STRENGTHEN SOCIAL SECURITY

...don't cut it.

What are the Implications of Rising Inequality for Social Security Policy?*

by Benjamin W. Veghte, Ph.D.

In this 80th anniversary year of Social Security, America faces income and wealth disparities greater than at any time since the 1920s.[1] Social Security was integral to overcoming the inequalities of that era. Expanding Social Security today should be a central component of efforts to overcome today's inequalities.

Social Security Paved the Way to Middle Class Retirement Security

Social Security was introduced by Franklin Delano Roosevelt in response to the stark inequalities in the period leading up to the Great Depression, and the economic insecurities that followed. His New Deal policies established a framework for the most broadly shared growth the country has experienced since industrialization. From 1947 through the late 1970s, in this progressively structured economy, a rising tide raised virtually all boats: economic growth was strong,[2] the real wages of American workers nearly doubled, and incomes at the bottom and middle of the income spectrum increased *faster* than those at the top.[3]

From Shared Prosperity to Slow and Unequal Wage Growth

From the late 1970s onward, however, wage growth began to stall. This was due in part to economic forces, principally intensified cross-border exchange and competition, technological innovation, and the information revolution.[4] Political choices drove rising inequality as well. Labor laws and regulations were revoked or laxly enforced, gutting union membership and workers' ability to bargain on an equal footing with corporations for wage increases.[5] Free trade agreements were established which subjected low-skilled workers to low-wage competition from developing countries.[6] And the minimum wage was allowed to deteriorate – by nearly a quarter over the past four decades.[7]

Social Security's Revenue Base has been Undermined by Growing Income Inequality

Due to these mutually reinforcing economic and political forces, corporations gained much greater leverage vis-à-vis their workers. They used it to direct a larger share of income to the owners of capital and high-level managerial employees, while the wages of average workers stagnated.[8] The labor share of national income has declined about 10 percent since 1980, while the capital share of income has increased by over a third.[9]

While incomes at the top – from wages and investments – have skyrocketed, the wages of the typical worker have stagnated: the median male worker earned roughly the same amount in 2010 as his predecessor in 1964.[10] As a result, whereas from 1948-79 two-thirds of aggregate income growth went

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to the bottom 90 percent, from 1979-2012 ***all*** income growth has gone to the top 10 percent of the income hierarchy.[11] In other words, since 1979, the bottom 90 percent of families, as a whole, have seen their income decline in real terms.

Social Security payroll taxes are levied only on wages, not on income from capital. Moreover, because contributions are not due on earnings above the Social Security tax cap of $118,500, only the bottom 94 percent of earners pay Social Security contributions on all of their earned income. Higher earners pay no Social Security contributions whatsoever on their earnings above the cap, or on any of their investment income. Given these structural constraints on Social Security's revenue stream,[12] it is unsurprising that slow and extremely unequal wage growth has caused a significant share – at least one-third and probably more – of the long-term shortfall in Social Security which has emerged since the 1983 reforms.[13]

As income inequality has reached new extremes, much of the income gains at the top has been converted into wealth. This has exacerbated wealth inequality and, in turn, inequality in income from wealth. Taking capital gains as an example: in 2010, of the $261 billion reported on tax returns as capital gains, $258 billion – 97 percent – went to millionaires – and all of this income was outside of the Social Security system.[14]

Income, Capital-Gains and Estate-Tax Cuts Have Exacerbated Income Inequality

Shockingly, U.S. tax policy reforms – far from mitigating market income inequality – have exacerbated it. Top marginal rates, which had been at 91 percent during the postwar economic boom, were lowered to 70 percent in the late 1960s and then cut in half by the Reagan Administration, and have hovered around 40 percent since.[15] Other taxes paid primarily by the wealthy – those on unearned income, particularly capital gains and dividends – were also dramatically reduced during the 1980s. The United States now has not only one of the highest levels of *market* income inequality in the developed world, but also *one of the least effective tax and transfer systems* in terms of reducing inequality. Among the 32 OECD countries for which data are available, the U.S. ranks 28th in terms of the effectiveness of its policies in reducing income inequality.[16]

What Can be Done? Implications of Rising Inequality for Social Security Policy

A range of remedies are available to policymakers. Some would account for slow and unequal wage growth. Others would account for rising inequality in wealth and income from wealth.

