



## Below Gotham

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# The Final Chapter

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$$-K_B \sum_i P_i \log_e(P_i)$$

## Preface

This content was originally intended to appear in the 2<sup>nd</sup> edition of *The Rootkit Arsenal* as an expanded treatment of the last chapter from the 1<sup>st</sup> edition. For a number of reasons the publisher has opted to preclude it. As the author, I can testify that *The Rootkit Arsenal* is an allegory in disguise. Beneath all of the device driver theory and the source code is a deeper message. Rather than let this message be lost through omission, with the consent of the publisher I have decided to release this orphaned chapter as a stand-alone essay.

Anyone who has studied malware, rootkits in particular, knows that it's entirely feasible for a seemingly innocuous little application (less than 500 kilobytes in size) to silently undermine a system whose scale is on the order of gigabytes, millions of times larger than the malware itself.

Having compromised a computer, an attacker can embed a rootkit deep inside of the machine's infrastructure and then leverage this foothold to manipulate a handful of key system constructs. The end result of this subtle manipulation is that the rootkit acquires a degree of covert influence. The external party can intercept sensitive information and control what happens while remaining concealed in the background, just like a black-clad stage handler in a Kabuki theater production. All it takes is the right kind of access and a detailed understanding of how things work.

Stepping back from the trees to view the forest, one might postulate that something similar has already taken place in the power structure of the United States. Does this metaphor carry over into the greater scheme of things? In other words, have our political institutions been rooted? Has the infrastructure silently been undermined by people who've acquired the access necessary to manipulate key components and implement their own agenda?

Pluralists would contend that this is not the case. They'd argue that true power in the United States has been constitutionally granted to "the people" through mechanisms like the electoral process, freedom of speech, and the ability to establish interest groups. The traditional view is that these aspects of our political system result in a broad distribution of power that prevents any one faction from gaining an inordinate amount of influence.

Over the course of this essay I will demonstrate how the pluralists are wrong. To this end, I'll begin with a metaphor that will serve as a framework for my argument.

## The Metaphor: Infestation Revisited

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When stealth technology has been deployed during an attack, what's happened isn't usually apparent. Such is the insidious nature of a rootkit. A well-trained eye may discern that the targeted machine is slightly less responsive than usual or have the vague impression that the system isn't functioning as it should. In the absence of a full-blown security assessment by a professional the user may never realize that the integrity of his machine has been compromised.

Discovering exactly how the machine was compromised will require an in-depth assessment that traverses several layers of causality (see Figure 1). On the most direct level, the assessor may find that the machine has been hit by a zero-day exploit. This would be the *exciting cause*. This is what caused the machine to be infected.

Naturally, there are also *predisposing causes* that enabled the exciting factor, like poor quality assurance on behalf of the vendor, not to mention that the exploited application was probably a large complicated product, and hence more prone to bugs.

Finally, there are *remote causes* that have an even less obvious connection to what happened. For example, the user who owns the infected machine may have been in a rush to go somewhere and accidentally clicked on something that he wouldn't normally have clicked on.

The end result of the infestation is that the targeted machine can't be trusted to do what it claims to be doing or to provide the user with accurate information. The rootkit that's been lodged in the recesses of its infrastructure conceals the influence of the intruder, who will no doubt be busy finding ways to monetize their access at the expense of the user (e.g. identity theft, credit card fraud, etc.).

As I discussed in the previous chapter, the only fool proof way to return the targeted machine to a trusted state is to rebuild it. With a rootkit, you can never be sure just how deep the subversion extends. A surgical strike may succeed in unearthing peripheral artifacts (or, in the pathological case decoy binaries) but fail to remove the core components of the rootkit, allowing the intruder to regain access.

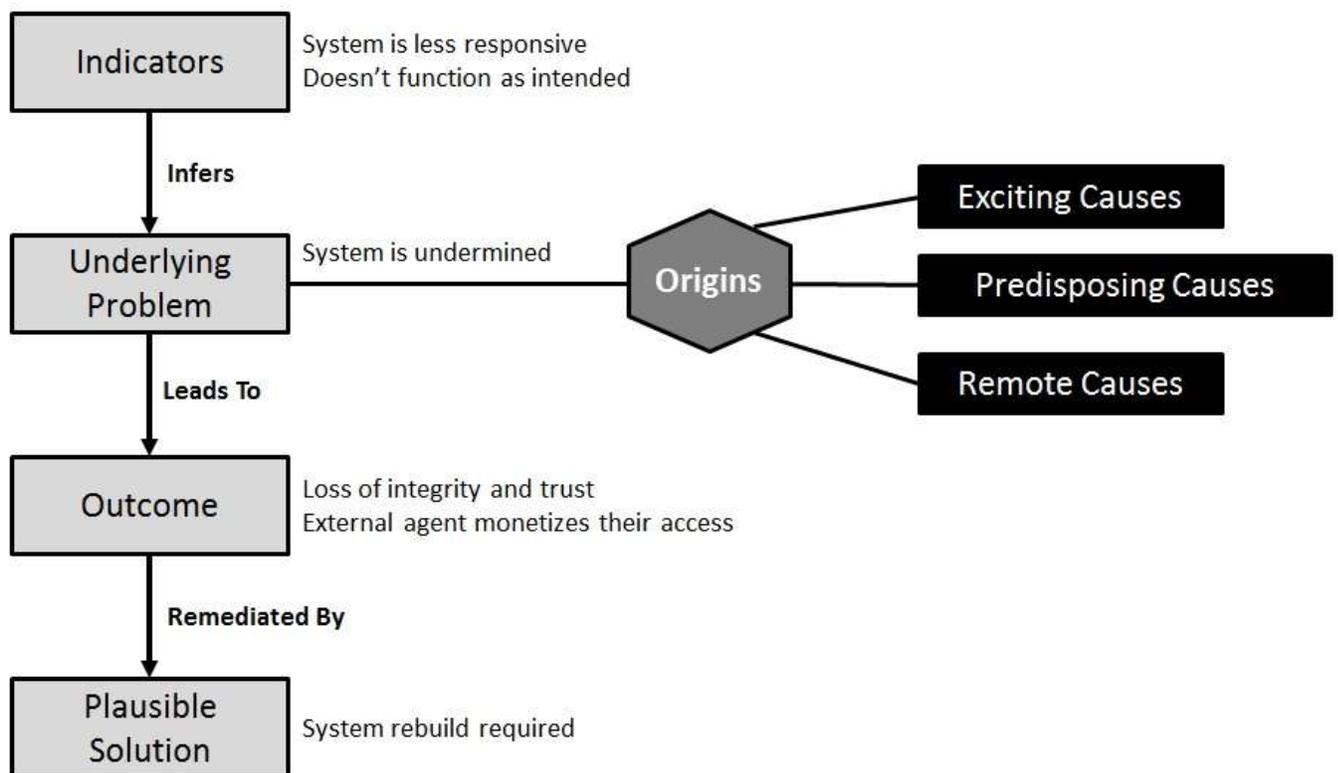


Figure 1

Take a moment to digest and internalize this metaphor (see Figure 1). In an abstract sense, this is exactly what's happened to the political system in the United States and the economic environment that our political system shapes.

