and the lack of sanitation and modern medicine, people had short life spans. Prior to the twentieth century, no able-bodied aged person "retired." Most aged people who could no longer work became destitute.

German Chancellor Otto von Bismarck created the first national government social insurance system to assist German industrial workers and thus make them less susceptible to socialism. His Sickness Insurance Law was passed in 1883, followed by accident insurance in 1884, and old age and disability insurance in 1889. Given that average life expectancy was about 45, he set age 70 for eligibility for the government pension. In 1889, it was rightly assumed that 70-year-olds were dead or disabled. Bismarck was 74 in 1889, and lived to be 83. Around 1915, the Reichstag lowered the retirement age to 65.

RETIREMENT AGE

Some believe that Bismarck set the retirement age for pensions at age 65. Robert Myers, for many years chief actuary at the Social Security Administration, thoroughly researched the question, going back to the original German documents. He reported in several journals that Bismarck established 70 as retirement.

When Franklin Roosevelt's social security system was adopted in 1936, the 65-age requirement was selected based on systems in other countries, coordination with corporate pensions, and because it was a good, round compromise figure. Our social security system consists of several benefits. The legal name of the major component is "Old Age, Survivors, and Disability Insurance" and it originates from the 1889 belief that old age meant disability.

Vacations are also a recent invention, which began with the age of railroads. Prior to railroads, people didn't travel very far from their birthplace. But that's another story.

The Legacy Tax

"Squander it! Be not only generous but a spendthrift. That is the way to beat the federal taxes imposed on gratuitous shifting of interests in property." So advises a major estate tax treatise.

The Romans and ancient continental Europe taxed the transmission or receipt of wealth by inheritance. It was introduced to the American colonies and modeled after Great Britain's probate and estate duties. From 1797 to 1802, Congress imposed a "legacy tax" of two percent on bequests excepting those to parents, spouses, or lineal descendants. Beginning with Pennsylvania in 1826, states began enacting inheritance taxes. Congress imposed an inheritance tax from 1898 to 1902 to pay for the Spanish-American War.

Our present federal estate tax was enacted in 1916. Whereas prior estate taxes were used to raise revenues, the 1916 tax was also intended to redistribute wealth. Wealth redistribution is a powerful argument in favor of the estate tax. The tax could be avoided by gifts, so a gift tax was enacted in 1924. The gift tax was briefly repealed from 1926 to 1932.

President Coolidge proposed repeal of the estate tax in 1925. Though Republicans held a 64-seat majority in the House, it failed because of adroit opposition from John Nance Garner, who argued, "The estate tax is essentially a tax upon wealth. It operates on wealth and ability to pay regardless of geography or state lines. It is a question of exercising the right to levy a tax for the transfer of property." Opponents frame the issue as a "death tax," but like the gift tax, it's really a tax on transfers of wealth.

Andrew Carnegie argued that heirs do not earn their wealth through their own efforts, so there was no injustice in depriving them of their inheritance. President Theodore Roosevelt supported the estate tax in an April 1906 speech. Congressman Fiorello LaGuardia in 1932 referred to an increase in the estate tax as "not only to raise needed revenue [but] to establish social legislation which will eventually prevent the concentration of wealth of The Nation into the hands of a few families." Bill Gates and Warren Buffett support the estate tax. Like Carnegie, they gifted the bulk of their fortunes to charity.

As tax policy, the estate and gift tax is one of the most progressive features of our tax laws, falling entirely on the rich. It encourages charitable donations, life insurance sales, and redistribution of wealth. If repeal advocates ever succeed, expect the estate tax to return in a few years. A five-year repeal, followed by re-enactment, would be great for the estate tax planning industry. Tax planning for repeal, followed by more tax planning for reenactment. Count the professional fees!