

The Progress Report

Federal Salaries Balloon while ...

Family income shrank, unless you worked for the government, which also favored the rich with lower taxes. We trim, blend, and append three 2011 articles from: (1) AFP, Oct 10, on receding income; (2) a frequent contributor on federal salaries by J.S. Hirschhorn; and (3) *Washington Post*, Oct 12 on tax rates by L. Montgomery.

by AFP, by Joel S. Hirschhorn, and by Lori Montgomery

US incomes 'fell more after than during recession'

US household incomes fell more in the two years following the end of the recession than during the downturn itself.

Inflation-adjusted income fell 6.7%, to \$49,909, between June 2009 -- when the recession ended -- and June 2011. During the recession -- from December 2007 to June 2009 -- household incomes fell less than half of that, 3.2%.

The report follows an official Census Bureau study last month that showed the US poverty rate rose sharply in 2010 to 15.1 percent, the highest since 1993, from 14.3 percent a year earlier.

To see the whole article, [click here](#) .

JJS: But not everybody's income fell.

Slash Top Federal Salaries

Under what circumstances is a federal worker likely to lose their job? By dying. Not poor performance, not misconduct, and not a layoff because of government downsizing.

The private sector fires six times more, at about 3%, of workers annually for performance alone; the federal government fired about one half of one percent of its workforce last year, even though every day news stories reveal gross incompetence of federal employees, like the ones who did not stop Bernie Madoff, who let the banksters cripple our economy, and who sanctioned the Solyndra handout.

Over 20% of the 2.14 million federal workforce makes over \$100,000, which equates to about 500,000 people making enormous salaries in these tough economic times. They also have incredible fringe benefits.

Ten departments or independent agencies have average salaries above \$100,000 -- topped by the Securities and Exchange Commission, where the average is nearly \$150,000. Average! Nearly 80,000 federal employees have higher salaries than the governors of the states where they live. Is this your idea of public servants?

Apparently, making terrific salaries with near certain job security is not enough to produce satisfaction; just 68% of federal workers expressed job satisfaction. At the SEC (average salary: \$150,000) the job satisfaction level was just 61%.

A job-to-job comparison found that federal workers earned higher wages than did private-sector workers in four-fifths of the occupations examined. This CATO Institute report figured federal workers are overpaid \$230 billion, which could be cut.

This report also noted that: "Between late 2007 and mid-2009, the number of federal workers earning more than \$150,000 more than doubled, even as the economy fell into a deep recession during that period." Here is one example: "The 62 employees of the US Department of Agriculture's Office of Chief Economist earned an average \$177,000 each in wages and benefits in 2010." And when the recession started, the Transportation Department had only one person earning a salary of \$170,000 or more. Eighteen months later, 1,690 employees had salaries above \$170,000.

Add this: "In 2009, federal workers enjoyed average benefits of \$41,791, which compared to average benefits in the U.S. private sector of just \$10,589."

Roughly \$20 billion or more could be saved annually by cutting high federal salaries. I say reduce federal salaries to no more than \$100,000 a year, with the possible exception of those directly working to protect public health or safety. And the \$100,000 limit should apply to members of Congress, too.

To contact Joel S. Hirschhorn, [click here](#) .

JJS: Where does all the money come from to pay federal workers so handsomely? Not from an income tax evenly applied.

A quarter of U.S. millionaires pay lower tax rate than some in middle class

When all federal taxes are taken into account, including taxes on wages, investment income and corporate profits, households earning more than \$1

million face an average tax rate of about 30% -- significantly higher than the roughly 19% rate paid by households earning less than \$100,000.

However, the average obscures a great deal of variation within income categories with some millionaires paying rates as high as 35% and others paying rates as low as 24%. About 94,500 households making more than \$1 million a year paid a lower rate than the most heavily taxed households earning less than \$100,000 year. About 10.4 million moderate-income families paid more than 26.5 % of their earnings in federal taxes.

The prime loophole is low tax rates on investment income, such as capital gains and dividends. Although ordinary earnings are subject to payroll taxes as well as income tax rates of as much as 35%, investment income -- which constitutes the bulk of earnings for many very wealthy households -- is taxed at no more than 15%.

As to savings, private saving rates have fallen over the past 30 years while the capital gains tax rate has fallen from 28% in 1987 to 15% today.

While some argue that lower capital gains rates boost investment in high-risk projects, the report argues that most venture capital "is supplied by pension funds, college endowments, foundations, and insurance companies -- sources not associated with the capital gains tax. In 2003, only about 10% of investors in venture capital funds were individuals and families.

To see the whole article, [click here](#) .

JJS: If we're to tax income at all, it seems we should not leave the tax rate up to politicians but perhaps instead levy a flat rate with no loopholes. But accepting the practice of taxing income overlooks the question of how anyone amasses income in the first place. Almost always, high incomes are a gift of government: subsidies, sweetheart deals, lenient enforcement, tax breaks, keeping down the competition, etc. Abolish all that favoritism and wasteful spending and you not only save public money, you also quit padding so extravagantly the income of the well-connected. And once you save public money and recover all the socially-generated values, such as the values of land and privileges (e.g., corporate charters), then you'll likely have a surplus and need to pay dividends to the citizenry -- a cornerstone of geonomics.