manufacturing of transportation equipment, to take one example, the value of the additional tax on one worker for 10 years comes to $789. Suppose a manufacturer of transportation equipment had been considering a piece of equipment which would last 10 years and replace 10 men, but, with a price somewhat too high. The 1965 amendment might make the contemplated investment worthwhile, since it increased by $7,890 the discounted value of the labor to be replaced. But, for such equipment the increased value of the replaced labor in the case of the operator of a hotel would amount to only $910; or of a retailer, $1,160.[7]

OTHER TAX ADJUSTMENT ACTION

Capital substitution, however, represents but one of many steps the employer might take to reduce the actual burden of his tax liability. The stub of table 2 outlines four other possible courses of action, plus the barriers which might interfere with successful implementation of each action. A moment's consideration of the table reveals that the strength of the barriers and the consequent appeal of each action largely depend on industry constraints.

TABLE 2.—ESTIMATED STRENGTH OF BARRIERS TO POTENTIAL TAX-ADJUSTING ACTIONS, 3 SELECTED INDUSTRIES

Potential action and barriers	Strength of barrier confronting—		
	Automobile manufacturer	Grapegrower	Department store owner
Action—Reduce wages, or withhold increases:			
Barriers:			
(a) Strong union	Strong	Weak	Moderate.
(b) Long-term contract in effect	do	do	Do.
(c) Demand for labor high	Moderate	Moderate	Weak.
(d) Employer's compassion	Weak	Strong	Moderate.
Action—Increase product price:			
Barriers:			
(a) Fear general sales reduction	Moderate	Moderate	Do.
(b) Fear loss of sales to competitors	do	Strong	Strong.
(c) Fear antitrust authorities	Strong	Weak	Weak.
(d) Sufficient increases lead to awkward pricing	Weak	do	Moderate.
(e) Generally low level of prosperity in economy	Moderate	Strong	Do.
Action—Substitute skilled workers:			
Barriers:			
(a) Insufficient supply of workers	do	Moderate	Do.
(b) Substitution would not increase productivity enough.	Strong	Weak	Do.
Action—Reduce nonlabor costs:			
Barriers:			
(a) Suppliers not amenable to pressure	Moderate	Strong	Strong.
(b) Most nonlabor costs relatively fixed	do	do	Moderate.
Action—Substitute laborsaving capital equipment:			
Barriers:			
(a) Technical problems	Weak	do	Strong.
(b) High absolute cost	Moderate	Weak	Weak.
(c) Financing problems	do	Moderate	Moderate.
(d) Union opposition	do	Weak	Weak.

Subjective estimates of the strength of each barrier have been made for three divergent industries chosen for illustrative purposes. The reaction of employers in each of these industries and the probability of successful tax-shifting activity turn out quite differently in each case. To take one possible course of action, wage rate deduction:

[7] Some simultaneous increase in the price of the machinery seems probable, the amount depending, in part, on how labor intensive the appropriate capital goods industry might be and how successfully it is able to pass on its own OASDHI tax increase via higher prices.
Because of the unavailability of data on which to base a meaningful adjustment for variance about the mean, table 1, to some degree, overstates the present value of the tax. In the case of those industry subgroups and individual workers who lie below the industry mean, the increase in the mean will not affect their present value, or will affect it less than the average indicated.