## Visible Symptoms

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As with a compromised computer, what’s happening to our society isn’t patently clear. However, there are definitely secondary indications and warnings that hint that something is wrong. Our machine, so to speak, has become unresponsive and isn’t necessarily functioning as the framers intended it to. Specifically, since the 1970s there has been a growing economic disparity in the United States between the general population and a small subset of people at the top of the income spectrum.

This growing inequality has been well documented.<sup>1</sup> From 1974 to 2008, the share of all earned income in the United States (including capital gains) of the top 1 percent of our population increased from approximately 9 percent to slightly over 20 percent. For the top tenth of a percent of the population, these figures have gone from 2.7 to 10.4 percent of all earned income. Their share of the pie *more than tripled*.

It’s interesting to note that in 1928, just before the Great Depression, the top earners that made up the top tenth of a percent of the population were making more than 11 percent of all earned income in the United States. You can take a look at the raw numbers, they’re available online.<sup>2</sup>

While the wealthy were achieving impressive gains, things weren’t as rosy for middle-class Americans and blue collar workers. Data from the Congressional Budget Office is provided in Table 1.<sup>3</sup> As you can see, the poorest fifth of the population experienced an 11 percent rise in their average after-tax income from 1979 to 2006. The next two fifths experienced an increase of 18 percent and 21 percent, respectively.

The top 1 percent witnessed a staggering 256 percent rise.

Average Income After-Tax						
Year	Bottom 5th	Second 5th	Middle 5th	Fourth 5 <sup>th</sup>	Top 5 <sup>th</sup>	Top 1%
1979	14900	30100	42900	56100	98900	337100
2006	16500	35400	52100	73800	184400	1200300
% change	11	18	21	32	86	256

Table 1

Now consider the fact that income growth in all groups was fairly consistent across the board for a generation after World War II. Contrary to the propaganda espoused by supply-side economists, since the 1970s, the benefits of whatever economic growth that has occurred has primarily *trickled up* to the

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<sup>1</sup> Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913-1998", *Quarterly Journal of Economics*, 118(1), 2003, 1 - 39.

<sup>2</sup> <http://elsa.berkeley.edu/~saez/TabFig2008.xls>.

<sup>3</sup> [http://www.cbo.gov/publications/collections/tax/2009/average\\_after-tax\\_income.xls](http://www.cbo.gov/publications/collections/tax/2009/average_after-tax_income.xls).

top. If you look at the raw numbers in Table 1, it will become obvious that the vast majority of working people have been treading water or achieving modest gains (at best) while the people at the top of the spectrum have been raking it in.

Couple this sustained growth of economic inequality with constantly shrinking benefits, limited social mobility, and unemployment that hovers close to 10 percent.<sup>4</sup> Friends, welcome to the Winner-Take-All economy.

## The Underlying Problem

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*“In our society, real power does not happen to lie in the political system, it lies in the private economy.”*

Noam Chomsky

So, what’s going on? What accounts for the increasing disparity? If you look to Republican ideologues for guidance, they’ll point to a vast conspiracy on the left. Likewise, if you query the Democrats, they’ll point to a vast conspiracy on the right. The problem with this two-party schema is that it fails to recognize that we actually exist in a single-party system: *the corporate party*. Over the past three decades, business interests have gradually consolidated their control over the policymaking engine in Washington. In short, *they’ve rooted DC*.

Granted their influence isn’t total, but it’s considerable enough to dictate the rules that opposing groups must observe and to frame the terms of public discourse. In this manner, they’ve succeeded in using their control to shape the economy, reset tax rates, and generally get democracy to serve their economic goals.

One might argue: *“Hey, what’s so bad about corporations? I mean, a corporation is really just a bunch of people that work together. So what benefits a corporation also benefits the employees that constitute that corporation. What’s wrong with that?”*

To respond to this argument it’s necessary to understand the true nature of a corporation and the grotesque disparity that has evolved over the years between corporate leadership and the average rank-and-file employee.

First and foremost, by definition public corporations exist to maximize shareholder value. It just so happens that, as of 2007, the wealthiest 1 percent of the United States population owns about half of all outstanding stock, financial securities, trust equity, and business equity, and 28 percent of non-home

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<sup>4</sup> Jacob Hacker and Paul Pierson, *Winner-Take-All Politics: How Washington Made the Rich Richer and Turned Its Back on the Middle Class*, Simon & Schuster, 2010

real estate. Furthermore, the top 10 percent of the richest families accounted for about 85 to 90 percent of stock shares, bonds, trusts, business equity, and non-home real estate.<sup>5</sup>

Couple this with the fact that those at the top of the corporate pyramid, the CEOs and executive officers, are paid far more than the typical employee. In 1965, the average CEO made around 24 times what the average worker made. By 2007, this figure had rocketed to 300 times the average wage.<sup>6</sup> In 2009, the average income of a CEO at an S&P 500 corporation was more than \$8 million a year.<sup>7</sup>

So, when large corporations organize to impose their agenda on the policymaking machinery in Washington, ultimately they're doing so to benefit the economically privileged members at the top of the income spectrum. The people who control this country are the same individuals who control big business. Specifically, I'm talking about men like David and Charles Koch.<sup>8</sup> I'm also referring to men like Lloyd Blankfein<sup>9</sup>.

This state of affairs highlights the reality that *the true decision makers in our society aren't the elected officials*. Hence this section's opening quote. The command and control messages that manage the political rootkit originate from outside the Beltway. They filter in from corner offices in Manhattan and boardrooms at blue chip corporations.

