, Arkansas, to the Georgetown School of Foreign Relations in Washington, D.C., then to Oxford as a Rhodes Scholar, then to Yale Law School, where he began dating Hillary. He left Yale in 1973 and became a professor at the University of Arkansas. He ran for the House of Representatives in 1974. Despite being defeated, he stayed the course and was elected Attorney General of Arkansas in 1976, only three years out of law school. From then on, it was relatively smooth sailing to the governorship and the presidency. While Gore had at least briefly been a journalist after leaving Harvard, Clinton had no job that wasn't financed by the taxpayer until he left the White House. Yes, we probably paid for that cigar, too.

Gore and Clinton are not the subject of this book, but they are emblematic of the government leisure class this book is about. They represent the epitome of the "public servant"—people who make a frankly extraordinary living by supposedly working for the rest of us, but actually by putting endless, petty (and not-so-petty—sometimes career-threatening and liberty-endangering) bureaucratic obstacles in our way.

As we'll see, most public servants, while not as well-endowed as Clinton and Gore, are far better off than Tim and Tiffany McElhany. They have salaries, benefits, and powers that make them part of a cushy and coddled economic stratum. Despite the global slump since 2008, these are boom times for them, and the easiest way to see that is to go to where they live, in the suburbs of Washington, D.C.

America's Wealthiest District

Where is the wealthiest congressional district in America? Beverly Hills? No. Manhattan? Think again. It's actually the 11th District of Virginia, made up mostly of the outer Washington suburbs in Fairfax County and Prince William County, which is where I happen to live. According to a survey by *The Hill* newspaper in 2006, using data from the 2000 Census, the district has a median household income almost double that of the average district—$80,397 compared with $41,994.[2] The reason for the district's affluence, says Claremont McKenna College professor Frederick Lynch, is "because of the presence of high-level federal workers and two-income families." Needless to say, many of those two-income families have both members working for the government, either directly or indirectly. And remember, those data come from before the financial crisis, before the massive stimulus spending directed largely at government employees, and before the rapid rise in government salaries we'll examine later.

To take a look around Virginia's 11th District is to see an island unaffected by the economic tsunami unleashed by the financial crisis. The houses are, for the most part, pleasant single-family homes or townhouses built comparatively recently. That's because the population has boomed. Fairfax County's population has increased by 200,000 people since 1991, while Prince William County has added 84,000 residents since 2000.[3] The top three employers in the county are the county's public schools, the federal government, and the county government, accounting for 50,000 employees between them, up 10,000 from ten years ago.[4] Many of those not working directly for government are working for semi-governmental employers like Freddie Mac (up to 7,000 employees) or government contractors like Northrop Grumman or the management consultant Booz Allen (up to 10,000 employees each). All these employers pay well.

More to the point, they continue paying. It is received wisdom in these parts that the area is "recession-proof," thanks to the main source of income being the government budget. This shows in the unemployment rate. In September 2010, the national unemployment rate was 9.6 percent across America. In Fairfax County, Virginia, it was just 4.6 percent, less than half the national rate. Fairfax is a good place to get—and keep—a job.

The resilience of the national capital area thanks to government funding is obvious in another area as well. Home prices in the area have not decreased by nearly as much as they have in the rest of the country. Indeed, home prices are still around 75 percent higher than they were in 2000, even if they've decreased from the peak of 150 percent higher in 2006. That's a better performance than any other area in the nation. Moreover, they started increasing when other areas were still on the downward slide. As Tim Iacono of Iacono Research points out, "The change in fortune for Washington area home prices began when the bailouts/stimulus began in earnest (i.e., late-2008/early-2009) and, in recent months, the home price index is further separating itself from all others."[5]

In other words, back when the rest of the nation was being told that bailouts were the only answer to America's financial ills, when arms were being twisted in the halls of Congress with more than usual viciousness to ensure the passage of a stimulus bill, and when America was voting for both hope and change, one of the main effects was to ensure that people who worked for Freddie Mac did not see the value of their homes collapse.

Freddie Mac, by the way, is a generous employer. In 2007, the government-sponsored company paid its Chairman and chief executive, one Richard Syron, a whopping $19.8 million in various compensation guises. That was the year Freddie Mac's stock value halved as the company's role in the gathering mortgage crisis became clear. The company continues to pay handsomely. A quick look at the CareerBliss website will tell you that the average advertized salary for positions at Freddie Mac comes in at $89,000, compared to an average of $46,000 for other companies in the financial services industry. Director salaries are over $120,000. Even after Freddie Mac was bailed out by the taxpayer, its new head, Charles Haldeman Jr., was paid more than $6 million in 2009. The Federal Housing Finance Agency said the salary was justified in order to "attract and retain" top talent.[6]

Top talent is plentiful in Fairfax County, if the possession of a bachelors' degree indicates talent (and, as we'll see later, that may no longer be the case).[7] In 2008, almost 60 percent of Fairfax County adults possessed such a degree; the national average is just under 25 percent. Yet a disproportionate number of these talented people work to find innovative ways to remove cash from taxpayers and direct it to their own salaries and house prices. Not one of the top ten employers in the county is a wealth-generating industry; they all live off the taxpayer.