Policy Responses to Slow and Unequal Wage Growth

- **Expand Social Security benefits**
  While Social Security benefits may have been adequate in the 1980s, slow and unequal wage growth, cuts to Social Security benefits,[17] and the collapse of the other two legs of the retirement stool make benefits inadequate today and in the future, indicating a strong need to expand Social Security beyond its current average benefit of $15,640/year.[18] A leading expansion proposal is contained in the Social Security Works All Generations Plan. It would raise benefits by 10 percent across the board, up to a maximum benefit increase of $150/month ($1,800/year).[19]
- **Eliminate Social Security tax cap and credit contributions toward benefits**
  Both to reduce the harm that inequality is doing to Social Security's existing finances, and to fund the necessary expansion of benefits, Social Security's revenue base should be broadened to encompass high incomes. The payroll tax cap was already eliminated for Medicare Part A (hospital) insurance in 1994, without any public outcry or clearly discernable impact on the

economy. This suggests that eliminating Social Security's tax cap is politically feasible, and poses no significant threat to growth. Indeed, by helping to shore up Social Security's finances and fund expanded benefits, eliminating the cap would shift income from those with a lower marginal propensity to consume (high earners) to those with a higher one (seniors and people with disabilities), which should boost economic growth.

- **Stimulate wage growth**
  Just as important as incorporating growth at the top of the income spectrum into Social Security's taxable wage base, is stimulating wage growth in the middle and lower end of the income spectrum. Several types of measures can be pursued in this regard:
  - Invest in **infrastructure** and in **education and training**. These are well-established means of stimulating significant, long-term wage growth.[20]
  - Restore the **minimum wage**. This would not only help those immediately affected, but also percolate up the income scale, with spillover effects boosting pay for the entire bottom quarter of the wage spectrum.[21]
  - Pursue fiscal, monetary and trade policies aimed at **achieving full employment**.[22] The experience with full employment during the late 1990s showed that it not only helps workers' economic and retirement security, but also Social Security's finances, both on the revenue and the spending side.
  - Take measures that **make it easier for low-wage workers to organize and bargain for fair wages** – in addition to full employment policies, which help greatly in this regard.
  - Continue efforts to **lower health-care costs.** The Affordable Care Act has shown initial, extremely promising signs of headway in the fight to control health-care costs, but much more could be done, particularly to lower prescription drug prices.[23] Middle class workers, in particular, would see their wages boosted by a reduction in health care costs.[24]

Finding ways to stimulate wage growth is critical both to the economic and retirement security of the American workforce, and to the long-term financial health of Social Security. The Social Security Trustees Report estimates that stronger real wage growth – 1.76 percent per year, rather than the currently projected 1.13 percent – would reduce Social Security's long-term shortfall by over one-third (35 percent).[25]

Policy Responses to Rising Wealth Inequality

One of the most effective ways to reform the revenue structure of Social Security to account for rising income inequality is to subject investment income to Social Security contributions. Two promising ways of implementing this are suggested here.

- **Incorporate high-earners' investment income into Social Security**

  The Affordable Care Act has already set the precedent for subjecting investment income to social insurance contributions with its new Medicare Net Investment Income Tax (NIIT). Starting in 2013, it levies a 3.8 percent tax on the unearned income of those with modified adjusted gross income (MAGI) above $200,000 ($250,000 for couples).[26] Both to mitigate income inequality, and to keep pace with overall income growth, Social Security should also incorporate the investment income of high earners into its contribution and benefit base.[27]

- **Restore the estate tax to its 2000 level and dedicate it to Social Security**
  From the late 1930s through the 1970s, the top federal estate tax rate in the United States was always 70 percent or above. From 1980 onward, the estate tax rate was substantially weakened,

and in 2001, Congress scheduled the complete elimination of the tax after 10 years. The exemption amount was raised to $5 million in 2011, adjusted for inflation thereafter, and in 2015 is $5,430,000 ($10,860,000 per couple). At such a high exemption amount, *fewer than 2 of every 1,000 estates – less than 1/50th of one percent of estates – now owe any estate tax*. Moreover, because estate tax is owed only on the amount *above* the exemption, and only after deductions (e.g. for charitable donations), estates that end up being taxable owe, on average, only 16.3 percent of their value.[28] As the *enormous* sums of wealth accumulated since 1980 now begin to enter estate taxation, it is critical that policymakers restore the estate tax to a robust rate and sensible exemption level. Given the extreme level of income inequality in America today, which has continued since the Great Recession with no end in sight,[29] America should restore the estate tax to what it was throughout the 1990s and 2000, a period which saw the most sustained period of economic growth in three decades.[30]

