The CHAIRMAN. We appreciate your bringing to the committee this discussion of your views. Any questions of Mr. Meany? Mr. Curtis.

Mr. CURTIS. Mr. Meany, there is one point of economics in your statement here on page 4. I think I agree with the point you make there. You say:

> We do not agree, at all, with the proposition that the tax increase is required to prevent a classical inflation in the next several months with shortages of goods, manpower, plants, and machines.

I think I share that view with you, but what I see lying behind the inflation we are presently experiencing—the Consumer Price Index went up 0.4 last month and the previous 2 months 0.7—is what the economists refer to as cost-push inflation.

Would you agree that that is the kind of inflation that we are threatened with and actually have right now and have to consider in discussing this Federal deficit?

Mr. MEANY. No, I don't think that is any great threat and I think, as far as the classical inflation, that we have learned over the years that that is no threat at all.

Mr. CURTIS. Well, classical inflation is demand inflation. As I say, as I look at these indicators I don't think that demand inflation is the thing we need to worry about, but we certainly are having inflation right now that is affecting your people very much in the Consumer Price Index and it affected them last year.

This is one of the bases for your wage demands in the negotiations now underway.

Now, I think that we are going to experience a great deal more of this cost-push inflation resulting from this Federal deficit and our handling of it. If the inflation were to amount to as much as 5 percent this year—if it goes at 0.4 a month we would be getting there—we will have a meat ax cut of all Federal expenditures of $7 billion. That is, a cut in defense, poverty programs, and everything else. You will also have your union workers and other wage earners experiencing a similar cut in real purchasing power. I am calling attention to this because you don't direct attention to the kind of inflation which seems to be with us right now.

Mr. MEANY. Well, of course we don't feel that that is a serious threat at this time.

Mr. CURTIS. Well, it exists. The 0.4 increase in the Consumer Price Index just last month isn't fiction. Now, how does that affect your people? This comes to another question. I think most economists agree that the corporate tax is essentially a consumer tax. The corporation is going to have to pass that tax on in the price of goods and services.

If this is true, then your suggestions here would aggravate the cost-push kind of inflation that we have right now.

Mr. MEANY. Well, you feel that any increase would be passed on to the consumer? Isn't it possible that the profits could be reduced a little or that the stockholders might get a little less?

Mr. CURTIS. There is that possibility, Mr. Meany. This has been a debate for years between economists, but I prefaced my remarks by saying I think the agreement is getting to be pretty general that the corporate tax is essentially a consumer tax. The bulk of it is passed