

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-SIXTH CONGRESS

THIRD SESSION

ON

H. J. Res. 407

**A JOINT RESOLUTION TO EXTEND THE AUTHORITY
OF THE PRESIDENT UNDER SECTION 350 OF
THE TARIFF ACT OF 1930, AS AMENDED**

**FEBRUARY 26, 27, 28, AND 29
MARCH 1, 2, 4, 5, AND 6, 1940**

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EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

MONDAY, FEBRUARY 26, 1940

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, in the Finance Committee room at 10 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The hearing will come to order.

The committee has met this morning for the purpose of holding hearings on the legislation continuing the Reciprocal Trade Agreements Act, House Joint Resolution 407, which will be placed in the record.

I think it is well in the beginning to have inserted in the record the original Reciprocal Trade Agreements Act enacted in 1934, and the public resolution extending the original act for a period of 3 years. The committee will recall that in 1937 the original act was extended for a further 3-year period. The present act expires on June 12, 1940.

I think it would be well also that the message of the President of January 3, 1940, to the joint session of the Congress, in which, among other things, he recommended that the Reciprocal Trade Agreements Act be extended, be inserted in the record.

(The insert material referred to by the chairman follows:)

[H. J. Res. 407, 76th Cong. 3d sess.]

JOINT RESOLUTION To extend the authority of the President under section 350 of the Tariff Act of 1930, as amended

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended by the Act (Public, Numbered 316, Seventy-third Congress) approved June 12, 1934, is hereby extended for a further period of three years from June 12, 1940.

Passed the House of Representatives February 23, 1940.

Attest:

SOUTH TRIMBLE, Clerk.

[PUBLIC—No. 316—73D CONGRESS]

[H. R. 8687]

AN ACT To amend the Tariff Act of 1930

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Tariff Act of 1930 is amended by adding at the end of title III the following:

"PART III—PROMOTION OF FOREIGN TRADE

"Sec. 350. (a) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American

public, and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified, is authorized from time to time—

"(1) To enter into foreign trade agreements with foreign governments or instrumentalities thereof; and

"(2) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder. No proclamation shall be made increasing or decreasing by more than 50 per centum any existing rate of duty or transferring any article between the dutiable and free lists. The proclaimed duties and other import restrictions shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly, or indirectly: *Provided*, That the President may suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts or policies which in his opinion tend to defeat the purposes set forth in this section; and the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the proclamation. The President may at any time terminate any such proclamation in whole or in part.

"(b) Nothing in this section shall be construed to prevent the application, with respect to rates of duty established under this section pursuant to agreements with countries other than Cuba, of the provisions of the treaty of commercial reciprocity concluded between the United States and the Republic of Cuba on December 11, 1902, or to preclude giving effect to an exclusive agreement with Cuba concluded under this section, modifying the existing preferential customs treatment of any article the growth, produce, or manufacture of Cuba: *Provided*, That the duties payable on such an article shall in no case be increased or decreased by more than 50 per centum of the duties now payable thereon.

"(c) As used in this section, the term 'duties and other import restrictions' includes (1) rate and form of import duties and classification of articles, and (2) limitations, prohibitions, charges, and exactions other than duties, imposed on importation or imposed for the regulation of imports."

SEC. 2. (a) Subparagraph (d) of paragraph 309, the last sentence of paragraph 1402, and the provisos to paragraphs 371, 401, 1050, 1687, and 1803 (1) of the Tariff Act of 1930 are repealed. The provisions of sections 336 and 516 (b) of the Tariff Act of 1930 shall not apply to any article with respect to the importation of which into the United States a foreign trade agreement has been concluded pursuant to this Act, or to any provision of any such agreement. The third paragraph of section 311 of the Tariff Act of 1930 shall apply to any agreement concluded pursuant to this Act to the extent only that such agreement assures to the United States a rate of duty on wheat flour produced in the United States which is preferential in respect to the lowest rate of duty imposed by the country with which such agreement has been concluded on like flour produced in any other country; and upon the withdrawal of wheat flour from bonded manufacturing warehouses for exportation to the country with which such agreement has been concluded, there shall be levied, collected, and paid on the imported wheat used, a duty equal to the amount of such assured preference.

(b) Every foreign trade agreement concluded pursuant to this Act shall be subject to termination, upon due notice to the foreign government concerned, at the end of not more than three years from the date on which the agreement comes into force, and, if not then terminated, shall be subject to termination thereafter upon not more than six months' notice.

(c) The authority of the President to enter into foreign trade agreements under section 1 of this Act shall terminate on the expiration of three years from the date of the enactment of this Act.

SEC. 3. Nothing in this Act shall be construed to give any authority to cancel or reduce, in any manner, any of the indebtedness of any foreign country to the United States.

Sec. 4. Before any foreign trade agreement is concluded with any foreign government or instrumentality thereof under the provisions of this Act, reasonable public notice of the intention to negotiate an agreement with such government or instrumentality shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate, under such rules and regulations as the President may prescribe; and before concluding such agreement the President shall seek information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce and from such other sources as he may deem appropriate.

Approved, June 12, 1934, 9:15 p. m.

[PUBLIC RESOLUTION—No. 10—75TH CONGRESS]

[CHAPTER 22—1ST SESSION]

[H. J. Res. 90]

JOINT RESOLUTION To extend the authority of the President under section 350 of the Tariff Act of 1930, as amended

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended by the Act (Public, Numbered 316, Seventy-third Congress) approved June 12, 1934, is hereby extended for a further period of three years from June 12, 1937.

Approved, March 1, 1937.

ADDRESS OF THE PRESIDENT OF THE UNITED STATES

To the Congress of the United States:

As the Congress reassembles, the impact of wars abroad makes it natural to approach "the state of the Union" through a discussion of foreign affairs.

But it is important that those who hear and read this message should in no way confuse that approach with any thought that our Government is abandoning, or even overlooking, the great significance of its domestic policies.

The social and economic forces which have been mismanaged abroad until they have resulted in revolution, dictatorship, and war are the same as those which we here are struggling to adjust peacefully at home.

You are well aware that dictatorships—and the philosophy of force which justifies and accompanies dictatorships—have originated in almost every case in the necessity for drastic action to improve internal conditions where democratic action for one reason or another has failed to respond to modern needs and modern demands.

It was with farsighted wisdom that the framers of the Constitution brought together in one magnificent phrase three great concepts—"common defense," "general welfare," and "domestic tranquillity."

More than a century and a half later we still believe with them that our best defense is the promotion of our general welfare and domestic tranquillity.

In previous messages to the Congress I have repeatedly warned that, whether we like it or not, the daily lives of American citizens will, of necessity, feel the shock of events on other continents. This is no longer mere theory for it has been definitely proved by the facts of yesterday and today.

To say that the domestic well-being of 130,000,000 Americans is deeply affected by the well-being or the ill-being of the populations of other nations is only to recognize in world affairs the truth we all accept in home affairs.

If in any local unit—a city, county, State, or region—low standards of living are permitted to continue, the level of the civilization of the entire Nation will be pulled downward.

The identical principle extends to the rest of a civilized world. But there are those who wishfully insist, in innocence or ignorance, or both, that the United States of America as a self-contained unit can live happily and prosperously, its future secure, inside a high wall of isolation while, outside, the rest of civilization and the commerce and culture of mankind are shattered.

I can understand the feelings of those who warn the Nation that they will never again consent to the sending of American youth to fight on the soil of Europe. But, as I remember, nobody has asked them to consent—for nobody expects such an undertaking.

The overwhelming majority of our fellow citizens do not abandon in the slightest their hope and expectation that the United States will not become involved in military participation in the war.

I can also understand the wishfulness of those who oversimplify the whole situation by repeating that all we have to do is to mind our own business and keep the Nation out of war. But there is a vast difference between keeping out of war and pretending that this war is none of our business.

We do not have to go to war with other nations, but at least we can strive with other nations to encourage the kind of peace that will lighten the troubles of the world, and by so doing help our own Nation as well.

I ask that all of us everywhere think things through with the single aim of how best to serve the future of our own Nation. I do not mean merely its future relationship with the outside world. I mean its domestic future as well—the work, the security, the prosperity, the happiness, the life of all the boys and girls of the United States, as they are inevitably affected by such world relationships. For it becomes clearer and clearer that the future world will be a shabby and dangerous place to live in—even for Americans to live in—if it is ruled by force in the hands of a few.

Already the crash of swiftly moving events over the earth has made us all think with a longer view. Fortunately, that thinking cannot be controlled by partisanship. The time is long past when any political party or any particular group can curry and capture public favor by labeling itself the "peace party" or the "peace bloc." That label belongs to the whole United States and to every right-thinking man, woman, and child within it.

For out of all the military and diplomatic turmoil, out of all the propaganda and counterpropaganda of the present conflicts, there are two facts which stand out and which the whole world acknowledges.

The first is that never before has the Government of the United States done so much as in our recent past to establish and maintain the policy of the good neighbor with its sister nations.

The second is that in almost every nation in the world today there is a true public belief that the United States has been, and will continue to be, a potent and active factor in seeking the reestablishment of peace.

In these recent years we have had a clean record of peace and good will. It is an open book that cannot be twisted or defamed. It is a record that must be continued and enlarged.

So I hope that Americans everywhere will work out for themselves the several alternatives which lie before world civilization, which necessarily includes our own.