Earmarking these revenues for Social Security is supported by both the history of the Social Security program and the particular nature of the estate tax. In the early years of Social Security's history, Congress decided to allow the first generations of beneficiaries to receive far more in Social Security benefits than their contributions plus interest would have yielded.[31] Social Security's funding challenge today can be divided into two parts: the portion necessary to fund current and future benefits, and the portion necessary to pay off the legacy debt. Given that the legacy debt was a national gesture of social solidarity, it is not equitable to ask the bottom 94 percent of earners to disproportionately bear the costs of servicing it, at a regressive contribution rate. Devoting estate tax revenues to Social Security would be an elegant way of addressing this issue. It would service – and gradually pay down – the legacy debt with revenue stemming to a large extent from families which have benefited most from the sacrifices which the Greatest Generation undertook to make America a global economic superpower.

Without a strong estate tax, extreme wealth and privilege can be bequeathed from a millionaire or billionaire to his or her heirs *without the appreciation of assets over this person's lifetime ever being taxed*: an estimated 55 percent of the value of estates worth over $100 million consists of unrealized capital gains.[32] A strong estate tax is society's last chance to mitigate this key dynamic in the reproduction of social inequality. And paying off the legacy costs of Social Security, freeing Social Security to function as the sustainable social-insurance program of the broad and aspiring middle class, would be an excellent use of these revenues.

Fully Funded, Expanded Social Security: The Cornerstone of Middle-Class Retirement Security in the 21st Century

Social Security has been a rock-solid foundation of the middle class over the past 80 years – always self-funded and never contributing to the debt. It has proven to be an effective, efficient means of providing economic security to the broad middle class. In order to pick up the slack in employer pension provision and individual savings, it should not only be restored to full solvency, but expanded.

It is important to remember that the combined effect of scrapping the cap and incorporating capital income into Social Security would simply be that high earners would contribute to Social Security on all of their income at the same rate as the typical worker does. Strengthening Social Security to better reflect changes in our economy and society would make it the cornerstone for middle class retirement security in the 21st century.

[1] The author would like to thank Stephanie Connolly for her excellent research support on this project.

[2] U.S. Bureau of Economic Analysis, "National Income and Product Accounts Tables: Table 1.1.1. Percent Change from Preceding Period in Real Gross Domestic Product." http://www.bea.gov/iTable/index_nipa.cfm, accessed October 2, 2014.

[3] Lawrence Mishel, Josh Bivens, Elise Gould, and Heidi Shierholz, *The State of Working America, 12th Edition*, Table 2.1 (Ithaca, N.Y.: Cornell University Press, 2012) p. 59. https://docs.google.com/viewer?url=http://stateofworkingamerica.org/files/book/Chapter2-Income.pdf&chrome=true

[4] Dani Rodrik, "Capital Mobility and Labor," April 1998. http://www.hks.harvard.edu/fs/drodrik/Research%20papers/capitalm.pdf; Margaret Jacobson and Filippo Occhino, "Labor's Declining Share of Income and Rising Inequality," Federal Reserve Bank of Cleveland, September 25, 2012. http://www.clevelandfed.org/research/trends/2012/0212/01gropro.cfm

[5] Thomas Kochan, "Wages and the Social Contract," *The American Prospect*, April 22, 2007. http://prospect.org/article/wages-and-social-contract%20

[6] Dani Rodrik, "Capital Mobility and Labor," April 1998. http://www.hks.harvard.edu/fs/drodrik/Research%20papers/capitalm.pdf

[7] The purchasing power of the federal minimum wage declined from $9.39 in 1968 to $7.25 in 2013, in 2013 dollars Social Security Works, "Restoring Minimum Wage Would Strengthen Social Security Protections for Low-Wage Workers and Improve System Finances," February 2014. http://www.socialsecurityworks.org/wp-content/uploads/2014/02/Restoring-the-Minimum-Wage-Would-Strengthen-Social-Security-Protections-for-Low-Wage-Workers-and-Strengthen-System-Finances.pdf.