Decisions get passed down through informal back channels, and are then transmitted to our political machinery by well-funded non-governmental organizations (NGOs) and lobbying groups. Our governing institutions in DC are merely a conduit for elite power. Our elected officials are lightning rods that distract our attention away from the relatively small economically privileged groups that pull the strings.

In the minds of the corporate elite, who regularly jump from one continent to the next over the course of a week, the concept of a nation-state is a remnant of history. In their minds, governments exist to support their business operations and enable corporate interests to follow their drive to increase shareholder value. Hence, antiquated notions of patriotism or national identity get thrown out of the window.

It goes without saying that these same corporate interests will vehemently deny the scope of their influence in Washington. They'll claim that (with homage to Ayn Rand) it's their Galt-like superiority that accounts for the economic chasm that has appeared. I suspect this is because they recognize that their current sway over the political domain is, strictly speaking, *culturally illegitimate*, not to mention that if

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<sup>5</sup> Edward N. Wolff, *Recent Trends in Household Wealth in the United States: Rising Debt and the Middle-Class Squeeze—an Update to 2007*, Levy Economics Institute of Bard College, March 2010.

<sup>6</sup> Mishel, Lawrence, Jared Bernstein, and Heidi Shierholz, *The State of Working America 2008/2009*, ILR Press, 2009.

<sup>7</sup> Anderson, Collins, Pizzigati, Shih, *CEO Pay and The Great Recession*, Institute for Policy Studies, September 2010.

<sup>8</sup> Jane Mayer, "Covert Operations: The billionaire brothers who are waging war against Obama," *New Yorker*, August 30, 2010.

<sup>9</sup> Matt Taibbi, "Why isn't Wall Steet in Jail?" *Rolling Stone*, February 16, 2011.

they came out and openly admitted that they were running the show, the rest of us might actually do something about it.

## Layers of Causality

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How did it come to this? Over a 30-year span, how did the corporate interests that represent the upper class commandeer our political institutions and use them to monetize their influence? There is no single culprit. In fact, it would be naïve to point a finger at any one cause. As with security incidents, there are typically a number of different factors acting in concert at various levels.

### Exciting Causes

In the late 1960s and early 1970s, business interests faced a series of major political defeats that revolved around government regulation (the National Traffic and Motor Vehicle Safety Act 1966, the National Environmental Policy Act 1969, and Occupational Safety and Health Act 1970, and so on).

In response, corporate interests organized so that they could pool resources, acquire domain-specific expertise, and proactively initiate sustained, carefully coordinated campaigns across multiple fronts. They formed groups like the Business Round Table, which was established in 1972, and bolstered the ranks of existing organizations like the U.S. Chamber of Commerce.

The overarching goal of this crusade was to influence the policymaking process to better serve the corporate agenda. Whereas elections may decide who ends up in office, what a legislator does once he gets there is what really counts. *Who cares who gets elected just as long as you can quietly guide what he does after the fact?* Hence, business interests directed a lot of resources (i.e. read money) to this end through lobbying, often without regard to party affiliation.

According to the Center for Responsive Politics, business interests gave \$1.3 billion to candidates and political parties in 2010. Compare this to labor interests, which only gave \$92 million. Now consider the fact that \$3.47 billion was spent on lobbying in 2010. Furthermore, most of the big spenders in the lobbying arena are corporate players. Table 2 lists the top 10 largest lobbying groups ordered by dollars spent.<sup>10</sup>

As you can see, the unions are completely outgunned. To fight a war you need a winning strategy, a disciplined and capable organization and (most importantly) the resources to support it through long-term conflicts. When it comes to possessing the money to raise and sustain armies, the wealthy elite hold the advantage.

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<sup>10</sup> <http://www.opensecrets.org/lobby/top.php?showYear=2010&indexType=s>

Organization	Lobbying Cash Spent
US Chamber of Commerce	\$132,067,500
PG&E	\$45,460,000
General Electric	\$39,290,000
FedEx Corp	\$25,582,074
American Medical Association	\$22,555,000
AARP	\$22,050,000
Pharmaceutical Researchers & Manufacturers of America	\$21,740,000
Blue Cross/Blue Shield	\$21,007,141
Conoco Phillips	\$19,626,382
American Hospital Association	\$19,438,358

Table 2

Aside from overtly funneling cash to legislators, business also plowed head-first into the idea market by establishing a slew of think tanks like the Heritage Foundation, the Cato Institute, the Manhattan Institute, and The American Enterprise Institute.

To disseminate ideas to their target audience (potentially receptive officeholders), these “policy institutes” invested heavily in public relations and outreach. Almost all of them have offices on Capitol Hill so that they can stay in close contact with their primary audience. They also serve as way stations of a sort, where politicians who’ve left office can take refuge, write a few position papers, and maintain an income until the revolving doors in DC scoop them back into government.

Most of these corporate-based policy institutes aren’t so much about providing objective research as they are intended to sway opinion and frame public debate. This is a nice way of saying that they often work very diligently at finding all sorts of ways to convince people that what’s good for the economically privileged is also good for the average Joe. In other words, they look for ways to justify and embellish measures that most people wouldn’t support if they had an honest appraisal of why these ideas were being pushed out into public debate to begin with. Really, the captains of industry can’t come out and say “support this initiative, it’s going to royally screw you and your community.” So, they have to dress up their plans to look like something else so that people can be given the impression that they’ll benefit somehow.

Some think tanks are even brazen enough to show their colors outright and declare that they exist to *“formulate and promote conservative public policies based on the principles of free enterprise, limited government, individual freedom, traditional American values, and a strong national defense.”*

### ASIDE – The Powell Memorandum

The blueprint that large corporations used (aggressive lobbying, policy institutes, a heavy emphasis on public relations, etc.) in their effort to gain control bears an uncanny resemblance to ideas presented in a memo that a corporate lawyer named Lewis Powell sent to the director of the U.S. Chamber of Commerce on August 23, 1971<sup>11</sup>. Two months later, Powell accepted Richard Nixon's nomination to serve on the U.S. Supreme Court.

In his memo, Powell asserts that *“Strength lies in organization, in careful long-range planning and implementation, in consistency of action over an indefinite period of years, in the scale of financing available only through joint effort, and in the political power available only through united action and national organizations.”*

Powell also emphasizes the need to *“establish the staffs of eminent scholars, writers and speakers, who will do the thinking, the analysis, the writing and the speaking. It will also be essential to have staff personnel who are thoroughly familiar with the media, and how most effectively to communicate with the public.”*

Using their newfound organizational clout, over the past three decades big business has succeeded in neutering the one political group that has consistently fought for economic issues on behalf of middle-class and working-class Americans: the unions.