We must look ahead and see the possibilities for our children if the rest of the world comes to be dominated by concentrated force alone—even though today we are a very great and a very powerful nation.

We must look ahead and see the effect on our own future if all the small nations throughout the world have their independence snatched from them or become mere appendages to relatively vast and powerful military systems.

We must look ahead and see the kind of lives our children would have to lead if a large part of the rest of the world were compelled to worship the god imposed by a military ruler, or were forbidden to worship God at all; if the rest of the world were forbidden to read and hear the facts—the daily news of their own and other nations—if they were deprived of the truth which makes men free.

We must look ahead and see the effect on our future generations if world trade is controlled by any nation or group of nations which sets up that control through military force.

It is, of course, true that the record of past centuries includes destruction of small nations, enslavement of peoples, and building of empires on the foundation of force. But wholly apart from the greater international morality which we seek today, we recognize the practical fact that with modern weapons and modern conditions, modern man can no longer live a civilized life if we are to go back to the practice of wars and conquests of the seventeenth and eighteenth centuries.

Summing up this need of looking ahead, and in words of common sense and good American citizenship, I hope that we will have fewer American ostriches in our midst. It is not good for the ultimate health of ostriches to bury their heads in the sand.

Only an ostrich would look upon these wars through the eyes of cynicism or ridicule.

Of course, the peoples of other nations have the right to choose their own form of government. But we in this Nation still believe that such choice should be predicated on certain freedoms which we think are essential everywhere. We know that we ourselves will never be wholly safe at home unless other governments recognize such freedoms.

Twenty-one American republics, expressing the will of 250,000,000 people to preserve peace and freedom in this hemisphere are displaying a unanimity of ideals and practical relationships which gives hope that what is being done here can be done on other continents. We in all the Americas are coming to the realization that we can retain our respective nationalities without, at the same time, threatening the national existence of our neighbors.

Such truly friendly relationships, for example, permit us to follow our own domestic policies with reference to our agricultural products, while at the same time we have the privilege of trying to work out mutual-assistance arrangements for a world distribution of world agricultural surpluses.

And we have been able to apply the same simple principle to many manufactured products—surpluses of which must be sold in the world export markets if we would continue a high level of production and employment.

For many years after the World War blind economic selfishness in most countries, including our own, resulted in a destructive mine field of trade restrictions which blocked the channels of commerce among nations. This policy was one of the contributing causes of existing wars. It dammed up vast unsalable surpluses, helping to bring about unemployment and suffering in the United States and everywhere else.

To point the way to break up the log jam, our Trade Agreements Act was passed—based upon a policy of equality of treatment among nations and of mutually profitable arrangements of trade.

It is not correct to infer that legislative powers have been transferred from the Congress to the executive branch of the Government. Everybody recognizes that general tariff legislation is a congressional function, but we know that, because of the stupendous task involved in the fashioning and passing of a general law, it is advisable to provide at times of emergency some flexibility to make the general law adjustable to quickly changing conditions.

We are in such a time today. Our present trade-agreement method provides a temporary flexibility and is, therefore, practical in the best sense. It should be kept alive to serve our trade interests—agricultural and industrial—in many valuable ways during the existing wars.

But what is more important, the Trade Agreements Act should be extended as an indispensable part of the foundation of any stable and durable peace.

The old conditions of world trade made for no enduring peace; and when the time comes, the United States must use its influence to open up the trade channels of the world in order that no nation need feel compelled in later days to seek by force of arms what it can well gain by peaceful conference. For this purpose we need the Trade Agreements Act even more than when it was passed.

I emphasize the leadership which this Nation can take when the time comes for a renewal of world peace. Such an influence will be greatly weakened if this Government becomes a dog in the manger of trade selfishness.

The first President of the United States warned us against entangling foreign alliances. The present President of the United States subscribes to and follows that precept.

But trade cooperation with the rest of the world does not violate that precept in any way.

Even as through these trade agreements we prepare to cooperate in a world that wants peace, we must likewise be prepared to take care of ourselves if the world cannot attain peace.

For several years past we have been compelled to strengthen our own national defense. That has created a very large portion of our Treasury deficits. This year, in the light of continuing world uncertainty, I am asking the Congress for Army and Navy increases which are based not on panic but on common sense. They are not as great as enthusiastic alarmists seek. They are not as small as unrealistic persons claiming superior private information would demand.

As will appear in the Annual Budget tomorrow, the only important increase in any part of the Budget is the estimate for national defense. Practically all other important items show a reduction. Therefore, in the hope that we can continue in these days of increasing economic prosperity to reduce the Federal deficit, I am asking the Congress to levy sufficient additional taxes to meet the emergency spending for national defense.

Behind the Army and Navy, of course, lies our ultimate line of defense—"the general welfare" of our people. We cannot report, despite all the progress we have made in our domestic problems—despite the fact that production is back to 1920 levels—that all our problems are solved. The fact of unemployment of millions of men and women remains a symptom of a number of difficulties in our economic system not yet adjusted.

While the number of the unemployed has decreased, while their immediate needs for food and clothing—as far as the Federal Government is concerned—have been largely met, while their morale has been kept alive by giving them useful public work, we have not yet found a way to employ the surplus of our labor which the efficiency of our industrial processes has created.

We refuse the European solution of using the unemployed to build up excessive armaments which eventually result in dictatorships. We encourage an American way—through an increase of national income which is the only way we can be sure will take up the slack. Much progress has been made; much remains to be done.

We recognize that we must find an answer in terms of work and opportunity. The unemployment problem today has become very definitely a problem of youth as well as of age. As each year has gone by hundreds of thousands of boys and girls have come of working age. They now form an army of unused youth. They must be an especial concern of democratic government.

We must continue, above all things, to look for a solution of their special problem. For they, looking ahead to life, are entitled to action on our part and not merely to admonitions of optimism or lectures on economic laws.

Some in our midst have sought to instill a feeling of fear and defeatism in the minds of the American people about this problem.

To face the task of finding jobs faster than invention can take them away—is not defeatism. To warble easy platitudes that if we will only go back to ways that have failed, everything will be all right—is not courage.

We met a problem of real fear and real defeatism in 1933. We faced the facts—with action, not with words.

The American people will reject the doctrine of fear, confident that in the thirties we have been building soundly a new order of things different from the order of the twenties. In this dawn of the decade of the forties, with our program of social improvement started, we must continue to carry on the processes of recovery so as to preserve our gains and provide jobs at living wages.

There are, of course, many other items of great public interest which could be enumerated in this message—the continued conservation of our national resources, the improvement of health and of education, the extension of social security to larger groups, the freeing of large areas from restricted transportation discriminations, the extension of the merit system, and many others.

Our continued progress in the social and economic field is important not only for the significance of each part of it but for the total effect which our program of domestic betterment has upon that most valuable asset of a nation in dangerous times—its national unity.

The permanent security of America in the present crisis does not lie in armed force alone. What we face is a set of world-wide forces of disintegration—vicious, ruthless, destructive of all the moral, religious, and political standards which mankind, after centuries of struggle, has come to cherish most.

In these moral values, in these forces which have made our Nation great, we must actively and practically reassert our faith.

These words—"national unity"—must not be allowed to become merely a high-sounding phrase, a vague generality, a pious hope, to which everyone can give lip service. They must be made to have real meaning in terms of the daily thoughts and acts of every man, woman, and child in our land during the coming year and the years that lie ahead.

For national unity is, in a very real and deep sense, the fundamental safeguard of all democracy.

Doctrines which set group against group, faith against faith, race against race, class against class, fanning the fires of hatred in men too despondent, too desperate to think for themselves, were used as rabble-rousing slogans on which dictators could ride to power. And once in power they could saddle their tyrannies on whole nations, and on their weaker neighbors.

This is the danger to which we in America must begin to be more alert. For the apologists for foreign aggressors, and equally those selfish and partisan groups at home who wrap themselves in a false mantle of Americanism to promote their own economic, financial, or political advantage, are now trying European tricks upon us, seeking to muddy the stream of our national thinking, weakening us in the face

of danger, trying to set our own people to fighting among themselves. Such tactics are what have helped to plunge Europe into war. We must combat them, as we would the plague, if American integrity and security are to be preserved. We cannot afford to face the future as a disunited people.

We must as a united people keep ablaze on this continent the flames of human liberty, of reason, of democracy, and of fair play as living things to be preserved for the better world that is to come.

Overstatement, bitterness, vituperation, and the beating of drums, have contributed mightily to ill feeling and wars between nations. If these unnecessary and unpleasant actions are harmful in the international field, they are also hurtful in the domestic scene. Peace among ourselves would seem to have some of the advantage of peace between us and other nations. And in the long run history amply demonstrates that angry controversy surely wins less than calm discussion.

In the spirit, therefore, of a greater unselfishness, recognizing that the world—including the United States of America—passes through perilous times, I am very hopeful that the closing session of the Seventy-Sixth Congress will consider the needs of the Nation and of humanity with calmness, tolerance, and cooperative wisdom.

May the year 1940 be pointed to by our children as another period when democracy justified its existence as the best instrument of government yet devised by mankind.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
January 3, 1940.