[8] Olivier Giovannoni, "What Do We Know about the Labor Share and the Profit Share? Part III: Measures and Other Structural Factors," Levy Economics Institute, May 2014. http://www.levyinstitute.org/publications/what-do-we-know-about-the-labor-share-and-the-profit-share-part-3-measures-and-structural-factors

[9] Olivier Giovannoni, "What Do We Know About the Labor Share and the Profit Share? Part II: Empirical Studies," Levy Economics Institute, May 2014. http://www.levyinstitute.org/pubs/wp_804.pdf; Margaret Jacobson and Filippo Occhino, "Labor's Declining Share of Income and Rising Inequality," Federal Reserve Bank of Cleveland, September 25, 2012. http://www.clevelandfed.org/research/trends/2012/0212/01gropro.cfm; Thomas Piketty and Gabriel Zucman, "Capital is Back: Wealth-Income Ratios in Rich Countries 1700-2010," Table US11, May 21, 2014. http://piketty.pse.ens.fr/files/capitalisback/USA.xlsx.
There is no consensus measure of the labor and capital shares. It depends on what is included in the numerator (what proportion of proprietor income? depreciation of fixed capital? taxes and subsidies? the government and non-profit sector in addition to the private sector?) and what is taken as the denominator (national income, GNP, GDP, total factor shares?). In the Bureau of Economic Analysis' NIPA accounts, gross national income equals the sum of the following categories: compensation of employees; proprietors' income; rental income; corporate profits; net interest income; indirect taxes less subsidies; depreciation. To compute the labor share, Occhino and Jacobson followed the established methodology of classifying the compensation of employees as unambiguous labor income (UL), and classifying corporate profits, rental income, net interest income, and depreciation as unambiguous capital income (UK). The remaining categories, proprietors' income and indirect taxes less subsidies, were classified as partly labor income and partly capital income, in proportion to UL and UK, respectively. As a result, labor's share was computed as the ratio of unambiguous labor income to the sum of unambiguous labor and capital income, i.e., UL/(UL+UK). The Bureau of Labor Statistics (BLS) measure focuses on the non-farm business sector, and hence calculates a lower labor share. Piketty and Zucman calculate a higher labor share because they include the government and non-profit sectors, which are exclusively labor income, and exclude depreciation; they estimate that the labor share of national income has declined from 74 percent in 1980 to 66 percent in 2010, and that during this period the capital share of income has risen from 21 to 29 percent. It should be noted that historically, the labor share of national income has fluctuated cyclically within a narrow range, so most economists expect it to rise slightly during the current recovery and then stabilize in the coming decades.

[10] Michael Greenstone and Adam Looney, "The Uncomfortable Truth About American Wages," *The New York Times*, October 22, 2012. http://economix.blogs.nytimes.com/2012/10/22/the-uncomfortable-truth-about-american-wages/?_php=true&_type=blogs&_r=0

[11] Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States,1913-1998," Table A3, last modified August 2013. http://elsa.berkeley.edu/~saez/TabFig2012prel.xls

[12] Almost all of Social Security's revenue (86 percent) stems from payroll taxes. Social Security's payroll tax rate is 6.2 percent for workers and their employers respectively. The system's payroll tax revenue stems from applying this rate to its tax base (taxable payroll), namely earnings below the system's tax cap.

[13] If wages had kept pace with productivity growth since 1983, we would have an additional $753.8 billion in the Social Security Trust Fund in 2013 (6.8 percent of the current 75-year shortfall); if 90 percent of covered earnings had remained subject to payroll taxes since 1983, we would have an additional $1.1 trillion in the Trust Fund (10.1 percent of the current 75-year shortfall) (Vallas et al., 2015). Prospectively, raising the cap to cover 90 percent of covered earnings would close about 27 percent of the 75-year shortfall. (SSA, 2014a). Other key drivers of the shortfall that has merged since 1983 are a declining birth rate and rising health care costs, the latter of which has led to a shift in compensation from wages to health-insurance benefits.

[14] Len Burman, "Mitt Romney's Teachable Moment on Capital Gains," *Forbes*, January 18, 2012. http://www.forbes.com/sites/leonardburman/2012/01/18/mitt-romneys-teachable-moment-on-capital-gains/

[15] Internal Revenue Service. "SOI Tax Stats – Historical Table 23, 2013. http://www.irs.gov/uac/SOI-Tax-Stats-Historical-Table-23; Tax Policy Center, "Individual Income Tax Parameters (Including Brackets), 1945-2014," February 7, 2014. http://www.taxpolicycenter.org/taxfacts/content/pdf/individual_rates.pdf

[16] OECD, "OECD StatExtracts: Income Distribution and Poverty," accessed November 7, 2012. http://stats.oecd.org/.

