

**Real World Graduation: Question 38**

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Question 38

What is the main benefit of being a government employee involved in policy or regulatory activities?

- a) The satisfaction that comes from performing useful services for the public.
- b) The satisfaction that comes from being part of the solution to the community/state/nation's economic problems.
- c) The opportunity to promote fairness and equality in the community/state/nation.
- d) The opportunity to manage the resources of the community/state/nation to improve the standard of living and quality of life.
- e) All of the above

### Answer to Question 38

This is a trick question. All the suggested answers are wrong.

The correct answer is that government employee whose job relates to policy or regulation is part of an organization for which there is no penalty for failure. Since there is no penalty for failure, government employees are largely immune from economic downturn and social forces, while retaining the advantages of a benefit and retirement package. The downside is that the employee has to put up with a lot of internal bureaucratic infighting through his career, but most people adjust to it eventually.

Answer a) is wrong because most government "services" do not directly benefit the public. There was a time before the 1930's when governments restricted their activities to necessary functions: the local governments maintained a police force, a firefighting force, a public school system, and oversaw sanitation, water distribution, and kept the traffic lights working. The states had responsibility for education, roads, bridges, and other public facilities. The federal government concerned itself with defense, diplomatic relations, and other duties cited in the Constitution. But since the 1930's, the governments have made many promises and taken on more responsibilities, which they are increasingly finding they cannot fulfill. Most of the additional activities have become burdens to the people over the long run.

Answer b) is wrong because governments attempt to apply "one-size-fits-all" solutions to problems, and impose taxes and regulations to administrate it. History shows that governments are generally incapable of solving problems because the unintended consequences of their actions sometimes make problems worse, and sometimes cause new problems to be created. Most government officials propose to solve the problem they created by demanding an expansion of government to obtain more power over the people.

Answer c) is wrong because "fairness" cannot be adequately defined; every law and regulation will ultimately be unfair to someone, or at least will appear to be unfair. Anyone can find a lawyer who can make a claim of unfairness in some respect. Also, "equality" can exist only in a system of slavery or communism, where every person ends up in the same place, regardless of their work ethic or talent.

Answer d) is wrong because only the creation of wealth can improve the standard of living; the creation of wealth depends on production, which is funded by savings.

Here is an example of government policies causing problems, but the government and its employees never having to answer for their failure. Social Security started off as a modest plan to prevent poverty in old age. When it was enacted in 1935, Congress set the "retirement age" at 65, which was 3 years above the median life expectancy. In other words, by the time one retired at 65, about 66% of the people born in the same year were already dead, and therefore were not going to collect anything. Benefits were paid by taxes levied on those who were still working via a "payroll" tax, which means that every worker pays the same percentage on their earnings up to some maximum. There were in 1935, about 15 people still working to pay into the system for the benefit of those in retirement. Gradually the government decided to gamble that the economy could grow faster if retirees had more to spend. So, the government expanded the benefits for retirees, which required that the payroll tax rate be increased from 1% on the first \$3,000 of income in 1935 to 12.4% on the first \$128,400 of income in 2018. Half is paid by workers, and half is paid by employers (the self-employed pay all of it).

At the same time, owing to the expansion of Social Security benefits, working people were induced into believing that they would not require savings of their own during retirement, so Americans began to spend most of their money instead of saving a portion of it. These trends did partly lead to an economic expan-

sion (a consumer-driven economy), but caused far worse problems in the long run. As people live longer, they collect Social Security longer because the retirement age has been increased only slightly. The retirement age of Social Security was initially 3 years later than median life expectancy; it is now 11 years past it (median life expectancy for people born in 1990 is about 76). The ratio of retirees to workers is down to 1:3 instead of 1:15. At that kind of tax rate, many of today's workers cannot afford to save for their own retirement. At the same time, the ratio of retirees collecting to workers paying in will continue to increase, which means that the general trend is for benefits to decrease over time or for taxes to increase. In the end, young people starting off have less money after taxes to save for themselves, and are faced with declining Social Security benefits when they retire. It is conceivable for people who retire in 2057 (i.e., born in 1990) that the benefits will be far less than what the person paid in over his working lifetime. But there is no penalty for failure by the government: Social Security will never be abolished, and no government employee will ever have to take responsibility for this fiasco.

The same is nearly true for government employees engaged in outright criminal activities. It is exceedingly rare for a government employee to be prosecuted for anything. It appears that one part of the government (the judicial system) is willing to cover up, excuse, and ignore the crimes of the other side (policy and regulatory). Hillary Clinton is the most famous example. People who commit the same crimes, but are not government employees, are prosecuted regularly.