The CHAIRMAN. May I say for the benefit of those who are to be heard and those who desire to be heard that the hearings on this legislation before the House Ways and Means Committee were quite lengthy. Great liberality was given to everyone in the matter of presentation of their case, and so the Finance Committee, I am sure, is desirous of expediting the hearings as far as practicable and without too great a duplication of what has appeared in the hearings before the House Ways and Means Committee. Every member of the Finance Committee has been sent a copy of those hearings, which I think are in three volumes, and they have them before them.

We hope that the witnesses will be as brief as they can be in fairly and reasonably presenting their argument to this committee this week, so that we can get along as expeditiously as possible.

I would like to suggest that those who desire to be heard and who have not yet made their application, see the clerk of the committee so that he can get their names in order that they may be considered for the calendar of witnesses which is being prepared.

The committee intends to meet at 10 o'clock every morning and where it is practicable, if the Senate proceedings on the floor permit it, we will have meetings in the afternoons.

Senator BARKLEY. I think it is practicable, Senator Harrison, to hold hearings in the afternoon practically every day this week. The only legislation that will be up today will be the State Department and Commerce Department appropriation bills, which probably won't take long to dispose of, and there will be nothing more until Thursday. I do not know of anything which will be up unless it is another appropriation bill, so that we can figure on most of this week to have afternoons available.

Senator VANDENBERG. Mr. Chairman, I would like to agree with your general suggestion, but some of us are very much interested in this appropriation bill which is up this afternoon, and I hope that at least this afternoon we won't have a collision between the two engagements.

Senator LODGE. I may say, Mr. Chairman, that I have several amendments that I want to submit to the appropriation bills which are coming up, so I hope that there will be a chance to do that.

The CHAIRMAN. I am sure that the committee does not want to interfere with the free activities of any Senator who wants to be on the floor if some important matter is up. I had understood you to say, Senator Barkley, that you did not think the session would go along for more than 2 hours today?

Senator BARKLEY. I thought so. That is problematical, however. I would not want the committee hearing to interfere with the sessions of the Senate, especially on that bill.

The CHAIRMAN. Of course, we will have to watch developments on that.

We have invited the Secretary of State down this morning as the first witness, and I have arranged for the Secretary of Agriculture, Mr. Wallace, to appear before the committee tomorrow. The Secretary of State is here, so you may proceed in your own way, Mr. Secretary.

STATEMENT OF HON. CORDELL HULL, SECRETARY OF STATE

Secretary HULL. Mr. Chairman, on the assumption that the committee may allow me to spend the day with them, I am inclined to accept the invitation of the chairman to proceed sitting rather than standing, unless there is some objection.

Senator BAILEY. I wish to make an apology to you, Secretary Hull. I am here for just a moment or two, because there is a meeting of the Commerce Committee, and I will have to leave quite soon. I am getting back, however, to spend most of the day with you.

Secretary HULL. It is my misfortune that you have to leave.

Mr. Chairman, members of the Finance Committee, the hearings which begin today before your committee relate to a piece of legislation which is of extraordinary importance to our Nation at this time. It has a direct and vital bearing on our domestic economic prosperity and on world peace.

When I appeared before the Committee on Ways and Means, I presented a formal statement dealing comprehensively with all important phases of the problem, and I shall not now take your time going over the ground thus already covered. However, I should like to make some additional remarks, especially with reference to some points which were raised in recent discussions.

I am glad to note that there is now scarcely any inclination anywhere to question the proposition that adequate foreign trade is indispensable to full and stable prosperity for our Nation, which requires the fullest possible development of both the domestic and the foreign markets. There is overwhelming evidence to show that, when our exports shrink seriously, the country's production, trade, prices, values, employment, incomes, and therefore, purchasing power are adversely affected. This is true of agriculture, manufacturing industry, transportation, mining, and all other phases of our economic life. There is also overwhelming evidence to show that all these determining factors of our national prosperity are favorably affected by an expansion of exports. We are living in a period in which our vast home market must be supplemented by foreign mar-

kets for our ever-increasing surpluses. Satisfactory disposition of such surplus production has become an indispensable factor in our permanent progress and our sound and balanced prosperity. Of equal significance is the growing realization in our country of the close connection between trade and peace.

Let me recall briefly the background against which the trade-agreements program was enacted by the Congress 6 years ago. Trade between countries, involving the bread and butter of millions and affecting the political stability and contentment of millions, declined enormously. The peoples of the world had traded with each other in 1929 to the amount of \$69,000,000,000. By 1932 this trade had fallen to 27 billions. This meant that millions of workmen were out of work and their families were in desperate need; millions of farmers and producers of other raw materials were unable to sell the results of their labor except at a miserable price. Governments were compelled to make enormous relief expenditures. They resorted to any type of measure which promised to relieve this unemployment and distress irrespective of its effects on the rest of the world. In other words, the background of circumstances leading to the enactment of the trade-agreements program was a most disturbing and rapid falling apart of the commercial and financial structure of the world, caused in large measure by the ever-rising barriers to trade raised by all countries, in which course our own Nation was, unfortunately, an outstanding leader.

All countries were stricken and few more seriously than the United States. Within 3 years, our exports declined from 5.2 billion dollars to 1.6 billions. This loss of more than 3.5 billion dollars worth of export business spelled havoc and tragedy throughout the land. Of itself, it would have been enough to throw out of gear the whole machinery of our national economic life. Combined with other factors, it brought this country face to face with the gravest economic emergency in our national history.

Between 1929 and 1932, inclusive, national income fell from \$80,800,000,000 to \$39,500,000,000; cash farm income, from \$11,200,000,000 to \$4,700,000,000; nonagricultural employment alone from 36,200,000 to 27,800,000; wages and salaries in manufacturing industries from \$15,800,000,000 to \$7,400,000,000; wholesale prices from a level of 95.3 to a level of 64.8. Agriculture was bankrupt; industry was bankrupt; and even the banks were bankrupt, hundreds of them having failed.

That emergency could not be met fully and successfully, unless, at the same time that we were putting into effect far-reaching and necessary domestic measures, effective means were also found to restore our foreign trade. This could only be done through reciprocal reduction, on the basis of equal treatment, by us and by other countries of the unreasonable and excessive trade barriers which were strangling commerce. Since other governments possessed the means of prompt action in dealing with trade matters, it was essential that our Government devise for itself an instrument of similar action.

This was done through the enactment of the trade-agreements program, which has enabled the executive branch of the Government to engage, within the limits of policy strictly prescribed by the Congress, in vigorous action for the restoration of our foreign trade. In that vital task, working against great difficulties, we have achieved a

gratifying measure of success. During the period of operation of the trade-agreements program, our exports expanded markedly, in sharp contrast with their steady decline during the period of operation of the embargo policy of the Hawley-Smoot Act. This revival of export business has been an important factor in bringing about the recovery which has occurred in agriculture, in industry, in employment, in prices, in values, in the national income, and all the other elements of our national prosperity.

Between 1932 and 1939, national income rose from \$39,500,000,000 to about \$70,000,000,000.

Senator BARKLEY. May I interrupt you, Mr. Secretary?

Secretary HULL. Certainly.

Senator BARKLEY. The Alexander Hamilton Institute last week announced that the national income for 1939 was \$71,800,000,000. What makes up the difference in your estimate and that of the Department of Commerce of between \$68,500,000,000 and the \$71,800,000,000 fixed by the Alexander Hamilton Institute?

Secretary HULL. I think it was fixed at \$70,000,000,000 by the Department of Commerce, and probably I tried to be a little too conservative in shading that figure.

Senator VANDENBERG. Does that figure, Mr. Secretary, include the resources poured into the national income by Federal benefit payments and relief appropriations, and so forth?

Secretary HULL. It is computed according to the usual methods, and frankly, it is a matter of such infinite detail and involves the expert accountants and the statistical experts all combined, and then some additional help, so that I would not undertake at the moment without reference to the details of the record to go into that, Senator, much as I should be glad to advise you.

Senator BARKLEY. Both figures are a net national income and do not necessarily represent gross expenditures?

Secretary HULL. Well, as I say, there are well-defined rules and methods of calculating the national income and they comprise an immense amount of details which appeal to the expert accountants or the fiscal authorities rather than to a layman like myself.

Senator VANDENBERG. I think it is true, since the Senator from Kentucky has made his observation, I think it is true that both figures include relief payments, farm benefit payments, and all contributions to the national income out of the Federal Treasury.

Secretary HULL. Between 1932 and 1939 national income rose from \$39,500,000,000 to about \$70,000,000,000; cash farm income from \$4,700,000,000 to \$7,625,000,000; nonagricultural employment from 27,800,000 to 33,700,000; wages and salaries in manufacturing industries from \$7,400,000,000 to \$12,600,000,000; wholesale prices from a level of 64.8 to a level of 77.1.

In enacting the trade-agreements program, the Congress was not making a definitive determination of a long-range and permanent tariff and commercial policy for this country. What was created in 1934 was a temporary agency, designed to meet the imperative needs of an abnormal situation and calculated to aid in bringing about conditions in which a permanent policy would become feasible.

Grave emergency conditions, resulting from the tragic errors of the past, existed in many phases of life, here and abroad. The trade and other economic policies of the period following the World War were,

in effect, instruments of intense and destructive economic warfare. Largely under their influence there occurred a growing weakening of social stability within nations and an ominous deterioration of international morality and of political relations among nations. There was no hope of arresting these fatal trends unless friendly and mutually beneficial trade relations were to supplant the existing system of economic warfare.

