

**ABREVIATED NOTES**  
**Roundtable on Jobs and the Abolition on the Death Tax**  
**The Cash Room, Dept. of the Treasury**  
Washington, DC - November 6, 2003

**Introduction:** James E. Carter – Deputy Assistant Secretary for Economic Policy, Dept of the Treasury  
Work on developing a better understanding of the costs and consequences of the death tax, gather and distribute the latest economic studies on the impact of the tax, hear from Nobel Laureate Vernon Smith, and we're going to lay the groundwork for permanent repeal the death tax.

**Welcome:** John W. Snow – Secretary of the Treasury

We have seen positive developments in our economy in recent weeks. We need more job creation. Our focus on spurring job creation is a big reason for convening this roundtable on the death tax. The other reason is more an expression of our core values: the death tax is simply unfair and wrong. It's anti-savings, anti-family, and anti-small business.

**Panel #1 – *The Economics of the Death Tax: Theory & Evidence***

Rudolph G. Penner, Moderator – Senior Fellow, Urban Institute

Gary A. Robbins – President, Fiscal Associates & Fellow, Heritage Foundation

Edward J. McCaffery – Professor of Law & Political Science, University of Southern California

Daniel D. Miller – Senior Economist, Joint Economic Committee

- Economic Growth: 1) Harmful as a tax on capital. There'd be \$750 billion more in U.S. capital without the tax. 2) Inhibits entrepreneurial activity – over 70% of Fortune 500 are entrepreneurs.
- Doesn't Reduce Inequalities: 1) Consumption: increases consumption by wealthy. 2) Wealth: Has it substantially reduced the wealth of Kennedys, Rockefellers? With proper & expensive planning it's a "voluntary tax." 3) Income: Inherited wealth doesn't equal inequality. It's harmful to the environment and small businesses.

**Panel Questions & Answers**

Q: What is the point of having a tax that costs more than it raises?

A: \$200 billion collected, \$750 billion in capital foregone – Perhaps as an affect on behavior.

A: Apolinsky- Australia repealed their death tax in the mid-70s. See the CONSAD study. It's not dynamic scoring, it's static. From a static perspective, our economy would benefit by over \$38 billion over 10 years without the death tax.

A: Let's not get wrapped in the numbers. Take the high ground: tax falls at the wrong time.

A: Policy: USFS (John Greene) & Mississippi State study on forestland – 2.6 million acres harvested plus one million acres sold (1/3 of that developed) to pay death taxes. Most endangered/threatened species are on private land.

A: Michael, of the Nature Conservancy, says the death tax is a highly regressive tax.

A: Tax on wealth – Adam Smith's "Wealth of Nations." In a free society with private property rights and a market system, private property is a condition of functionality. Government intervention creates distortion. The death tax discredits saving, the basis for capital growth and job creation. The death tax is not consistent with our chosen way of life or with our market system.

**Speaker:** Pamela E. Olson – Assistant Secretary for Tax Policy, Dept of the Treasury

- The occasion of death is horrible means for society to help itself to accumulated wealth.

**Speaker:** N. Gregory Mankiw – Chairman, Council of Economic Advisors

- The estate tax is misconceived: When you tax something you get less of it.
- Subtle effect: Worker's check is lower because for estate tax, but he/she doesn't make the connection.
- Hard to know how much capital we do not have because on the estate tax.
- 1.4% of 2001 federal revenue

**Panel #2 – *The Reality of the Death Tax***

Dena J. Battle – Moderator, Manager of Legislative Affairs, National Federation of Independent Business

M.A. "Mike" Little – Board of Directors, National Black Chamber of Commerce

- Build wealth for family – create money to afford estate planners.
- Not just a problem for the wealthy, but has significant impact on entrepreneurship.
- Small business is the cornerstone of our economy – 51% of workers work for small business.
- Younger minority businesses are more vulnerable to death taxes: Less likely to survive to next generation.

Patricia A. Wolf – Senior Director for Congressional Relations, American Farm Bureau Federation

- Planning costs can be prohibitively expensive & tax disrupts operations.
- 8% are over the \$3 million value level. Law makes no allowances for inflation. Modest size farms met this threshold: 450 acres in South; 1000 in Midwest.
- Recovery takes from 2.5- 7 years.

- Q: The death tax affects only 4% of farms and small businesses, why eliminate it for so small a number? A: We don't consider 8% to be a small number, and these farmers produce 80% of the agricultural commodities.

**Speaker:** Vernon L. Smith – Nobel Laureate in Economic Science & Professor of Law & Economics, George Mason University

- It is uninformed to say that the death tax is just a tax on the wealthy.
- Irving Fisher wrote clearly that capital shouldn't be taken out of the economy.
- The best question is: Does a tax fall on consumption or capital? It's a bad tax if it taxes capital. Capital should be left in the economy to work for us all.
- In the re-distribution of wealth scenario, people simply spend what is given them making themselves worst off.