painful when once again OASDHI is withheld from his paycheck in January. It seems possible that such a stimulus might trigger him to press for an increase in a salary level he previously considered adequate.

The theoretician may protest that such an effect would have no importance, on grounds that both employer and employee seek maximizing positions with resultant equilibrium precluding any wage negotiations in response to purely psychological phenomena. But, it seems to me that maximization theories, no matter how venerable, overlook the common human tendency to feel indifferent to small inequities and inefficiencies. If we may judge by the works of early English novelists, the business world known to Adam Smith may have been a good deal more responsive to the "invisible hand" than the economy of today. In fact, a person exhibiting a relentless drive for profit maximization today may seek treatment for a "competition neurosis." In a society where relatively few find themselves at a subsistence level, it is hard to believe that typical employers and employees continuously assess their economic position with a view to maximizing returns. I suspect that employees in particular do not engage in frequent evaluations, since the opportunity cost of constant alertness ordinarily would be forgone leisure. Consequently, it seems probable that employees might overlook the development of opportunities for a wage increase until some minor trauma such as the January reduction in take-home pay awakens them to their neglected opportunities.[17]

OTHER ADJUSTMENTS TO TAX

It will not always happen, of course, that the employee can bargain successfully in his try for a wage increase. In that case, he must make some sort of adjustment to reduced take-home pay. The most probable alternatives: Reduction of consumption expenditures, reduction of saving (or increased borrowing), increased pretax income through an additional job or overtime. The effects of these adjustments, in no way unique to the social security tax, have been analyzed frequently and at length in textbooks and journal articles, and need not be spelled out here.

A possible subtle effect of the tax might be noted in passing, although it is not amenable to proof by any means other than intuition. From one point of view, it might be held that the tax "discriminates" against the low-paid, unskilled worker, via the incentives it creates for employers to substitute more productive, skilled workers when practicable.[18] Consequently, at high enough rates the tax might accentuate other influences in the economy which reduce the supply of jobs for the unskilled, with adverse effects on employment levels. What response the unskilled worker might make to this situation cannot be predicted. He may sink into permanent apathy and despair, he might engage in rioting, or he might seek training which would move him into the ranks of the semiskilled.

---

[17] Just such a case may have occurred in Puerto Rico when the tax was introduced there in 1951. See footnote 3 above. It should be noted that the employer can experience a similar jolt, multiplied by the number of his employees.

[18] See footnote 8 above.