it, because of the speedup, because of the manner of handling of the credits, and so forth?

Mr. BRYANT. Without taking into account the speedup, which is really another subject and has affected our cash flow over the last few years, as you know, taking account simply of the suggestion of the President that this be calculated on the gross tax and not on the bottom line, in effect, of the return as the Manufacturing Chemists Association has recommended they did survey what would have happened in 1966 in a number of companies if the tax had been calculated that way and it varied from 11 percent up to nearly 14 percent, probably ranging from 12½ to 13 percent, as I cited in the example I gave.

This is particularly unfortunate with respect to the foreign tax credits in that the companies that will be penalized the worst by this provision actually are the ones providing the most foreign dividends back in this country and therefore making the maximum contribution to our balance-of-payments problem.

Mr. CONABLE. Mr. Bryant, I have another question. You referred to the depressed conditions in your industry and also the profit problems you have had and the falling off of profits. The result is your margins I suppose are considerably narrower than they were a couple of years ago.

Do you have any estimate at all as to the extent to which this corporate surtax is likely to be passed on to the consumers?

Mr. BRYANT. Mr. Conable, this is very hard to answer categorically because of course it would depend on the nature of the product involved and the nature of the industry, business which was selling. The competition will determine whether it can or not.

Mr. CONABLE. Certainly you have a good deal more foreign competition than other industries, which would have some effect.

Mr. BRYANT. This is a major effect today because really the competition is intensifying for the chemical industry today and the competition has been reflected in the reduced earnings that you have read about in the papers, and some of our problem in the industry has been greatly stepped up foreign competition, which of course will be further stepped up as the effect of the Kennedy round begins to be felt.

So that even though chemical companies domestically would like to do something to attempt to, at leaset partially, retain their margins, they will find, especially in commodities, which are the big volumes and therefore will account for most of the business, that it will be very difficult to do so I believe.

There may be some specialty situations where there may be price increases passed on, but in my judgment a very minor amount of it will be recovered by the chemical industries.

Mr. CONABLE. In higher prices?

Mr. BRYANT. In higher prices, yes, sir.

Mr. CONABLE. In other words, this is a corporate tax and not just a hidden tax on the consumer?

Mr. BRYANT. Yes.

Mr. CONABLE. Ultimately it is going to come out of the consumer, but at least for short term it is going to be paid by the corporations themselves.

Mr. BRYANT. This would be my judgment, yes, sir.

The CHAIRMAN. Any further questions?

Thank you again, Mr. Bryant.