

tax is not going to be levied in those foreign countries and therefore in those areas I doubt very much there is capacity to pass it on.

In specialities you maybe don't have competition, but in the basic product we have foreign competition and there they are going to be at a disadvantage, yes. In some other product in which you may be the primary producer and be the world leader you may be able to pass it all off. In some others you will find fractions in between.

You also find of course the fact that the marketplace is selective in what it does and as the individual consumer faces higher prices he has to make more selections, to establish priorities of what isn't he going to buy.

If he starts picking on your product you are not going to pass on that tax because you are worse off losing the business than you are by paying the tax, so in your taxed box of Wheaties or whatever, you are not going to pass it on.

There are products which are basically sundries. I am talking about a package of gum or a soft drink which tends to have a fixed price, and you have to find some way of eliminating that price squeeze until you get a jump in price.

So some of those will not move ahead.

Mr. CONABLE. Then I take it it would be your conclusion as well as Dr. Ackley's that there would be substantial absorption by the corporate profits of this additional cost of doing business. Is that correct?

Mr. GULLANDER. Yes, I do.

Mr. CONABLE. Thank you.

The CHAIRMAN. Any further questions?

Mr. GULLANDER. May I add to that, however, if the money market gets tighter and tighter because of this huge inflation to be financed by borrowing, corporate profit is going to be reduced and we are going to be paying a higher price for the money we are borrowing if you didn't have a surtax.

Mr. CONABLE. The corporations are going to have to continue to make profits and in the long run, of course, anything that increases the cost of doing business is going to have to be paid for by those people who use the goods and services of the corporations, isn't it?

Mr. GULLANDER. If the market will absorb it.

Mr. CONABLE. We are talking about, then, only the short run and when you it will not be passed on to any substantial degree in all probability—

Mr. GULLANDER. Short run, but a different period of time for every segment.

Mr. CONABLE. Yes.

The CHAIRMAN. Mr. Bush.

Mr. BUSH. Mr. Gullander, one quick question. Did your group come out with any specific list of cuts? I looked at your statement, and if you were the President and you were asked to cut domestic spending immediately, do you have a list of things that would add up to a substantial cut that you could detail for us and by department and by agency?

Mr. GULLANDER. I do not, and you may ask the question as to why I do not. Because I am not the President. To again refer to a corporate situation, the board of directors is unhappy with respect to the profit performance of the corporation for which it is responsible. It does