**Lachlan Murdoch (left), eldest son of Rupert (center), was heir-apparent of the family firm, News Corp. Undercut, he left the $55 billion company. Younger brother James (right) remains a contender.**

France, 44 percent, the United States, 30 percent, and Germany, 10 percent. Part of the explanation for these variations may be feudal legacy; part may be modern tax policy. In England and France, the eldest son typically inherits the family property. In Germany, the property is divided among the sons. Today, family-owned enterprises worth $10 million or more receive inheritance tax exemptions of 50 percent in France, 100 percent in the United Kingdom, and 33 percent in Germany. There is no exemption in the United States, although there is widespread support among Republicans for abolishing what they call the "death tax" altogether.

Family management is not the curse, only the automatic designation of the eldest son. The authors observe that "someone who expects to lead a company by birthright may put less effort into acquiring the necessary skills and education than do people who expect to compete for their jobs." Family-owned businesses that select their CEOs from all family members fare no worse than companies that select talent from hoi polloi.

ECONOMICS, LABOR & BUSINESS

# The Disability Disaster

**THE SOURCE:** "The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding" by David H. Autor and Mark G. Duggan, in ***The Journal of Economic Perspectives***, Summer 2006.

A $134 BILLION-A-YEAR ENTITLEMENT that most people have never heard of is gobbling up an ever-larger share of the Social Security budget, raising troubling questions about whether it is being abused. Social Security Disability Insurance supported 2.6 million people in 1984; now it has 6.5 million beneficiaries—and the numbers are rapidly rising. The annual price tag is nearly three and a half times the budget of the Department of Homeland Security, write economists David H. Autor and Mark G. Duggan, of the Massachusetts Institute of Technology and the University of Maryland, respectively.

The increasing number of people judged to be totally and permanently disabled—even as Americans get healthier and live longer—suggests that the program is out of control, according to Autor and Duggan. The initial purpose of disability insurance has been dwarfed by a new role. Originally an insurance scheme for workers prematurely felled by heart attacks and cancer, the program has been transformed into a system of benefits for the unemployable. Payments are now most commonly made to people with back pain and mental disorders, potentially disabling problems in the workplace to be sure, but conditions with relatively subjective diagnoses, the authors say.

As the labor market has become more competitive, more and more low-wage workers have applied for disability benefits. When the unemployment rate increases, so do applications for disability benefits; when it decreases, applications do likewise. High school dropouts are the most likely to seek payments. In 2004, men between the ages of 40 and 65 who had not finished high school were twice as likely to receive disability benefits as men who had a diploma. Because wages at the bottom of the employment ladder have stagnated or fallen, disability benefits and the health insurance that comes with them have become more and more attractive. An average disabled worker gets a monthly check of about

$1,100. Medicare benefits worth $640 are automatically included.

The system breaks down in the appeals process, according to the authors. Nearly two-thirds of initial applications are denied because the applicant is found not to be totally disabled. More than 83 percent of the denials are appealed, most with the assistance of lawyers who specialize in disability litigation. Appeals are made, first, to an alternate team of evaluators, then, successively, to an administrative law judge, the Social Security Appeals Council, the U.S. District Court, and finally the U.S. Court of Appeals. The Social Security Administration, which cannot be represented by a lawyer in the appeals hearings (the judge is supposed to represent both the applicant and the public interest simultaneously), loses nearly three-quarters of the appeals. In 1997, the last year for which figures are available, the government paid nearly half a billion dollars to attorneys representing disability applicants.

What has changed since the disability program began is not the incidence of poor health and injuries, but the nature of the labor market, the authors believe. Jobs for low-skilled workers are disappearing, and workers who would have been able to find something two decades ago are now unemployable.

Disability insurance reform has been tried and failed. When the system ran out of money in 1977, eligibility criteria were tightened and 380,000 beneficiaries were tossed off the rolls. The backlash was overwhelming, prompting Congress to establish the current system of far easier access for significantly more numerous impairments.

ECONOMICS, LABOR & BUSINESS

# Ready, Set, Agree

**THE SOURCE:** "Do Economists Agree on Anything? Yes!" by Robert Whaples, in ***The Economists' Voice***, Nov. 2006.

"I'M TIRED OF ECONOMISTS who say, 'On the one hand . . . and then on the other hand,' " complained President Harry S. Truman when his fiscal advisers were waffling, as usual. "Send me a one-armed economist."

Today, Truman might get a straighter answer. Economists, despite appearances in the media to the contrary, overwhelmingly agree on a surprising number of issues, according to Robert Whaples, chair of the economics department at Wake Forest University.

They agree on free trade, the freer the better, Whaples found in a survey of 84 Ph.D.-holding economists selected randomly from the ranks of the American Economic Association. Tariffs and agricultural subsidies should go, as should subsidies to professional sports franchises. Two out of three economists favor vouchers that parents can use for either private or public schools; four out of seven would junk the U.S. Postal Service's remaining monopoly on mail delivery. Six out of 10 believe that the United States should broaden its use of nuclear power and increase energy taxes. Nearly half favor the elimination of the minimum wage. Eight out of 10 think that the gap between Social Security income and payout will become unsustainable in 50 years unless policies are changed.

Of four possible ways to fix Social Security—raising the retirement age, cutting benefits, moving to mandatory personal accounts, or boosting payroll taxes—there is widespread, if tepid, accord. More than 75 percent of economists agree that an increase in the retirement age (now 67 for those born after 1959) is the best plan, but very few "strongly agree."

But even halfhearted consensus collapses over the impact of rising levels of greenhouse gases on the economy. On that issue, the economists' views were scattered like birdshot. The largest single cluster of economists (36 percent) thought that allowing greenhouse gases to increase throughout the century would have little economic impact. About 21 percent of those surveyed thought that increased greenhouse gases might reduce gross domestic product by one to five percent. More than 16 percent thought that such a situation might *increase* GDP by the same amount. The issue, Whaples writes, is so complex that the question on greenhouse gases had the lowest response rate in the survey.

Most professional economists recognize that great swaths of economic turf have been conquered by one argument or another. But the public watching a televised debate between two economists on the elimination of the estate tax, for example, might wonder what *most* economists think, writes Whaples. More than 60 percent are opposed, but on the other hand, 35 percent are in favor.