Even Washington, D.C., itself, such a symbol of urban decay that it became America's Murder Capital in the 1990s, bounced back as government grew. In December 2010 it was announced that Washington now had the highest median income of any major city, and that housing prices had grown there by over 5 percent, even as the rest of the nation's declined by 3 percent. The average business rent there was now higher than the average rent in New York City, and the city finally found a booming business in recession: journalism, because industries needed to know what new laws and regulations the government had planned for them.[8] Of course new government workers flooding in meant a change in the demographics of the city. In March 2011, the Census Bureau announced that African Americans made up less than 50 percent of the city's population for the first time since the 1950s.[9]

The New Robber Barons

Jack Johnson followed a familiar career trajectory: law school to academia to bureaucrat, working as an attorney for the IRS. Along the way he made important political friends, which helped him become State's Attorney and County Executive for Prince George's County, Maryland, which is just outside Washington, D.C., and not coincidentally is the wealthiest majority African American county in the nation, with 834,000 residents and a median income of $71,696. The Prince George's County website praises its own, saying that its State's Attorney issued a message that "was loud and clear—no one was above the law."

Jack Johnson, however, might have been an exception to his own message. Allegedly, for several years Johnson had been receiving payments from one unnamed developer to help him obtain federal, taxpayer-funded grants via the County's Department of Housing and Community Development to build "affordable housing."[10]

On November 12, 2010, however, the developer was wearing a wire, and their meeting this time was under surveillance by the FBI. (The developer, it appears, had been caught by the FBI and had agreed to help them.) The developer gave Johnson a check for $15,000 in return for Johnson's "using his official influence and authority for the benefit of [the developer] and his companies." FBI agents then entered the room and asked about the payments. Jack Johnson explained that it related to a party to mark the end of his time as County Executive.

FBI agents also visited Johnson's home. His wife called him asking what to do. His cell phone was monitored by the FBI. Johnson told her not to answer the door but instead to go to "his drawer" where she would find a check from the developer. His wife asked whether she should get the "cash out of here too." Johnson told her, "Put it in your bra or something. . . . " When she found the check, believed to be for $100,000, she suggested flushing it down the toilet. Johnson agreed. FBI agents found $79,600 in Mrs. Johnson's underwear (she had followed her husband's advice to the letter). Mr. and Mrs. Johnson were both arrested.

Just a few days later, on November 17, 2010, undercover reporters for TV channel FOX 5 D.C. met with a real estate agent at 2:00 p.m. to view a house in the county. The agent also happened to be deputy director of the Office of Human Relations Commission. At a salary of $106,000 a year, he was responsible for investigating complaints of discrimination made within the county. This did not stop him from selling houses during the workday, as he explained to the reporters:[11]

> **FOX 5:** "I hope we're not pulling you away from anything too important."
> **Man:** "Don't worry about it, bro. I just work for the county when I ain't doing this."
> **FOX 5:** "Is this a part-time gig for you?"

Man: "Well, yes and no. Um, with real estate and the Internet, you can do everything anytime and I have total flexibility on my job, so…"

FOX 5: "Oh, alright."

Man: "I'm Deputy Director for the agency, so…"

FOX 5: "Ok."

Man: "Affords me the flexibility. If you need me, y'all call me on the cell. I'm out."

According to the reporters, the deputy director's entrepreneurial behavior was well known around the office, as was the fact that he used a county car while selling real estate. On the day in question, he clocked in for a full eight hours' work with the county.

Informants within the office also pointed to his boss, the executive director. One employee claimed that on a typical workday, "She may not come in at all. She may come in at about eleven or one o'clock. Stay an hour or two. Leave." The TV station reporters tested this by sitting outside her house on three days when the county confirmed she had clocked in. Her county car "never moved."

When most people think of a public servant, they think of a post office worker: unimaginative, slow, and poorly paid. But today's public servants are very well paid—and they have accrued power and wealth by making themselves essential regulators of private sector business—while still retaining the leisurely working pace of their predecessors.

The typical "public servant" enters the bureaucracy at a starting salary of $75,000, less if she's a payroll clerk ($50,000), more if he's a firefighter ($100,000). Assuming no extra raises, performance bonuses, or promotions, after thirty years he'll be making in real terms $117,000 (thanks to seniority). He'll also have a generous, guaranteed pension scheme, perhaps without any contributions on their part (because we'll pay for it when they retire), in contrast to the rest of us who have to carefully save in a 401(k)—and risk the vagaries of the market, too.

That's *the baseline* for the least imaginative (or most honest) bureaucrat. The ones who expand their bureaucratic empire, or help their labor union, or invent new ways to shake down taxpayers and businesses can do even better. One deputy police chief in San Francisco, for instance, made more than half a million dollars in his last year before retirement.

Public sector workers—the public servants—make one and a half to two times as much as their private sector colleagues who perform equivalent jobs and who pay the public servants' salaries. And that's not counting the more generous benefits and leave arrangements public sector workers have.

The best bureaucratic empire builders can, like Jack Johnson, get the ultimate prize—appointment or election to high office; and their friendly public-sector unions can raise the cash and provide the block votes to keep them in office.

That's just the beginning. What makes these officials robber barons is their extraordinary degree of power over us. Businessmen have to provide us with goods or services we want, or they go out of business. (In that sense, the private sector is truly full of "public servants.") Bureaucrats, however, just order us about, threaten us with jail if we don't comply with their self-aggrandizing regulations, and then have the gall to tell us we should be grateful to them.

America's government class has radically different interests from the rest of us—and it uses the power of government to further those interests. As J. P. Freire, writing for the *Washington Examiner*, put it, government today is "not so much about haves and have nots. It's about haves and *have yours*."