Whereas many researchers point to globalization, capital flight, and the technical advances that hastened it as the central impetus behind the erosion of labor's political influence, I don't think this is the case. Granted, multinationals have succeeded in pitting workforces in different countries against each other. Nevertheless, *our economy is shaped by the laws that our elected officials enact (or, even more importantly, fail to enact)*. To see this, all you have to do is look at other major industrialized democracies that have more robust unions despite the emergence of a global economy. Good examples would be Denmark, Sweden, and Canada. What's happened in the United States is not simply a matter of global trends but rather of domestic politics.

In the years immediately after World War II, union strength was on an upswing and union density stood at more than 30 percent of nonagricultural employment.<sup>12</sup> In response to the serious threat that this alternate power structure represented to business, a Republican dominated Congress enacted the Taft-Hartley Act over the veto of President Truman in 1947. This act imposed limits on the ability of unions to strike and picket. Section 14(b) of this act, in particular, permitted individual states to prohibit unions from making membership a condition of employment.

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<sup>11</sup> [http://reclaimdemocracy.org/corporate\\_accountability/powell\\_memo\\_lewis.html](http://reclaimdemocracy.org/corporate_accountability/powell_memo_lewis.html).

<sup>12</sup> Gerald, Mayer, "Union Membership Trends in the United States" (2004). *Federal Publications*. Paper 174.

As corporate interests organized and began to flex their collective muscles in the late 1970s and 1980s, management became more aggressive with tactics that were intended to stymie union mobilization. This is reflected by the dramatic increase in violations of the National Labor Relations Act (the Wagner Act) that were filed against businesses by unions.<sup>13</sup> In fact, anti-union operations became so widespread that a multimillion-dollar industry of “union-avoidance” consultants flourished during these years.<sup>14</sup> Businesses also leveraged section 14(b) of the Taft Hartley Act by moving operations to states that were less conducive to union activity.

Attempts to pass pro-labor reform measures on Capitol Hill tended to fizzle out before reaching critical mass. For example, the Labor Law Reform bill of 1978 was foiled by a Senate filibuster. Likewise, the Common Situs Picketing bill was vetoed by President Ford in 1975 before failing to muster the necessary votes to override the veto. The inability to introduce reform was pivotal because it *prevented the legal rules that govern the market from keeping up with prevailing conditions*. All that business lobbyists had to do was to get lawmakers to obstruct legislation that would allow labor to adapt to the new, more hostile environment. Think of it as a form of stealth legislation by omission.

In addition to crippling the unions, over the past 30 years business leaders embarked on a crusade that championed deregulation. The financial industry was a particularly attractive target. In 1999, Congress enacted the Gramm Leach Bliley Act, which repealed provisions in the Glass Steagall Act of 1933 that barred institutions from acting as any combination of a commercial bank, investment bank, and insurance company. This facilitated massive consolidation (think, too big to fail).

Then there’s the Commodity Futures Modernization Act (CFMA) of 2000, which (among other things) exempted over-the-counter derivatives like credit default swaps from regulation by the SEC and the Commodity Futures Trading Commission. The CFMA essentially allowed institutions to commit to larger, riskier transactions involving complicated (if not opaque) financial instruments with very little oversight. Speculative excess was rampant. If a banker’s bet paid off, he did a victory lap and collected a fat bonus check. If a banker’s bet went belly-up, the U.S. taxpayer footed the bill to cover both the toxic debt and the bonus check.

The deregulation wave was a huge payday for Wall Street. During the period 2000 - 2008, the top five executives at Bear Stearns and Lehman Brothers raked in \$2.4 billion from equity sales and cash bonuses.<sup>15</sup> And these were banks that went under! From the mid-1990s onward, research performed by professors from New York University and the University of Virginia concluded that up to half of the wage differential that exists between the financial sector and other sectors can be attributed to government deregulation.<sup>16</sup> These inflated salaries, in turn, make it difficult for regulators to develop the talent

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<sup>13</sup> Robert Flanagan, “Has Management Strangled U.S. Unions?” *Journal of Labor Research* 26, no. 1, December, 2005.

<sup>14</sup> John Logan, “The Union Avoidance Industry in the United States,” *British Journal of Industrial Relations*, 44:4, December, 2006.

<sup>15</sup> <http://www.law.harvard.edu/faculty/bebchuk/pdfs/BCS-Wages-of-Failure-Nov09.pdf>.

<sup>16</sup> Thomas Philippon and Ariell Reshef, *Wages and Human Capital in the U.S. Financial Industry*, National Bureau of Economic Research, January 2009, <http://www.nber.org/papers/w14644.pdf>.

necessary to keep up with the frenzied pace of the financial industry and grasp it well enough to exert control. In a sense, deregulation accounts in part for regulatory failure. The more rules you take away, the harder it is to monitor the resulting market.

Extravagant compensation isn't limited to corporate officers in the financial sector. As mentioned earlier in the chapter, executive pay across the United States is now hundreds of times greater than that of the average worker. This stems largely from a flawed corporate governance system that allows executives to influence the board members that set their pay, in addition to stealthy compensation practices (deferred compensation, "backdating" option values, etc.) that are intended to make it difficult for investors to discern them as such. Although the Sarbanes Oxley Act of 2002 was a step in the right direction, corporate lobbying groups were able to undermine the sort of reforms that would have led to even greater board independence.<sup>17</sup>

Finally, the elite has been fairly successful at consistently lowering its tax rates over the past 30 years. In 1960, the top tenth of a percent of the income spectrum experienced an average tax rate of over 70 percent. By 2005, this figure had shrunk to 35 percent.<sup>18</sup> No doubt the Bush tax cuts of 2001 and 2003 played a role in this steady downward trend. According to a study by the Congressional Budget Office, households earning more than \$1 million a year witnessed their federal tax rates fall more sharply than any group in the country as a direct result of President Bush's tax cuts.<sup>19</sup>

When the time came for President Obama to consider these tax cuts, Republican senators threatened to filibuster until the matter was formally addressed. Though Obama defiantly referred to these Republicans as "hostage-takers," after much grumbling in 2010, he ultimately approved a bill that extended the tax cuts until 2012. Let that be a lesson to you, dear reader: Until the economically privileged are happy, no one else gets to be happy.