The trade-agreements program enabled us not only to promote directly our domestic recovery through an expansion of our foreign commerce, but also to take a position of leadership in efforts to check the spread of suicidal economic nationalism and to build a firm foundation for the kind of international trade relations which are indispensable to the maintenance of enduring peace, without which there can be no sustained prosperity for our Nation or any nation.

Senator LODGE. Mr. Secretary, would you mind having questions during your statement, or would you rather wait until you have concluded it?

Secretary HULL. It would be preferable, at least my experience has suggested, that it is ordinarily preferable all around to conclude a preliminary statement. However, I am always agreeable to whatever the purpose or the desire of the committee or any member of the committee is.

Senator LODGE. I have a question on this point, but I will withhold it until you finish.

The CHAIRMAN. If there is no objection, the Secretary may proceed and finish, and then questions may be asked him.

Secretary HULL. It was not to be anticipated that the immense task involved could be accomplished overnight. The destructive forces released by the disastrous policies of the past were too powerful to be overcome easily or swiftly. Substantial progress in this direction was made since 1934. That progress has been interrupted by the outbreak of new widespread wars. Whether what has already been accomplished will be completely wiped out or whether it will, after the termination of hostilities, serve as a foundation and a powerful impetus for further progress will depend, in a decisive measure, upon what our country does now.

Most of those who oppose the extension of the Trade Agreements Act propose no substitute for it, except a return—open or disguised—to the Hawley-Smoot regime. That would be where we would find ourselves if the act were permitted to lapse or if its effectiveness were to be destroyed by the adoption of crippling amendments.

It requires no imagination, but only recollection of what happened under the Hawley-Smoot Act in 1930-32, to visualize what would be the result of a return to a policy of virtual embargoes and attempted self-containment at any cost. Our people are not likely to forget how, 10 years ago, the proponents of ever higher tariffs made solemn promises to the farmers, to the workmen, to the businessmen, to the nation as a whole, that increasing prosperity would follow the prohibitive tariff schedules which they were placing on our statute books—nor how those promises were fulfilled in bankruptcy for the farmer, in staggering unemployment for labor, in a collapse of prices and values for the businessman, in distress and despair for the entire Nation. Our people are not likely to forget the contribution which the enactment of the 1930 tariff made to the intensification of economic warfare

among nations, to the growth of trade barriers, to vicious spirals of resentment, ill will and retaliation.

Other opponents of the trade-agreements program are putting forward proposals which, in the guise of an allegedly "more realistic" approach to the whole problem of foreign trade, would go beyond the extremes of the Hawley-Smoot policy and would commit this country to the use of exchange controls, quotas, and all the other devices which in recent years have disrupted and retarded international trade. To abandon the trade-agreements program and to substitute for it a system of this kind would be to destroy the only policy which in recent years has offered effective resistance to a spread of these destructive practices. It would be equivalent to committing our Nation to a course of far-reaching economic regimentation, since the experience of other nations shows clearly that, in an effort to make extreme trade controls function effectively, regimentation has to be constantly extended to other phases of business activity and of economic life in general. It would be a starkly realistic approach, not to an effective promotion of our foreign trade, but to governmental control over business activity on a scale never before attempted in this country, and to a policy of plunging this country into destructive economic warfare, from which no nation ever emerges the gainer.

The trade-agreements program has enabled us to expand our foreign trade without subjecting it to the strait jacket of extreme government control. Under it, our trade has increased far more markedly than that of any other of the commercially important nations.

The program has been devised and carried out as a means of creating conditions in which free enterprise can function most effectively. Reversion to a policy of extreme protectionism or substitution for the trade-agreements program of a policy under which we would adopt all the instruments of economic warfare that have been so disastrously prevalent in the recent past, would not only wipe out our recent trade gains, but would impose upon our people a further national loss of staggering proportions. Our Government would be compelled to adopt most costly and difficult measures of relief and adjustment and to regiment the country's economic activity. And the most astonishing thing is that courses of action which must inevitably lead to these results are proposed and advocated by the very people who like to regard themselves as the real proponents of free enterprise and non-intervention of government in economic life.

This is the crux of the whole issue. The question of the survival or disappearance of free enterprise in our country and in the world is bound up with the continuation or abandonment of the trade-agreements program.

The record of what has been accomplished under the trade-agreements program toward opening and enlarging trade opportunity for all groups of our producers in both the foreign and the domestic markets is an open book. So much has already been said on this subject that I shall refrain at this stage from going into details on that score. My associates and I will be glad to furnish you with the fullest data. But I should like to raise this question: Who would be helped and who would be hurt by the abandonment of the trade-agreements program or by the adoption of the proposals which have been made to limit its scope and impair its effectiveness?

Would our agriculture be helped or hurt by abandonment or impairment of the trade-agreements program?

In the agreements which have been negotiated, important foreign markets have been kept open or expanded for our producers of lard and other hog products; cotton; tobacco; wheat and other grains and grain products; fresh, canned, and dried fruits and vegetables; and others. Surely, these producers would not be helped—on the contrary, they would be grievously injured—if they were to be deprived of these advantages.

Abandonment of the program would be hurtful to them in several very important ways. First, it would lose for us the additional leverage which the agreements now give us in defending the interests of our exporters in connection with the trade dislocations and distortions growing out of war conditions. Second, it would sacrifice the immediate and uninterrupted export benefits we are obtaining in markets not seriously disturbed by the war situation. Finally, it would involve sacrifice of the many ultimate advantages that the concessions would give to us in reexpanding our shipments to war-disturbed markets when hostilities cease.

In the trade agreements we have made some limited reductions in duties on certain products. So carefully have these adjustments been made and so painstakingly have they been safeguarded wherever need for safeguards was demonstrated, that these duty reductions have not inflicted any injury on any group of producers. No satisfactory evidence to the contrary has been brought forward—for the simple reason that no injury to our producers has, in fact, occurred. On the contrary, there is ample evidence to show that these very producers would be hurt, not by the continuation, but by the abandonment of the program.

These producers, as all producers, are vitally concerned with the state of our domestic market. They can sell their output at remunerative prices only when the purchasing power of our people is at a sufficiently high level. But our national purchasing power and, therefore, the state of our domestic market are vitally dependent upon the condition of our foreign trade.

In the course of our negotiations with other countries, we find, on occasion, that moderate and adequately safeguarded reductions of duties on some commodities are sufficiently attractive to other countries to enable them, in return, to make valuable concessions for our exports, and thus help us to expand our domestic market. Let me refer again, as a good illustration of this, to the assertions of alleged injury which have been heard in connection with the moderate and carefully safeguarded duty adjustments on some dairy and cattle products.

Look at these facts: The cash income of the dairy industry, which had fallen, between 1929 and 1932, from \$1,844,000,000 to \$991,000,000, rose by 1938, to \$1,398,000,000. The cash income of the cattle industry which had fallen from \$1,495,000,000 in 1929 to \$621,000,000 in 1932, rose, by 1938, to \$1,144,000,000. The prices of dairy and cattle products have gone up substantially in recent years.

Surely, our dairy and cattle producers would not be helped, if we were to restore to the Hawley-Smoot levels the few duties that have been reduced, and, in doing so, wipe out the concessions secured for our exports. Surely, these producers would be among those most hurt by the resulting painful contraction of the domestic market.

Surely, they have not so soon forgotten their experience from 1920 to 1932.

Would our manufacturing industries be helped or hurt by abandonment or impairment of the trade-agreements program?

The problem in this field is fundamentally the same as that with respect to agriculture. This country is the world's largest exporter of manufactured goods. In the trade agreements already concluded, important foreign markets have been kept open or enlarged for the producers of automobiles and trucks; tractors; agricultural, industrial, and electrical machinery; cash registers; typewriters and various office appliances; rubber tires and other rubber products; cotton and other textile products; lumber, wood manufactures, and paper products; hides and leather products; petroleum products; glass and glass products; iron and steel products; cooper and copper manufactures; and many others.

Surely, these producers would not be helped if they were to be deprived of the valuable advantages which have been secured for them. Surely, they would not be helped if we were now to give up the means provided by the trade agreements for defending their interests abroad.

Nor would the industries with respect to whose products duty reductions have been made in the trade agreements profit by the abandonment of the program. They might derive short-sighted satisfaction from seeing duties on their products restored to the Hawley-Smoot levels, but they would pay for this doubtful satisfaction with a decline of their business activity, which would inevitably result from a return to the embargo policies of the early thirties.

And labor—would labor be helped or hurt by the abandonment or impairment of the trade-agreements program?

Labor has just as direct and definite a stake in foreign trade as has any other group of our population. The state of employment and the level of wages obviously depend on the volume of business activity. When foreign markets decline, the result is increased unemployment and lower wages for those employed in the exporting industries. When the domestic market contracts as a result of loss of foreign markets, the results are still more unemployment and still lower wages throughout the economic system.

With the domestic market amply safeguarded, as it has been under the trade-agreements program, labor has been a direct gainer from the increase of our exports of manufactured goods. Such exports rose from \$624,000,000 in 1932 to \$1,523,000,000 in 1938. At the same time, our dutiable imports of finished goods were \$170,000,000 in 1932 and only \$232,000,000 in 1938.

The trade-agreements program has increased employment mainly in industries that pay wages well above the average for American manufacturing industry. In a number of our most important industries, the exports to countries that have made concessions on the products of such industries account for a far greater percentage of increase in employment than the exports to other countries.