Several recent measures have run counter to the much more pronounced long-term trend of declining rates, but given that a majority of OECD countries have increased their top personal income tax rates in recent years, and a majority have also raised their taxes on at least one form of personal capital income, the U.S. ranking today is likely little changed since 2010 . The Affordable Care Act of 2010 levied a 3.8 percent tax on net investment income for those with adjusted gross income above $200,000 (joint filers: $250,000; thresholds not indexed for inflation), effective in 2013. Furthermore, the American Taxpayer Relief Act of 2012, while extending a majority of tax cuts passed in 2001, 2003, and 2009, increased the top marginal income-tax rate from 35 to 39.6 percent for those with taxable income above $400,000 (couples: $450,000; thresholds indexed for inflation after 2013), while also raising the long-term capital gains tax rate from 15 to 20 percent for income these thresholds (IRS, 2014b; TPC, n.d.).

[17] The 1983 Social Security Amendments scheduled long-term cuts to Social Security benefits that are still phasing in today. The cumulative effect of these cuts is that by 2050, benefits will be 24 percent lower, on average, than they would have been otherwise. Virginia P. Reno, "What's Next for Social Security? Essential Facts for Action," National Academy of Social Insurance, October 2013. http://www.nasi.org/sites/default/files/research/Whats_Next_for_Social_Security_Oct2013.pdf. The measures which, taken together, are cutting Social Security benefits by 24.2 percent by 2050 consist of an increase in the retirement age (a roughly 13.3 percent cut), taxation of Social Security benefits (a 9.5 percent cut), and a permanent delay of the COLA from July to December (a 1.4 percent cut). And net Social Security benefits will be cut even more, given that Medicare Part B and D premiums, typically deducted from Social Security checks, are scheduled to increase from 11 percent of the average Social Security benefit today to 22 percent in 2088. Alicia H. Munnell, "401(K)/IRA Holdings in 2013: An Update from the SCF," Center for Retirement Research at Boston College, September 2014. http://crr.bc.edu/wp-content/uploads/2014/09/IB_14-15.pdf, p. 2.

[18] Social Security Administration, "Monthly Statistical Snapshot, October 2014," Table 2, November 2014. http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2014-10.pdf

[19] Over 75 years, this proposal would cost 1.2 percent of Social Security's taxable payroll, or about 42 percent of the currently projected long-term shortfall Nancy J. Altman and Eric R. Kingson, *Social Security Works! Why Social Security Isn't Going Broke and How Expanding It Will Help Us All*, (New York: The New Press, 2015), pp. 218-229.

[20] Heather Boushey and Adam S. Hersh, "The American Middle Class, Income Inequality, and the Strength of Our Economy: New Evidence in Economics," Center for American Progress, May 2012. http://cdn.americanprogress.org/wp-content/uploads/issues/2012/05/pdf/middleclass_growth.pdf; Noah Berger and Peter Fisher, "A Well-Educated Workforce Is Key to State Prosperity," Economic Policy Institute, August 22, 2013. http://www.epi.org/publication/states-education-productivity-growth-foundations/

[21] Tim Butcher, Richard Dickens, and Alan Manning, "Minimum Wages and Wage Inequality: Some Theory and an Application to the UK," Center for Economic Performance Discussion Paper #1177, November 2012. http://cep.lse.ac.uk/pubs/download/dp1177.pdf

[22] "Full employment can be defined as the level of employment at which additional demand in the economy will not create additional employment. All workers who seek a job have one, they are working for as many hours as they want or can, and are receiving a wage that is broadly consistent with their productivity." Dean Baker and Jared Bernstein, *Getting Back to Full Employment. A Better Bargain for Working People* (Washington DC: Center for Economic and Policy Research, 2013.

