

Search Terms: **Ponzi Lives on in Civil Service Job**FOCUS™ [Search Within Results](#)[Edit Search](#)[Print](#)[Email](#)[Document List](#)[Expanded List](#)[KWIC](#)[Full](#)

Document 1 of 1.

Copyright 2004 Tower Media, Inc.  
The Daily News of Los Angeles

April 18, 2004 Sunday, Valley Edition

**SECTION:** VIEWPOINT; Pg. V3

**LENGTH:** 719 words

**HEADLINE:** PONZI LIVES ON IN CIVIL SERVICE JOB

**BYLINE:** Kimit Muston, Local View

**BODY:**

I think that heroes are just confusing. George Washington chopped down the cherry tree, a clear violation of the "three strikes" law, and yet he walked? That never happens in real life. But the career of a scam artist like Carlo Ponzi is so chock full of unambiguous useful life lessons that you should probably read this column to your kids.

Carlo was a petty crook who, in 1903, slipped into the United States from Canada with the Mounties hot on his heels. (I guess our borders were broken even back then.) In December 1919, he founded The Securities Exchange Company in Boston, promising his shareholders a 50 percent return on their money in just 90 days. In fact, he did it in 45 days.

By the spring of 1920, optimistic investors were forcing a million dollars a week into his hands, and selling shares of their shares to many more people. By summer, Ponzi had collected the modern equivalent of \$140 million from some 40,000 investors.

And then just six months after it started, it all collapsed.

Ponzi's scheme, like all Ponzi schemes, was a numbers game. You buy in for \$5. You bring in five new members, you keep \$1 from each and you've got your money back. You get another buck each when they bring in 25 new members and you're making big profits. But the next level has to be 125 new members, and the next 625. Just 11 more levels down and you will need over 6 billion new members for the 10th level to break even.

That's why pyramid schemes are illegal.

Now see if you think the following numbers are pyramid-ical:

According to the United States Census Bureau, about 12 percent of the work force in Los Angeles County works for the government. They are the pointing end at the top of the pyramid.

Now, the median income for the rest of the pyramid in the year 2000 was \$42,189. That means half the population made more than that, and half less (14 percent of our fellow residents live below the poverty level). But according to the Rose Institute of State and Local Government at Claremont McKenna College, the average civilian worker in county government earns \$49,343, and at City Hall \$55,919! That's \$13,730 a year more than half the people who pay their salary!

Now you know what the pointing end is pointing at.

Next time you call City Hall, think about how much an hour the clerk you're talking to is making. You wouldn't expect somebody in her tax bracket to stoop to working in a "service" industry, would you? Or consider that 68 percent of L.A. bus riders make \$15,000 a year or less, while the drivers average closer to \$50,000 a year.

The drivers complain they make that salary only if they work overtime, as if taxpayers were immune from such managerial impudence. We might save money if we paid the passengers to drive the drivers around! Steven B. Frates, a senior fellow at the Rose Institute, put it much more eloquently than I would. "There has been a wealth transfer," he says. "It has gone from the citizens to the people in government."

I would say in a pyramid only the pointy profit.

The population of Los Angeles grew 13.6 percent over the last decade, a rate expected to continue for the foreseeable future. That grows the pyramid, but not fast enough to keep up with the 23 to 31 percent growth in government salaries. And it has put escalating demands on sanitation, fire, police, street maintenance and public health, so the county is facing a \$500 million budget shortfall and City Hall has \$250 million in required budget cuts.

The politicians can't cut salaries or pensions; those are protected by union contracts. So that only leaves services. Eventually, if we pay these people enough, we won't be able to afford any services for them to actually supply!

And as government salaries go up, so do government pensions. Eighty retirees from L.A. City Hall are currently receiving \$100,000 a year in payments and benefits. They're making more in retirement than they did when they worked for us, from such generous pensions that many managers are now retiring at the age of 50. So your kids will be getting the pointing end of this pyramid long after it's collapsed and buried you under it.

And the lesson? If Carlo Ponzi had just worked for the government, he would have been a hero.

**EDITOR-NOTE:**

Kimit Muston lives in the San Fernando Valley and is a regular contributor to the Daily News. Write to him by e-mail at [kamuston\(at\)hotmail.com](mailto:kamuston(at)hotmail.com).

**LOAD-DATE:** April 19, 2004

**Document 1 of 1.**

[Terms & Conditions](#) [Privacy](#) [Copyright](#) © 2005 LexisNexis, a division of Reed Elsevier Inc. All Rights Reserved