I should now like to touch briefly upon two questions of procedure which have been raised in connection with the trade-agreements program. The first relates to the most-favored-nation principle; the second, to the functions of the Congress in connection with the program.

Would our foreign trade be helped or hurt by the abandonment on our part of the most-favored-nation principle?

The importance of that principle to us arises from the simple fact that most-favored-nation treatment, or the rule of equality, is the only practical and effective means of safeguarding our exports from destructive discrimination on the part of other countries, and of making possible the maximum recovery of trade through promotion of triangular and multilateral flow of commerce. This fact has long been recognized in our country, as well as the fact that we cannot secure such treatment for our exports, unless we are prepared, in return, to grant it to other countries.

It was in recognition of these basic facts that President Harding and Secretary of State Hughes made the favored-nation principle in its unconditional form an integral part of our commercial policy. It was in recognition of these same facts that the principle was included in the Trade Agreements Act and has been applied in the carrying out of the trade-agreements program.

When we grant most-favored-nation treatment to the country with which we conclude a trade agreement, we receive in return an assurance of similar treatment. When we extend to other countries the benefit of the duty adjustments made in a particular agreement, we do so on explicit condition that these other countries give our trade substantially the same type of treatment. We reserve the right to withhold or withdraw these benefits from countries which do not give our trade such treatment. The result so far has been that the volume of our exports thus safeguarded from serious discrimination has been several times greater than the value of our imports on which we have generalized concessions made in the trade agreements.

Had we neglected to provide for our trade the safeguards against adverse discriminations abroad, which can be effectively assured only through the use of the rule of equality under the most-favored-nation principle, had we failed to do everything in our power to strengthen this necessary means of promoting the increase of world trade, criticism directed against us on this score would have been understandable. Instead, we are being criticized for steadfastly insisting upon these necessary safeguards, abandonment of which would subject our commerce to the constant danger of finding itself hopelessly handicapped in foreign markets.

I come, finally, to this question: Would our foreign trade and our national interest be helped or hurt if the Trade Agreements Act were so amended that individual agreements be made subject to Senate ratification or congressional approval?

Judicial opinion is uniform to the effect that both the delegation of authority of the kind contained in the Trade Agreements Act and the practice of concluding Executive agreements are entirely consonant with our established constitutional practice. Over 1,000 Executive agreements on a large variety of subjects have been concluded in the course of our history. It seems eminently clear that trade agreements should not be regarded as treaties requiring Senate approval. You will find in the recent hearings of the Ways and Means Committee a thorough brief on the matter by the legal adviser of the State Department, Mr. Hackworth.

In the Trade Agreements Act, the Congress retained—as it should at all times—definite and basic control over tariff policy. It carefully

prescribed the policy, the methods, and the limitations of the trade-agreements program and entrusted to the Executive the duty and responsibility of administering and carrying into effect the provisions of the act. In proceeding on this basis, the Congress recognized fully that the needs of the abnormal and rapidly changing conditions with which we have been faced require a means of prompt and effective action at a time when all other important nations possess such means of action. Trade channels today shift or are shifted more rapidly than ever before. If we are not in a position to act, with relative speed and certainty, to protect our trade opportunities in other countries and to adjust, as circumstances may require, the trade opportunities we afford other countries, our trade will inevitably be handicapped to our own disadvantage.

The experience in connection with the negotiation of the 22 agreements that have been concluded offers an ample proof that the method we have pursued has served us well as a means of effective action; and that the authority under the Trade Agreements Act has been exercised with caution and moderation and with strict regard not only to the national interest, but also to the needs and problems of the individual branches of agriculture and industry directly involved.

The only result of the requirements that individual trade agreements be made subject to congressional approval or Senate ratification, under existing conditions, would be to make the program entirely unworkable. That would inevitably hurt our foreign trade, and through trade, our Nation's economic well-being.

We are now in a period when, as a result of the new and widespread wars, the need for means of prompt and effective action on the part of the Government in the promotion and defense of our foreign commerce is even more imperative than it has been hitherto. We are in a period in which our economic policies and action may have a determining influence upon the developments, which, after the cessation of hostilities, will shape the future world.

If we were now to abandon the program, we would reduce to practically nothing the efficacy of the existing trade agreements as a means of safeguarding our exports from the inroads of wartime restrictions. The need for keeping alive the principles which underlie the trade-agreements program is crucial now, during the war emergency, and will be of even more decisive importance after the war. Even a temporary abandonment of the program now would be construed everywhere as its permanent abandonment. Unless we continue to maintain our position of leadership in the promotion of liberal trade policies, unless we continue to urge upon others the need of adopting such policies as the basis of post-war economic reconstruction, the future will be dark, indeed. The triumph or defeat of liberal trade policies after the war will, in large measure, be determined by the commitments which the nations will assume between now and the peace conference.

At the termination of hostilities there will be an unprecedented need throughout the world for vastly increased production of useful goods of every kind. Only if this vital need is met, can our country and all countries hope for full employment and higher living standards. But production, employment and living standards cannot be restored and expanded unless the nations decide from the outset to direct their policies toward as rapid as possible a reestablishment of mu-

tually beneficial international trade. Otherwise, the economic life and the political stability of the world after this war will rest upon even more precarious foundations than those upon which they rested after the last war.

Had the nations of the world, including our own, followed at that time commercial policies conducive to the fullest practicable development of mutually beneficial international commerce, world trade would undoubtedly have expanded on a healthy basis far beyond the limits actually attained, and a foundation would have been laid for stable economic prosperity for all nations. Instead, the nations sought escape from their difficulties in constantly creating greater barriers to trade, the effects of which were obscured for a time by the unhealthy stimulation of reckless borrowing and lending of the Twenties. But the ravages of the great depression, the years of only partial recovery which followed, and finally the supreme tragedy of the new wars have brought retribution for the mistakes and follies of the first decade after the World War.

Must all this be repeated again, perhaps in an even more acute form, after the present war? That may well be the case if we now turn our backs upon the policy which, under our leadership, has offered in recent years the only hope of promoting trade among nations in such a way as to rebuild the foundations of economic prosperity within nations and of stable peace among nations. Were we to do this we would inflict upon ourselves and upon the world an incalculable injury.

After the World War, through the policies which we then pursued we helped to create a situation in which the entire economic structure of the world rested upon shifting sands, with nothing in sight but inescapable disaster. The policy which we have pursued for the past 6 years, if we only have the wisdom to continue it, will enable us to place the whole weight of our country's influence behind a determined effort—in which, I am sure, we shall have the cooperation of other nations—to rebuild international economic relationships in such a way that our Nation and all nations can prosper and be at peace.

The CHAIRMAN. Senator King, do you desire to ask any questions?

Senator KING. No.

The CHAIRMAN. Senator George?

Senator GEORGE. No.

The CHAIRMAN. Senator Walsh?

Senator WALSH. No.

The CHAIRMAN. Senator Barkley?

Senator BARKLEY. No.

The CHAIRMAN. Senator Byrd?

Senator BYRD. No.

The CHAIRMAN. Senator Guffey?

Senator GUFFEY. No.

The CHAIRMAN. Senator La Follette?

Senator LA FOLLETTE. Not at present.

The CHAIRMAN. Senator Capper?

Senator CAPPER. No.

The CHAIRMAN. Senator Vandenberg?

Senator VANDENBERG. Mr. Secretary, I would like to ask you some three or four questions in pursuit of information and not in pursuit of controversy.

Secretary HULL. I appreciate that, Senator, because we have so many terrific international problems facing us that I welcome that sentiment.

Senator VANDENBERG. I think that is the only proper basis to pursue on any of these subjects. Your examination was so complete in the House hearings that I have no desire to go over the subject matter that was canvassed in those hearings. I am assuming that those hearings are just as much a part of our record as our own?

The CHAIRMAN. That is true.

Senator VANDENBERG. Let me ask you this question, Mr. Secretary. I presume the answer is obvious, but I would like to have it clear on the record. In the absence of any restriction to the contrary, in this resolution I assume you would pursue on the theory that you have authority to reduce excise taxes as well as import duties?

Secretary HULL. Anything that is hundred percent a tariff—what do you call it in technical language?—but anyhow, any import tax that is identical in all of its effects with a tariff would have to be treated in that way, I assume.

Senator VANDENBERG. Well, let us be quite specific about it. You would feel that you had authority to reduce the excise taxes on copper, coal, lumber, and oil which are covered by one specific act of Congress?

Secretary HULL. We have gone on that assumption. I think you know that oil has been dealt with; that the copper proposal has been considered fully in the manner that every tariff proposal is considered by the different committees, and no question has been raised on coal so far as I have heard, by anyone. We have some \$63,000,000 of exports of coal and very small imports. There is a little anthracite coming into Boston, I think, under an agreement with Russia not to export more than a certain amount.

Senator VANDENBERG. I am not asking you about the facts involved—

Secretary HULL (continuing). And the lumber situation has been dealt with. So the question becomes less—if I may say so—less important that it has been, but our action indicates exactly what our position is.

Senator VANDENBERG. Exactly. The only reason I ask it is that there has been a very violent controversy as to whether or not you were entitled to invade these taxes under our congressional interpretation of the original act, and I thought we had better not have any misunderstanding regarding the extent. It is your position that you have complete authority to reduce these excise taxes?