## **Predisposing Causes**

We've seen how the corporate interests started massing their armies in the 1970s to lobby elected officials and sway their voting behavior. The end result was that big business succeeded in getting democracy to serve capitalism. They crippled labor, deregulated the financial markets, obstructed attempts to reign in executive compensation, and gave themselves nice tax cuts. In the meantime, everyone else treads water.

What underlying aspects of American democracy enabled this to happen?

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<sup>17</sup> Lucian Bebchuk and Jesse Fried, *Pay without Performance: The Unfulfilled Promise of Executive Compensation*, Harvard University Press, November, 2004.

<sup>18</sup> Thomas Piketty and Emmanuel Saez, "How Progressive is the U.S. Federal Tax System? A Historical and International Perspective," *Journal of Economic Perspectives*, Volume 21, Number 1, Winter 2007.

<sup>19</sup> Edmund Andrews, "Tax Cuts Offer Most for Very Rich, Study Says," *New York Times*, January 8, 2007.

One feature of our system is that it is inclined toward gridlock. If one political group wishes to obstruct the passage of legislation, it's not that difficult. As we saw with the Labor Law Reform bill of 1978, the filibuster is an effective weapon. Another common tactic is for a representative who has been co-opted by lobbyists to claim something like "while I support this measure in spirit, there are certain provisions that I find objectionable."

As the business environment changes, legislation often needs adjustment to keep up with prevailing market conditions. Failure to do so results in what Walter Lippman called "drift." For example, in the 1970s and 1980s, corporations openly and regularly engaged in behavior that violated existing labor laws (firing workers who they suspected were trying to organize). They knew, however, that paying a fine for breaking the law would be cheaper than allowing workers to unionize over the long run. By hindering or quietly stalling the enactment of bills that would remediate problems like this, legislators could appease corporate lobbyists and support anti-union activity without overtly appearing to. After all, most political analysts focus primarily on an elected official's voting record. What this mindset fails to acknowledge is that inaction itself can be viewed as a form of stealth legislation.

Then there's also the matter of voter disengagement. In the 2010 midterm elections, only 40.7 percent of those eligible to vote did so (approximately 89 million people).<sup>20</sup> Compare this to the 111 million people who watched the Super Bowl in 2011. While I would bet that most middle-class people probably understand to some degree that they're being given the short end of the stick, these same people fail to commit themselves to instituting meaningful change. They'd rather spend their spare time with their families, follow their favorite TV dramas, watch sports, or whatever. In other words, they haven't reached the point where they feel compelled to do something. Despite being on the losing end of a class war, ordinary people are still seemingly content enough with bread and circuses.

This begs the question: why aren't we outraged enough to take action? One reason is that the major media outlets (the "agenda-setting" elements of the press) mostly adhere to the Propaganda Model spelled out by Noam Chomsky and Edward Herman in their book *Manufacturing Consent*. The Propaganda Model predicts, quite accurately, that the big news outlets frame issues in such a way as to inculcate and defend the agenda of the privileged groups that dominate the private economy.

This is no accident as the major outlets, like the *Wall Street Journal* (the biggest daily newspaper according to the Audit Bureau of Circulation), are part of large publicly traded corporations. Being publicly traded, the agenda-setters are beholden to the desires of Wall Street, where investors measure their value as a function of the profit that they generate.

Business leaders are well aware of this dynamic. In his 1971 memorandum to the director of the U.S. Chamber of Commerce, Lewis Powell observed "*Most of the media, including the national TV systems, are owned and theoretically controlled by corporations which depend upon profits, and the enterprise system to survive.*"

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<sup>20</sup> Michael McDonald, "Voter Turnout in the 2010 Midterm Election," *The Forum*, Volume 8, Issue. 4.

The *Wall Street Journal* sells roughly 2 million papers every day,<sup>21</sup> and advertisement revenue is substantial enough that the executives who control the outlet have considered simply giving away online content for free.<sup>22</sup> What this demonstrates is that major news sources like the *Wall Street Journal* have a product (their readers) that they sell to the buyers in the market (the advertisers).

As it turns out, the profit margin in this market can be pretty good. This is because papers like the *Wall Street Journal* maintain a channel to a valuable commodity: society's high level decision makers. In other words, many of the people who read the *Wall Street Journal* also represent America's *political class*. According to ABC News, the average household income of the *Wall Street Journal's* subscriber in 2007 was approximately \$235,000.<sup>23</sup>

So what's going on is that you have one large corporation selling its product to other large corporations, where the product is the eyes and ears of the ruling class. It only makes sense that the ideas put forth will be those that cater to the economic desires and political inclinations of the parties involved. In fact, this kind of distortion is exactly what Noam Chomsky and Edward Herman discovered while studying the nature of the mass media.

Take the hysteria surrounding WMDs and the alleged connection between Saddam Hussein and Al Qaeda in the days before the United States invaded Iraq. All the big outlets, such as the *New York Times*, the *Wall Street Journal*, and the *Washington Post*, compliantly played along when the Bush Administration paraded its fraudulent evidence in front of the American public and called it "undeniable proof."

Why? How did they get away with it? According to Dan Rather<sup>24</sup>:

*"Fear is in every newsroom in the country. And fear of what? Well, it's the fear it's a combination of: if you don't go along to get along, you're going to get the reputation of being a troublemaker. There's also the fear that, you know, particularly in networks, they've become huge, international conglomerates. They have big needs, legislative needs, repertory needs in Washington. Nobody has to send you a memo to tell you that that's the case."*

The end result of voter apathy is that politicians realize the level of civic disengagement that exists and tend to give their attention to the groups that can exert the necessary organizational pressure to reward (or punish) them for supporting a certain agenda. Given the money-intensive nature of electoral politics, where much of what's spent gets directed toward campaign advertising,<sup>25</sup> insofar as economic issues are concerned the stances that our elected officials assume are largely determined by corporate lobbies. In

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<sup>21</sup> <http://abcas3.accessabc.com/ecirc/newstitlesearchus.asp>.

<sup>22</sup> Catherine Holahan, "The Case for Freeing the WSJ Online," *BusinessWeek*, August 10, 2007.

<sup>23</sup> Scott Mayerowitz, "What Do the Rich and Powerful Read?" *ABC News*, July 28, 2007.

<sup>24</sup> <http://www.pbs.org/moyers/journal/btw/transcript1.html>.

