yields for women [46] and late entrants to the work force. The advantage of women is minor, but the relative bargain of late starters is not trivial and would be difficult to justify within this conceptual framework. Presumably, late starters are typically college graduates or even recipients of higher degrees who will tend ultimately to have relatively high income, but will be taxed for fewer years and thus enjoy a favorable differential comparable to their advantage with respect to military service.[47]

This discrimination in favor of the late starter could be alleviated by increasing the tax rates and/or ceiling sufficiently to permit exemption of earners under 25 from the social security tax.

Another feature of the law which has not been treated explicitly in the numerical estimates is the tax differential in favor of the self-employed who are taxed at a rate 25 percent below the combined employer-employee rate. The self-employed have not been analyzed separately, because it seems possible that if the appropriate part of their income were imputed to them as profits their effective tax rate on *earnings* might then be on a par with that charged employees. On the other hand a comparison of national income accounts and tax return data suggests that underreporting of self-employed income may be about enough greater than underreporting of earnings to offset the part of their tax they are currently paying on profits. If so, the true yield to the self-employed is considerably higher than to earners at the same reported income level. If this were established it would support elimination of the present statutory tax differential in favor of the self-employed.

If we depart from the lifetime tax-benefit frame of reference and consider current tax and benefit structures independently some of the above appraisals no longer seem valid. For example, the progressiveness of the relationship between retirement benefits and lifetime income cannot hide the fact that the tax used to finance benefits is heavy and regressive now, and throughout the earner's working career. Even though the working poor may ultimately get out more than they put in, it does not necessarily follow that the later progressivity of the benefit structure is sufficient to compensate for the prior hardship imposed by the payroll tax. On the other hand, the benefit advantage of women due to lower mortality may well be a progressive feature, but this depends on the assumption that women tend to have lower incomes during retirement. Finally, the extra tax paid by early starters compared to late starters with the same income may be justifiable on the grounds of ability to pay. In any case the separate appraisals of taxes and benefits generally produce different answers from those suggested by the lifetime rates of return.

Also relevant, in addition to these various differentials, is the absolute level of these rates of return on contributions under the pro-

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[46] As is true throughout this paper, this point abstracts from the survivor and dependent features of the system. These are less valuable to female earners. On the other hand, women tend to receive higher yields due to less continuous coverage. The point here is simply that women fare better than men due to the mortality factor, other things being equal.

[47] This assessment abstracts from the fact that early starters may tend to have lower incomes and greater unemployment and thereby receive favorable treatment due to other features of the system. The point is that an early start, other things equal, yields unfavorable treatment.