Secretary HULL. Now, please do not misunderstand me. There are excise taxes and excise taxes. It is not the name of the tax that we are supposed to be governed by under the law; it is the purpose and effect of the tax. If the only purpose and effect of a tax is 100 percent the same as a tariff levy, then it takes its place in that category. If it is an internal-revenue tax which does not undertake to obstruct imports as a tariff tax does, but is imposed on domestic and imported products alike, that is an entirely different matter. No one has ever thought of reducing such internal taxes.

Senator VANDENBERG. You are familiar, of course, with the law which deals specifically with these four commodities?

Secretary HULL. Yes.

Senator VANDENBERG. And it is your position that that falls within the jurisdiction of this act?

Secretary HULL. Yes; and I have never heard it very seriously controverted, except by a very limited circle of persons.

Senator VANDENBERG. Well, I belong to that limited circle.

Secretary HULL. I hope it will be even less as the years go by.

Senator VANDENBERG. And I simply plead that I base my opposition upon the categorical statements of the distinguished chairman of this committee on the floor of the Senate at the time this act was passed. He was not a particularly good prophet in that connection.

Secretary HULL. Senator, if I may say, I think there was somewhere in Congress some misunderstanding in regard to some phases of these taxes, but I thought that you and Mr. Sayre, when he was Assistant Secretary of State and before your committee on this question, had clarified this question.

Senator VANDENBERG. I thought so too, but somebody failed to be clarified. Apparently I was the one.

Secretary HULL. Apparently.

Senator VANDENBERG. May I ask you just about that one figure in your proposed statement—it is on page 7 of the reprint. I quote:

Such exports rose from \$624,000,000 in 1932 to \$1,523,000,000 in 1938.

Do you have the references in mind?

Secretary HULL. I think I remember them.

Senator VANDENBERG. I am asking you if you can break that down into two figures and tell me how far they rose up to 1935 when the Trade Agreements Act became operative?

Secretary HULL. I think you will remember the condition of the country as I have described it in 1933. At that time the Government took energetic measures to revive industries and business over the nation and to provide necessary relief for all sorts of groups of people. You remember the W. P. A., for example.

The CHAIRMAN. There was such an institution which is called the W. P. A.

Secretary HULL. That was created in the forepart of 1933?

Senator BARKLEY. That was then known as the F. E. R. A., the Federal Emergency Relief Administration, which later became the W. P. A.

Secretary HULL. I don't recall now the exact names of the early agencies. I was in London at the time, I think. But at any rate, there were many relief measures that brought on some of the indebtedness which is being complained about now by some of our folks. These measures helped to stimulate our completely collapsed economic structure and gradually pumped life into it, so that in 1934 there was an increase of all earnings and all prices and all income, but this increase was small compared to the more rapid rise that went forward in later years as some degree of stability was set on foot in the country.

Senator VANDENBERG. Regardless of the factors that produced the increase, you report an increase in exports of manufactured goods of approximately \$900,000,000 from 1932 to 1938, and I am asking how much of that \$900,000,000 increase occurred prior to 1935?

Secretary HULL. I have not got the figures at my fingers' ends, but before the depression, when we had inflated prices and values, we exported about 2½ billion dollars of finished manufactures, and these exports went down to little or nothing during the years from 1929 to 1933. Then they began gradually to rise, and I will be glad to insert in the record the exact figures.

(The information referred to is as follows:)

United States exports of finished manufactures, which had declined from \$2,532,000,000 in 1929 to \$624,000,000 in 1932 and \$617,000,000 in 1933, increased to \$994,000,000 in 1935, an increase of \$370,000,000 over 1932.

In 1938 exports of finished manufactures were valued at \$1,523,000,000 or \$529,000,000 greater than in 1935. Thus, the increase between 1935 and 1938 was \$159,000,000 greater than the increase between 1932 and 1935.

A table showing the value of exports of finished manufactures for each year between 1929 and 1939 follows:

United States domestic exports of finished manufactures, 1929-39

1929-----	\$2, 532, 000, 000	1935-----	\$994, 000, 000
1930-----	1, 898, 000, 000	1936-----	1, 154, 000, 000
1931-----	1, 120, 000, 000	1937-----	1, 617, 000, 000
1932-----	624, 000, 000	1938-----	1, 523, 000, 000
1933-----	617, 000, 000	1939-----	1, 667, 000, 000
1934-----	879, 000, 000		

Source: Compiled from records of the Department of Commerce.

Senator VANDENBERG. Thank you. It is my understanding that the increase was about 50 percent in the 3 years preceding the trade agreements, and 50 percent afterward; in other words, it was just about a 50-50 division of increase between the two periods.

Secretary HULL. Well, 50 percent when the amount of our exports had gone down so low would not amount to much compared with getting back the other 50 percent—

Senator VANDENBERG (interposing). No; I mean 50 percent of your \$900,000,000 of increase—half of your \$900,000,000 was in the period preceding the trade agreements, and half of it after that period.

Secretary HULL. I think we are all agreed that under the trade agreements, these export gains have been preserved and added to steadily.

Senator VANDENBERG. Of course, that is a matter of argument. I am simply interested in the discovery whether or not the world and our own export trade were not substantially on a recovery basis before we started the trade agreements program?

Secretary HULL. Well, it would be well if we should go back a little further and undertake to ascertain the causes, under what kind of economic policies, this unprecedented collapse occurred, and then we would have some light possibly shed on the course of reconstruction.

Senator VANDENBERG. Now, may I ask you about another phase of the matter which interests me very much? Assistant Secretary of State Grady said in a speech in New York City:

Even more serious than tariffs and trade barriers and far more threatening with respect to the future world industrial development is the virtual destruction during the last 4 years of the structure of international prices because of the gross discriminations, preferential trading arrangements and the arbitrary control of trade through import quotas, exchange allocations, and the like.

I am asking you, Mr. Secretary, whether or not these trade barriers and these trade restrictions, entirely aside from direct tariffs, are not a very serious factor in the international trade situation at the present time?

Secretary HULL. They are all in the same category, and in our trade agreements we seek to soften and to diminish and to reduce any and all of them.

Senator VANDENBERG. Well, to what degree do you succeed in reaching exchange restrictions, for instance?

Secretary HULL. You may notice that we proceeded to attack this unprecedented chaotic situation of production and trade and general distribution by the only agency I have seen or heard anybody suggest seriously. There have been some little substitute suggestions here and there, but I do not think they have been taken very seriously, at least they have not been pressed very much. This was the only method of attacking this network of almost every kind of restriction the imagination could suggest. Some people expected us to have prosperity restored in a few days practically, others expected us to see to it that no war occurred, others expected us to stop the war now that it has occurred; the fact is that we have persuaded 21 nations to get out of their minds the idea of a further run-away race in every sort of restriction and obstruction that can be imposed upon international finance and commerce.

Senator VANDENBERG. How many of those 22 nations, to bring the thing down to the point I am trying to get at, how many of these 22 nations, in spite of their agreements with you in respect to unconditional most-favored-nation tariff treatment between us, have collaterally embarked upon exchange restrictions and formation of trade areas and currency blocs and bilateral agreements and quotas and embargoes, and so forth? How many of those same 22 nations have done that?

Secretary HULL. Well, in the first place, there was an increasing disposition to halt this condition of economic argument and controversy. The problem then was gradually to find ways to abandon first one exception to this formula and then another exception that they felt obliged to retain for the time being. There has gradually and steadily developed a disposition on the part of an increasing number of nations to move in this direction. I need not go into the details, but we have a great many indications. You take the six Oslo nations, they have been moving that way, while at the same time pointing out some of the difficulties that prevent them from going the whole distance.

I was about to add a little while ago that this program constitutes primarily the promotion of exports by entering into mutually satisfactory and desirable trading arrangements with other countries so disposed, based on the principle of equality and eliminating some of the excesses of trade obstruction and restriction. We have moved along. Great Britain, France, and several other important countries along with ours, took another step in connection with stabilizing the exchange situation. If and as this terrific world network of complications in the whole financial situation is gradually clarified and gradually diminished, then the nations will naturally seek further stabilization of the exchange situation. Further questions like those will come along if and as the improvement under this trade program makes it possible to reach that stage.

I am glad you asked that question because it is very difficult to get many people to understand that while this domestic and international collapse left the international trade structure flat on its back, and our own domestic trade structure flat on its back, it took long years for the conditions to develop that brought about that unprecedented catastrophe. It is not an easy thing to cure. That is why I am here pleading with you to take the broadest possible view that you can, consistently, in considering how to cope with the conditions and the problems confronting us with some kind of a feasible remedy.

Senator VANDENBERG. Well, Mr. Secretary, I concede that it is very difficult to cure, and I am just trying to discover in a few specific instances just how it was cured.

Secretary HULL. I am glad you made that inquiry.

Senator VANDENBERG. When you make a trade agreement, let us say with Turkey, under the unconditional most-favored-nation policy, as a result of which we have agreed to give Turkey every favor we get from anyone else within the privileged group, is Turkey bound then to give you an unconditional most-favored-nation treatment even to the extent of not making bilateral agreements with other countries, or on such controls or quotas or embargoes?