<sup>25</sup> <http://wiscadproject.wisc.edu/>.

light of the 2010 Citizens United decision by the U.S. Supreme Court, which ruled that the government cannot ban political spending by corporations, this tendency will only become more pronounced.

## Remote Causes

There are subtle currents flowing beneath the political landscape of the United States. In the years after World War II, the wealthy elite of this country faced an opposing ideology that posed a grave threat to their existence. They recognized this, even if only on a subconscious level, and knew that they would have to allow the average person to share in the post-war industrial boom lest the working class be tempted to explore alternatives. Basically, the existence of another option, as terminally flawed as it admittedly was, served to reign in the kind of excesses of greed and venality that we're witnessing now.

With the end of the Cold War, core ideological alternatives are, for all intents and purposes, an artifact of the past. Market fundamentalism is the official state religion. The captains of industry in the United States have a captive audience, and the tacit obstacles that discouraged them from gradually chipping away at the middle class no longer exist. The general public has nowhere else to go, so to speak, and they can kick and pummel us as they wish.

To compound this development, we have become a society mired in secrecy. In a 1971 court deposition, Max Frankel (the then Washington bureau chief of the *New York Times*) stated:

*"Practically everything that our Government does, plans, thinks, hears and contemplates in the realms of foreign policy is stamped and treated as secret -- and then unraveled by that same Government, by the Congress and by the press in one continuing round of professional and social contacts and cooperative and competitive exchanges of information."*<sup>26</sup>

This side of our government has been explored at great length by Dana Priest and Bill Arkin in their *Top Secret America* project, which studies the post-9/11 national security build up.<sup>27</sup> For instance, they report that some 854,000 people in the United States hold top-secret security clearances (more than the entire city of San Francisco) and that the output that this workforce generates is encapsulated in more than 50,000 intelligence reports each year. These secret publications represent such a towering mountain of data that, according to Priest and Arkin, many are simply ignored.

To put these figures into perspective, consider the following question posed by Dana Priest:

*"Over the past two years, one of the most thought-provoking observations I have heard from both military and intelligence folks is this: There are probably 500 al-Qaeda members left in the Afghanistan-Pakistan region. At most, the organization may have a couple thousand people worldwide. Why do we need such a large intelligence effort - the 1,300 agencies we identified that are a part of this effort- to defeat a couple thousand people?"*

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<sup>26</sup> <http://www.pbs.org/wgbh/pages/frontline/newswar/part1/frankel.html>.

<sup>27</sup> <http://projects.washingtonpost.com/top-secret-america/>.

This excessive secrecy doesn't necessarily serve to make us more secure. In fact, one could argue that, more often than not, it exists to marginalize us and conceal the policymaking process, to enable our leaders to claim one thing and do another without fear of being held accountable.

When Nixon wanted to obstruct the FBI's investigation of the Watergate break-ins, he asserted, by way of the CIA, that national security was at stake. When the U.S. government tried to block the publication of the *Pentagon Papers*, the basic argument was that the material constituted a threat to national security. When officials want to avoid embarrassment after shelling out \$20 million for phony software that failed to predict terrorist plots, they fall back on the excuse of national security.<sup>28</sup> When our leaders condemn WikiLeaks for disclosing State Department cables, once again they turn to national security. Contrast this against the stance of Javier Moreno, the editor-in-chief of *El País*<sup>29</sup>:

*"Tens of thousands of soldiers are fighting a war in Afghanistan that their respective leaders know is not winnable. Tens of thousands of soldiers are shoring up a government known around the world to be corrupt, but which is tolerated by those who sent the soldiers there in the first place. The WikiLeaks cables show that none of the Western powers believes that Afghanistan can become a credible nation in the medium term, and much less become a viable democracy, despite the stated aims of those whose soldiers are fighting and dying there. Few people have been surprised to learn that the Afghan president has been salting away millions of dollars in overseas aid in foreign bank accounts with the full cognizance of his patrons."*

As John Young, the researcher who runs [Cryptome.org](http://cryptome.org), explained to a reporter from the *Wall Street Journal*<sup>30</sup>:

*"Secrecy hides privilege, incompetence and deception of those who depend on it and who would be disempowered without it.*

*The very few legitimate uses of secrecy have served as the seed for unjustified expanded and illegitimate uses.*

*A vast global enterprise of governments, institutions, organizations, businesses and individuals dependent up the secrecy of abuse of secrecy has evolved into an immensely valuable practice whose cost to the public and benefits to its practitioners are concealed by secrecy...*

*Secrecy poses the greatest threat to the United States because it divides the population into two groups, those with access to secret information and those without. This asymmetrical access to information vital to the United States as a democracy will eventually turn it into an autocracy run by those with access to*

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<sup>28</sup> Eric Lichtblau and James Risen, "Hiding Details of Dubious Deal, U.S. Invokes National Security," *New York Times*, February 19, 2011.

<sup>29</sup> <http://www.thenation.com/article/158988/age-wikileaks-end-secrecy>.

<sup>30</sup> <http://cryptome.org/0002/wsj-secrecy.htm>.

*secret information, protected by laws written to legitimate this privileged access and to punish those who violate these laws.*

*Those with access to secret information cannot honestly partake in public discourse due to the requirement to lie and dissimulate about what is secret information. They can only speak to one another never in public. Similarly those without access to secret information cannot fully debate the issues which affect the nation, including alleged threats promulgated by secret keepers who are forbidden by law to disclose what they know.”*

## The Eventual Outcome

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In the absence of countervailing forces, the trend of growing inequality will continue unabated. Power is like a narcotic, and the people who possess wealth and privilege tend to want more. For many, exercising influence is a matter of psychological validation. The people funding all of those corporate lobbyists want to build a legacy that reaches out into the future.

If the degree of economic inequality continues to grow, the United States will witness the complete demise of its middle class, and this country will descend into oligarchy. This cannot possibly be a healthy development for our society or our political system. Those who control our capital will rule, leaving the bulk of the population inertly simmering at the other end of the income spectrum.

What would life be like for the average person in this scenario?

Imagine Hurricane Katrina on a national scale. Those who can afford it, the same people who rigged our political system for own their economic benefit, will save themselves. The rest of us will be stuck standing on our roofs, nervously watching the water rise and listening to propaganda that tells us not to worry.

## Searching for Solutions

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How do we find our way out of this destructive trend? If you listen to conservative political leaders, they'll claim that we need to reduce market regulation and let Adam Smith's invisible hand do the rest. If you question elected officials on the liberal side of the political fence, they'll claim that we need to become more competitive by investing in education.