[23] Stacy Sanders and Ben Veghte, "A Winning Strategy for Medicare Savings: Better Prices on Prescription Drugs," Social Security Works and the Medicare Rights Center, July 2014. http://www.socialsecurityworks.org/wp-content/uploads/2014/07/MRC-SSWorks-Drug-Savings-Brief-July-2014-Embargoed-Copy.pdf

[24] Social Security Advisory Board, "2011 Technical Panel on Assumptions and Methods," September 2011, p. 113. http://www.ssab.gov/Reports/2011_TPAM_Final_Report.pdf

[25] Social Security Trustees, *The 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, July 8, 2014. http://www.ssa.gov/oact/tr/2014/tr2014.pdf

[26] These threshold amounts are not indexed for inflation, and hence will capture an ever larger segment of the top of the income distribution over time. The tax is equal to 3.8 percent of the lesser of either 1) a household's net investment income or 2) its MAGI (which includes investment income) in excess of the $200,000/$250,000 threshold. MAGI includes wages, salaries, other compensation, dividend and interest income, business and farm income, realized capital gains, and income from a variety of other activities. Net investment income includes interest, dividends, capital gains, nonqualified annuities, royalties and rents, and passive income from businesses, including those trading financial instruments or commodities. Mark P. Keightly, "The 3.8% Medicare Contribution Tax on Unearned Income, including Real Estate," *Congressional Research Service*, May 18, 2012. http://www.law.umaryland.edu/marshall/crsreports/crsdocuments/R41413_05182012.pdf

[27] For Social Security, incorporation of investment income is more complicated than for Medicare. In Medicare, everyone gets the same benefit, whereas in the Social Security system, benefit levels are related to contributions. On labor income, employers and employees each pay a 6.2 percent contribution, known as FICA (after the Federal Insurance Contributions Act of 1935); the self-employed pay the entire 12.4 percent rate. (The self-employed can deduct the employer half as a business expense, however.) For high earners' investment income to count fully toward benefits, it would have to be subject to FICA at the 12.4 percent rate, for – in the case of investment income – there is no employer to pay half. So one way to incorporate high earners' investment income into the Social Security contribution and benefit base would be to simply subject this income to the combined 12.4 percent FICA rate. That would be a very large increase in the levies on high earners' investment income, however. A more moderate approach, proposed here, would be to subject high earners' investment income to half the total FICA rate – 6.2 percent – and, accordingly, count half of this income toward.

The investment-income FICA proposed here would be structured similar to the Medicare NIIT (taxation of net investment income, owed by those with MAGI above $200,000 [$250,000]), but without the alternative calculation which taxes MAGI in excess of $200,000 ($250,000). While this latter, alternative calculation makes sense for Medicare, it does not make sense for Social Security contributions. This is because Social Security contributions cannot be based on household income; they must be allocated to specific individuals in order to be credited toward their benefits. The proposal here would use the Medicare NIIT MAGI eligibility thresholds to determine which households qualify as high earners for the purpose of subjecting investment income to FICA. This makes sense both to simplify tax planning and enforcement, and because some sort of *household* income threshold is needed here. An individual income threshold would entail a loophole whereby a higher-income partner could shift some of his/her investments into the name of the lower-income partner in order to evade FICA. As with Medicare's NIIT, the investment income of trusts and estates should also be subject to FICA. These revenues would not be attributable to an individual, however, and hence cannot be credited toward benefits. They should be collected nonetheless, however, for if not, this would create a loophole whereby individuals could shelter income in trusts and estates.

[28] Center on Budget and Policy Priorities, "Policy Basics: The Estate Tax," October 8, 2013. http://www.cbpp.org/cms/index.cfm?fa=view&id=2698; Internal Revenue Service, "Estate Tax," November 17, 2014. http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Estate-Tax

[29] From 2010 to 2012, the top 1 percent have seen their incomes increase on average by 90.2 percent, while the bottom 90 percent have seen theirs decline by an average of 12.4 percent Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States,1913-1998," Table A6, last modified August 2013. http://eml.berkeley.edu/~saez/

[30] From 1987 to 1997 the exemption was $600,000 and the top rate was 55 percent. In 2000 the exemption was $675,000 and the top rate remained 55 percent. David Joulfaian, "The Federal Estate: History, Law, and Economics," U.S. Department of the Treasury, January 2011. http://news.heartland.org/sites/default/files/joulfaian_ssrn-id1579829.pdf

[31] Alicia H. Munnell, "Should Social Security Rely Solely on the Payroll Tax?" *Center for Retirement Research at Boston College*, Brief Number 9-16, August 2009. http://crr.bc.edu/wp-content/uploads/2009/08/IB_9-16-508.pdf

[32] Chye-Ching Huang and Nathaniel Frentz, "Myths and Realities about the Estate Tax," Center on Budget and Policy Priorities, August 29, 2013. http://www.cbpp.org/files/estatetaxmyths.pdf