Secretary HULL. We undertake at every stage to point out the general advantage of a liberal commercial policy in contrast to the narrow system of regimentation and autarchy. We are making progress. That is the thought we are encouraging among other nations, including Turkey. We are going on this theory, I may say, that when the war ends, the economic forces of the world will be organized in one of two ways, either down the course of ever more extreme autarchy and totalitarianism, economically speaking, or they will be organized in the opposite direction of economic sanity and business recovery and that will be under a formula that I think you and I both can agree upon. That is why I continue to plead that there is nothing remotely political in this sort of a situation. I think it is too serious for that.

Senator VANDENBERG. Let me see if I understand your answer to the specific question I asked. Is this correct, that in spite of the unconditional most-favored-nation formula, you are not guaranteed unconditional most-favored-nation treatment from those with whom you make these trade agreements except in respect to their general tariff laws, and all that you have to rely upon is persuasion and argument?

Secretary HULL. No; whenever they make an agreement with any other nation, and give that nation a concession, it is turned over to us, if that is what you mean. We get every concession they make to any other nation.

Senator VANDENBERG. Is that literally true?

Secretary HULL. That is literally true. There may be a scattering exception as we are moving out of the extreme difficulties into a more improved situation.

Senator VANDENBERG. Now, let us see how that works. I noticed the other day that France and Great Britain had made a new trade agreement for the purpose of implementing their mutual domestic economy with particular reference to the expansion of their colonial trade. How do they generalize any benefits of that sort of business?

Secretary HULL. I am glad also to take advantage of your question to call attention to the fact that there is a war in all other parts of the world almost, except this hemisphere, and that when nations are fighting for their very existence, they naturally impose war restrictions. Now, we have unequivocal clean-cut provisions in both the British and the French agreements for the generalization of all concessions they make with other countries in the course of trade agreements, and there is a proviso that in time of war they must be permitted to impose war restrictions regardless of these provisions. They go on the theory that when they are at war, instead of purchasing a great

many specialties and novelties and curios, they want to buy guns and ammunition. That is the whole proposition.

Senator VANDENBERG. I quite agree and that is what I had in mind. It seems to me that with war conditions pretty much in control of the external world, it is impossible to respond as categorically as you did to my question about our being the beneficiary of every trade advantage that every country gives to every other country than ourselves.

Secretary HULL. I thought you assumed the war and the war situation would be taken judicial notice of by everybody.

Senator VANDENBERG. How many bilateral agreements have been made, let us say, since 1935 when this act went into effect? How many bilateral agreements have been made between other countries do you know?

Secretary HULL. There has been a report circulated around here for some days—possibly by somebody who came on the witness stand or somebody who belongs to the lobby that frequents the dark places in the capital always circulating some kind of a report. I don't know where it originated, but it was that so many hundred bilateral treaties had been made within a given time, and that that was something of tremendous import. I think that it was shown in the testimony of Mr. Fox, of the Tariff Commission, who is as fair and as competent a man as I have seen during my stay around Washington, how utterly unimportant and insignificant those agreements were. Most of them did not deal with tariffs. Sometimes they would relate to one or two words of some treaty or some other relationship between two countries, but generally speaking, most all of them did not come really within the category of what you and I are thinking about.

Senator VANDENBERG. How about barter agreements; have there been many direct barter agreements within the last 3 or 4 years?

Secretary HULL. There have been a number here and there. As I say, you have the post-war economic practices of the nations to eliminate largely all kind of sound, healthy commerce, and each nation undertakes now and then to put over a barter transaction. That reduces the sum total of trade and hamstring it and makes it impossible to revive the normal practices of commercial nations.

Senator VANDENBERG. Are barter agreements out of sympathy and out of harmony with the reciprocal trade treaty theory?

Secretary HULL. Not in a reasonable number of instances, and not to the extent of weakening and breaking down the broad program which contemplates the restoration, as I say, of the triangular and multilateral trade and of those processes which alone will make it possible to restore this normal situation. Some of the governments that stand for autarchy and nothing else stand for the bilateral method and nothing else.

Senator VANDENBERG. Is there anything inconsistent between our barter agreements with England and with China and with our reciprocal trade treaty program and our unconditional most-favored-nation theory?

Secretary HULL. I was trying to make that clear in my statement. During the post-war period, the nations generally followed policies of ever-narrowing economic nationalism. They shut off in every possible way imports and, of course, they could not have enough barter transactions to keep up a balance between production and distribu-

tion. The result was that all of the nations found themselves loaded to the guard with burdensome surpluses and nowhere to dispose of them. That was the result of the exclusive bilateral methods, with an occasional bartering transaction thrown in. We said that that is breaking down and disrupting the whole situation and badly reducing the standards of living and employment in all nations. So we proposed the only method that we could find.

You may recall that all of us in both Houses of Congress modified our views as to the best methods of attacking this unprecedented condition of collapse that followed 1929 and 1931. And this broader formula, which was based on the principle of equality of treatment and friendly arrangements among the countries for the opening of the channels of multilateral trade of all kinds, offered the only way out. The more that the question is studied, the more I believe that you and I and others like us will agree on it. It is only a question of attacking this terrific condition and making some progress in dealing with it.

You may recall that we all had a controversy through the twenties about the progress of what we call extreme economic nationalism, and about its significance and effects. Finally, when the collapse came, every sort of method was suggested by somebody here or there in both political parties in Congress. But when we got down to facing this highly developed state of chaos in 1933 and 1934, we found, after reviewing the methods of every statesman in both political parties who suggested or talked about it during the twenties or the early thirties, that this was the only possible way to make any progress. We followed the decisions of the courts affirming the validity of the flexible clauses in the Fordney Act and in the Smoot-Hawley Act. We followed them and, of course, if we could have made any further improvement on any agency of government for the temporary attacking of this extreme emergency economic situation, we would have done so. We would have welcomed any suggestion from anybody.

Senator VANDENBERG. I think your answers prove the complexity of the problem.

Secretary HULL. Yes.

Senator VANDENBERG. It is a thing that has challenged us.

Secretary HULL. You may remember that President Hoover vetoed some kind of a bill that the Democrats got up in 1932. He vetoed it on the ground that it was not feasible in that emergency situation for the two Houses of Congress to conduct trade agreements, at least for the time being. So that illustrates what you are saying about the complexity and the rapidly changing conditions that were going on and the desperate search for remedies of a temporary nature.

Senator VANDENBERG. It seems to me it is so complex—it sometimes seems to me that it is so complex—that we overrationalize it when we try to meet it solely with a reciprocal trade treaty program.

Secretary HULL. Well, nobody else has suggested anything else, Senator.

Senator VANDENBERG. Well, instead of——

Secretary HULL (continuing). I lie awake at night hoping that some statesman will send me a message giving me some improvement on this.

Senator VANDENBERG. I am afraid whether or not it came from a statesman would depend upon whether or not you agreed with the suggestion, Mr. Hull.

Secretary HULL. Well, any impressive statesman—and he can be the judge of that as well as myself—is welcome to offer a suggestion.

Senator VANDENBERG. Is there anything inconsistent with respect to the policy of the State Department with respect to reciprocal trade treaties and the Department of Agriculture in paying export subsidies and in operating the Federal Surplus Commodities Corporation to buy surpluses to which the State Department is contributing with tariff reductions?

Secretary HULL. Nothing remotely basic or fundamental. It is a part of the desperate efforts of each to try to make a contribution to a most difficult situation, and I sometimes wonder whether or not as the world is swinging on through pitch darkness, with every kind of difficulty and danger presenting themselves, just how much time we should give to the minute details of our efforts to get out of a most terrific emergency.

Senator VANDENBERG. Let me ask you just one extremely sordid question in conclusion: Have you any estimate of the amount of revenue of which the Treasury has been deprived as a result of tariff reductions under the reciprocal-trade agreements?

Secretary HULL. I think the revenue from custom receipts was better in 1939 than the year before.

Senator VANDENBERG. How much still greater would they have been if the rates had not been reduced on the same volume of imports?

Secretary HULL. Well, I recall that a large part of the customs receipts under the Smoot-Hawley Act were derived from imports coming in under rates that averaged 75 percent. So if you pursue the question of the amount of customs receipts too far, you will reach a point where imports are subject to the very high rates that contributed so much to retaliation against us by all the other nations, and the bringing on of this catastrophe to which we sometimes refer.

Senator VANDENBERG. I have seen the figure \$113,000,000, and I was wondering where it came from or how it was arrived at.

Secretary HULL. I believe some of those lobbyists started it. I never heard it.

Senator VANDENBERG. What would you do without lobbyists, Mr. Secretary, to blame things on?

Senator KING. I would like to ask one question.

The CHAIRMAN. Senator King.

Senator KING. You have just alluded to the fact that the world today is in a condition of pitch darkness. Undoubtedly there is a great deal of confusion as a result of the almost universal war. Don't you think, Mr. Secretary, that it might be wise to pretermitt the further consideration of this question until there is a little more sanity in the world as these war clouds are largely dissipated?

Secretary HULL. I think if Moses had kept secret from his followers what a wonderful place there was over beyond that big mountain, they never would have been interested in crossing the Red Sea. I believe in having some objective, especially when it is so all-important.

Senator KING. Do you think you can see the Promised Land in this pitch darkness?

Secretary HULL. I am talking now about economics.

Senator KING. You have brought in the Promised Land.