As I'll clearly demonstrate, both of these recommendations are flawed strategies that conceal an ulterior motive. The unpleasant reality is that there is no simple prescription. Regaining a voice in our political system will be an exhaustive trek that will demand mobilization on an unprecedented scale.

## The Myth of the Free Market

Though Libertarians and their ilk may entertain the notion of a free market, where buyers and sellers operate in the absence of government intervention, this is nothing more than philosophical hubris. Our government has always intervened extensively in the U.S. economy and in terms of dollars spent is more involved with the markets than is any other political system on the planet. The real question is on whose behalf does the government intervene?

During its developmental stage, when the United States was attaining parity with Germany and Great Britain as an industrial nation, it was not uncommon to see tariffs on manufactured goods that were set at 40 to 50 percent.<sup>31</sup> How else could we have competed against countries that already had mature infrastructures and several years of lead time?

In this day and age, the defense industry is a primary recipient of state intervention. As Eisenhower noted in his 1961 farewell address, “We annually spend on military security more than the net income of all United States corporations.” In 2010, defense spending was in the neighborhood of \$700 billion.<sup>32</sup> This sort of expenditure makes the Pentagon a very influential actor in the U.S. economy. In fact, the Pentagon even goes so far as to visit investor conferences to promote the contractors that it buys from.<sup>33</sup>

The bankers, however, take things to a whole new level. In 1998, the U.S. Federal Reserve organized a \$3.6 billion bailout of Long-Term Capital Management (LTCM). This was just a warm-up for the \$85 billion loan that the Fed extended to insurer AIG in September 2008. This, in turn, was just a warm-up for the \$700 billion in loans that the Fed provided as a part of its emergency plan to rescue our financial industry from the mortgage debacle.<sup>34</sup> In a nutshell, the major banks gave our legislators an ultimatum: bail us out or we’ll take down the entire economy with us. This is the sort of behavior you can get away with when you spend hundreds of millions of dollars lobbying in DC.

Years later, *no one has served any jail time*. This fact, all by itself, is a very telling sign of who truly wields power in this country.

The concept of a “free market” is nothing more than an ideological pretext that corporations and politicians dust off when it suits their purposes. What exists is a thinly veiled double standard. The ranks of the unemployed can be sternly lectured by drug-addled political commentators on the merits of self-reliance and financial sacrifice. But when it comes to the multinational corporations and financial institutions, these same people assert that the U.S. taxpayer must be there to share the pain.

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<sup>31</sup> John Cassidy, “Enter the Dragon: Why ‘State Capitalism’ is China’s Biggest Knockoff,” *The New Yorker*, December 13, 2010.

<sup>32</sup> <http://www.gpoaccess.gov/usbudget/fy11/pdf/hist.pdf>.

<sup>33</sup> Joe Nocera, “From Pentagon, a Buy Rating on Contractors,” *New York Times*, February 11, 2011.

<sup>34</sup> <http://www.pbs.org/wgbh/pages/frontline/meltdown/>.

Though free market advocates ridicule protectionist measures as decidedly un-American, it's these same measures that allowed us to nurture our domestic industries and grow into an economic superpower. Intel's former CEO Andy Grove has a few words of his own to add to this vein of thought:<sup>35</sup>

*"There was a time in this country when tanks and cavalry were massed on Pennsylvania Avenue to chase away the unemployed. It was 1932; thousands of jobless veterans were demonstrating outside the White House. Soldiers with fixed bayonets and live ammunition moved in on them, and herded them away from the White House. In America! Unemployment is corrosive. If what I'm suggesting sounds protectionist, so be it."*

## Education Is Not a Panacea

Another excuse for the current state of affairs is that our workforce lacks the skills necessary to compete in a global economy, and we need to retool our educational system to compensate for the shortage of workers who have the requisite background in science, technology, engineering, and mathematics (STEM).

Despite claims of a talent shortage, the fact is that *there's a surplus of talent*. Here's one indicator: between 2005 and 2009, the United States produced more than 100,000 doctoral degrees. During this time period, there were only 16,000 new professorships.<sup>36</sup>

There also appears to be a surplus of talent at the undergraduate level. For example, over an 18-year period, the National Center for Education conducted a series of four surveys in which graduates were asked if they thought that their current jobs didn't require college level skills. In 1976, roughly 24 percent of the respondents claimed that their current jobs did not require college-level skills. By 1994, this number shot up to 44 percent.<sup>37</sup> Couple this with the fact that in 2009 only half of all employed college graduates were doing work that had anything remotely to do with what they studied in school.<sup>38</sup>

Does this merely indicate that our graduates are just studying the wrong subjects?

A 2007 publication by the Urban Institute reported that there were 15.7 million American workers who attained at least one degree in a science and engineering field, but only 4.8 million workers employed in science and engineering occupations. Sorry, this glaring discrepancy cannot simply be explained by underachieving graduates failing to qualify for jobs.

According to Norman Matloff, a professor of computer science at UC Davis:

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<sup>35</sup> Andy Grove, "How America Can Create Jobs," *Bloomberg Businessweek*, July 1, 2010.

<sup>36</sup> Andrew Hacker and Claudia Dreifus, *Higher Education?: How Colleges Are Wasting Our Money and Failing Our Kids---and What We Can Do About It*, Times Books, 2010.

<sup>37</sup> National Library of Education, *College for All? Is There Too Much Emphasis on Getting a 4-year College Degree?* US Department of Education, LA226 .B64 1999.

<sup>38</sup> National Center for Education Statistics, *Digest of Education Statistics 2009*, Table 391.

*“We’ve got plenty of good bachelor’s and master’s degree holders in science and engineering. The problem is that they are not being utilized. The same employers who scream ‘Johnnie can’t do math’ are busy laying off lots of workers who CAN do math quite well. It’s total hypocrisy, and of course totally diabolical, as the easiest way to mislead people is to use education as a scapegoat.”*

What’s even more disturbing, as Matloff points out, is that this surplus of talent in the hard sciences was *created intentionally to depress salary levels.*

Go back and re-read the previous sentence. Believe it or not, this is a documented agenda based on an internal National Science Foundation (NSF) study. Harvard University professor Eric Weinstein has examined the gory details.<sup>39</sup>

*“A growing influx of foreign PhDs into U.S. labor markets will hold down the level of PhD salaries to the extent that foreign students are attracted to U.S. doctoral programs as a way of immigrating to the U.S. A related point is that for this group the PhD salary premium is much higher [than it is for Americans], because it is based on BS-level pay in students’ home nations versus PhD-level pay in the U.S.*

*[If] doctoral studies are failing to appeal to a large (or growing) percentage of the best citizen baccalaureates, then a key issue is pay... A number of [the Americans] will select alternative career paths... For these baccalaureates, the effective premium for acquiring a PhD may actually be negative.”*

The hue and cry that we hear from business leaders isn’t really about having the necessary skills. It’s about corporations having access to *cheap labor* so they can conduct global labor arbitrage in an effort to boost profits to the benefit of the stockholders (the wealthiest one percent). The idea that there’s a lack of talent in the United States is a fallacy that’s used when people want to justify sending work offshore or increasing the H-1B cap.

## **Can Our System Even Provide a Solution?**

With regard to institutional analysis, most of the books that I’ve read, documentaries that I’ve watched, and lectures that I’ve attended seem to indicate that if we simply become more democratic, or better informed, or more economically competitive, we can solve our problems. The standard explanation goes something like:

*“Well, there’s always been an ebb and flow in the political and economic realm. You’ll see, eventually things will turn around.”*

In other words, there’s an assumption being made. This assumption is that our version of democracy, as it stands now in the United States, is up to the task of preventing the ongoing trend of growing

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<sup>39</sup> Eric Weinstein, "How and Why Government, Universities, and Industry Create Domestic Labor Shortages of Scientists and High-Tech Workers," NBER, Harvard University, 1998, <http://nber.nber.org/~peat/PapersFolder/Papers/SG/NSF.html>.

inequality from following through to its grim conclusion. In other words, we can color within the lines and still paint a decent picture.

Personally, I'm not entirely confident that this is the case. I, for one, would sincerely hope that there would be a constructive path out of this spiral. But at the same time I'm also open-minded enough to acknowledge that, however unpleasant the prospect, there might not be. Nothing is written in stone.

Implementing meaningful change may take a colossal social upheaval, one that we've never seen before, not even during the bleakest days of the Great Depression. Over the past 30 to 40 years business interests have demonstrated that they can consistently go toe-to-toe with anyone in DC and come out on top. Will we be able to organize sufficiently to overcome the economic advantage of big business?

Make no mistake about it, the upper echelons of the corporate community know damn well what they're doing, and they're in this contest to win it all. Anyone who saw what happened in Wisconsin should have an instinctive appreciation for this. It's not enough to ask middle-class workers to sacrifice and compromise. Oh no, these pesky workers need to be stripped of their ability to collectively bargain and strike. Opposing power centers need to be whittled away until our political process is merely a charade that's staged to keep the general population deluded that it actually has a say in what happens.

We've all seen what's happened in the Middle East when the rulers finally push the local population over the edge. How far will the disparity in the United States have to go before it induces the opposition required to catalyze reforms that go beyond superficial change?

### **Historical Examples Offer Some Hope**

Despite the growing power of the corporate elite, there have been groups of ordinary people in the past who have challenged, and overcome, entrenched power structures through a combination of public awareness, litigation, and nonviolent direct action. These groups were ultimately able to realize their goals in terms of tangible legislation, like the 19th Amendment to the Constitution, the Wagner Act of 1935, the G.I. Bill of 1944, or the Civil Rights Act of 1964. In doing so, broad segments of society were given entry to, and subsequently able to benefit from, economic and political participation that hadn't previously existed.

In a system that's currently beholden to big money, it's conceivable that workers could regain a voice by organizing. As individuals in isolation, we're pretty helpless. The tectonic realignment taking place in the body politic is occurring on such a large scale that any one person couldn't possibly take it on alone. But as a group, the public could develop the infrastructure necessary to nurture domain knowledge, create new channels of communication that foster accountability, coordinate sustained action across multiple fronts, and maintain the sort of logistical continuity that allows an organization to learn from its mistakes.

The unspoken goal of most elected officials is to, above all, stay in office. By marshaling enough votes, the bulk of society could hypothetically overwhelm the lobbyists and their political war chests. It

doesn't matter how much air-time a campaign purchases if voters have already formed ranks against it and refuse to drink the Kool-Aid. Having overrun the beltway through sheer numbers, this legion of enraged voters could strip corporate interests of their primary weapon by forcing legislators to reconstruct our democratic system to take money out of the picture.

When a computer has been compromised by a rootkit, there's no better way to restore integrity and trust other than to rebuild it. In light of the shameful devastation that the existing status quo has wrought, a full rebuild is what needs to happen with our political machinery. Things have gone way, way, far beyond any sort of superficial Band-Aid solution (which is what most politicians prefer, because it placates Main Street without actually threatening Wall Street). As a nation, we need to make fundamental structural amendments that prevent wealthy people from buying what they want in DC.

It goes without saying that the decision makers will take steps to subvert popular movements that threaten the status quo. This is a matter of public record. As former CIA agent Miles Copeland noted,:

*"Intelligence and security services tend to be counterrevolutionary forces... the fact is that their functions are related to the preservation of the government in power, whatever their political leanings. They are firmly a part of the establishment."*

For example, in the 1976 report submitted by the Church Committee, the FBI's former director of intelligence operations (William C. Sullivan) testified that the bureau conducted an extensive program against Martin Luther King:

*"No holds were barred. We have used [similar] techniques against Soviet agents. [The same methods were] brought home against any organization against which we were targeted. We did not differentiate. This is a rough, tough business."*

Secret police tactics aside, the truly formidable barrier to implementing meaningful change will be eliciting the sort of outrage that gets people to act. Given what's happened during the past 30 or so years, you'd think that wouldn't be difficult. Yet, the United States of Amnesia sadly has become a nation resigned to the oblivion of reality TV and celebrity scandals. No thanks to a media that demonstrates a talent for distracting us with wedge issues and feeding us with whatever 5-minute snippets of misinformation the sponsors deem fit for consumption. Couple this with elected officials who have been bought out by corporate executives using a command and control structure that would make the Special Forces jealous. What you end up with is a tired political landscape that resonates with quiet desperation, as the really important decisions are shrouded under the official veil of state secrecy or quietly hammered out in private by an assemblage of unidentified lawyers, industry lobbyists, bureaucrats, and government front men. The rootkit, you see, is performing its job, and the body politic lumbers forward none the wiser.