Secretary HULL. What I am trying to get over is this: I think that today there are 25,000,000 of the most able-bodied persons in

other parts of the world under arms. And that does not include reserves by the millions that are in training. It will take two to three persons at least in nonmilitary employment to provide for them. So that we have today probably not less than 80,000,000 of the most able-bodied persons doing nothing but participating in military operations. In the meantime, production of all of the worth-while things—the things people need to wear and to eat in order to have some sort of a standard above that of utter distress and privation—the production of those things in most parts of the world is hopelessly neglected on account of war production and the prosecution of the war. And nobody is thinking seriously how this 80,000,000 persons will be transferred back into civil employment. That is just one of the little problems that is coming on ahead of us, if we are not very mindful. But unless some nation keeps alive the basic program that will point the way to employment and higher standards of living and creation of purchasing power, the world will go right back over the same road it went and over the same economic Niagara over which it went during the twenties.

Senator KING. Mr. Secretary, you are undoubtedly familiar with the Latin maxim that war makes law silent, and in view of the vicissitudes of the war and the uncertainty of what the outcome may be or will be and the economic and political conditions and industrial conditions which will follow, it would seem that there is some reason in the assumption that it might be wise to pretermit as I mentioned a moment ago, the continuation of this question until we get out of this darkness and get some daylight. It is pretty difficult now to formulate a policy that will meet the post-war conditions.

Secretary HULL. I appreciate what you say, and a number of people have advised me quite strongly last fall to keep away from this situation, just announce that it is suspended indefinitely, that the war is on and the act has expired and keep away from it. I said that that would leave leadership in the whole economic situation to those who practice autarchy and economic totalitarianism or are being dragged in that direction, and that it is all-important for us to have an agency that can safeguard and facilitate our trade interests during the war. For instance, as you know, there are meetings all the time by other countries making some little war restrictions on trade. It may affect us very seriously, either temporarily or for a long time after the war. While the world is in this chaotic situation because of the increasing number of restrictions, there is all the more of an emergency in our relation to it.

If we announce that we have abandoned the matter, as I said in my manuscript, that will be taken by everybody at home and in every other nation as a complete abandonment of any trade policy or commercial policy, except the narrow policy which was so disastrous to all the nations at the end of the 10-year period after the war.

We would be in a most unfortunate position if, when the war ends and a peace conference meets, we should send word to it that we had not maintained a broad basic economic policy for recovery, but that our Government had just abandoned it permanently or indefinitely, and therefore we would not have any suggestion to make. The forces of autarchy and totalitarianism in economics would be in supreme control. That is a very serious thing. The point is that the reaction on our domestic situation, if we pursue after the war that narrow

course, would be just as destructive as it was at the end of the 10-year period after the last war.

Senator KING. Mr. Secretary, I would not mention the fact about the totalitarian states except that you mentioned it, but it seems to me that if the democratic forces win in this war, we need have no fear of the failure to adopt a reasonable and rational economic international policy. If the totalitarian states win, if Stalin and Hitler win and the totalitarian states win, they will pay no attention to us, but they will impose upon their victims such policies, economic and otherwise, as they desire, without reference to us, and we will have little voice in the determination of the post-war policies.

Secretary HULL. I beg your pardon. I did not make myself understood. I did not intend to refer to the totalitarian countries as such. I was referring to economic totalitarianism, where a nation undertakes to pursue an ever-narrowing course of having virtually no imports whatever and regimenting itself to the hilt as it goes forward with that policy.

The CHAIRMAN. Senator Lodge?

Senator BARKLEY. I have to get on the floor, and so may I ask the Secretary a question before I leave?

Senator KING. Mr. Chairman, the Monopoly Committee is in session, and I have to go there.

Secretary HULL. I do not know anyone that I would so much dislike to see leave.

Senator BARKLEY. In regard to this very matter you have been discussing with Senator King, regardless even of whether a country is a totalitarian or a democratic country, the urge to become self-sufficient after this war would be no less than it was after the last one, and it may be even greater, which would lead to commercial policies which might be detrimental not only to our exports, but to the world situation, is that true?

Secretary HULL. That is true. If I may add in that connection, back in former periods, this young country, largely undeveloped, could stand almost any kind of punishment as the result of unsound economic policies. We would produce a little surplus in one line or another and let European countries, acting as our brokers, sell it and take their profits, while we went along in a happy and easy fashion. But we are living in a new period now. Nothing is more absurd than for a nation to sit down, for instance, and indulge in unilateral tariff practices and policies that were pursued by both political parties until we got into a situation of economic collapse. That is why we evolved this program to discourage attempts at complete self-containment, that is, to discourage going too far. That was enough to turn the tide away from the 10-year regime of increasing economic nationalism that culminated in the early thirties in economic disaster.

Senator BARKLEY. Even assuming that to some extent war will suspend the complete operation of these trade agreements even where they exist, your theory is that their maintenance and continuance to operate as a toehold after the war is over, which we can use and which the world can use as a basis from which to make further progress, and that it would be infinitely better to keep them alive than to have the whole program collapse and have to start from scratch again.

Secretary HULL. That is precisely the situation. We are trying to deal with conditions practically. As I have said consistently since 1934, this is an emergency agency to deal with an extreme emergency situation. And I believe that Congress, as I say in my manuscript, should at all times retain definite and basic control over tariff policy.

My only suggestion is that we are trying to get through this emergency before taking up the question of the permanent, normal commercial policy on the part of Congress. Then with conditions more clarified and composed, whatever permanent policy Congress may desire to adopt is another question.

Senator BARKLEY. One other question and then I am through. During the administration of Mr. Hoover, Mr. Chairman, Mr. Robert S. Lamont, I believe, was Secretary of Commerce, and in testimony which he gave before this committee or before some committee, perhaps the committee investigating the economic conditions in 1932 and 1933, he stated that the loss of our exports between 1929 and 1932 involved the loss of employment of over 3,000,000 American workingmen. Are you sufficiently familiar with the effect of the loss of our export trade upon domestic employment to confirm that statement of Mr. Lamont?

Secretary HULL. I think it was generally understood that those who were both directly and indirectly but definitely involved in the export trade situation numbered around 3,000,000—about 1,500,000 in immediate contact and, accordingly, immediately affected, and even more who were affected indirectly. For example, in the case of the automobile industry, many more than those actually producing automobiles would be affected.

Senator BARKLEY. Of course, much is made of the fact or the statement that the best market for American products is the American market, which, of course, is true in a sense. If we could sell everything we can make in this country without bothering about any foreign commerce, it would be a very desirable thing, I suppose, from certain standpoints, and the statement is frequently made that 90 percent of all that we produce is sold at home, and that that is much more important than the 10 percent that we sell elsewhere. But is it not true that the 10 percent that we sell elsewhere or do not sell elsewhere very materially affects prices and the stability of the 90 percent that is sold in the United States?

Secretary HULL. That is entirely true. It was that sort of a slogan under which we moved with flags flying and bands playing into a state of bankruptcy in 1930 and 1931 and 1932.

Senator CLARK. Mr. Secretary, that 10 percent, while it is small relatively in percentages, is a very important 10 percent, is it not, because it includes over half of our cotton and half of our lard and two-fifths of our leaf tobacco and certain other very essential surpluses, the movement of which products necessarily reacts on labor and in manufacturing industries and agricultural conditions and everything else in the country?

Secretary HULL. Exactly. And if I may repeat a fact that I have stated before, we were selling Canada over \$900,000,000 in the most profitable way. We were buying \$500,000,000 from Canada. Somebody said, "Why not prohibit that \$500,000,000 from coming in and just go on with our sales of the \$900,000,000?" That would be fine, and that would give more employment to labor, they argued. But

that was not the way it worked out. We proceeded to do so, and the way it worked out was that the nations proceeded to retaliate on us even before the Smoot-Hawley Act was finally passed. Canada had had a general increase of her tariff a time or two which offset our increased system of tariffs before its enactment, and after three tariff raises over there, she soon convened the Ottawa Conference, and the upshot was that we showed up later with less than \$300,000,000 of exports to Canada—a loss of over \$600,000,000—and about \$200,000,000 of imports. That is the way it worked out. It is a game that can be played, of course, both ways, and the greatest commercial injury this Nation has suffered from any kind of policy has been that policy.

Senator BARKLEY. In other words, we lost six times as much by the loss of our exports as we gained by the retention of our imports.

Secretary HULL. Yes; about twice. Understand, I am not saying that that was the sole factor, but that was the chief, controlling factor.

The CHAIRMAN. Senator Lodge is anxious to leave, so I will ask you to go ahead.

Senator LODGE. I am like Senator Vandenberg; I am not trying to start a fight or an argument, but I am trying to understand. I am not addressing myself to the economic aspect, on which I think there is a lot to be said on both sides, but to the proposition that free trade will promote peace, and I would like to ask you, if that is true, how it is that England, which is the greatest free-trade nation on earth, is always the first to get involved in all of these big wars?

Secretary HULL. On this point, I would like to, if I can turn to it, I would like to read just a brief statement. It will just take me a moment if you will bear with me.

Senator LODGE. It is a big question.

Secretary HULL (reading):

The nations of Europe, democracies and dictatorships alike have been systematically building toward economic self-sufficiency. Political boundaries have been made into higher and higher barriers against foreign trade. Groups of nations have created controlled trade areas which are walled in not only by tariffs but by quotas, trade agreements, and strict government administration of foreign trade. Those new trade barriers are robbing mankind of the full benefits of the modern productive system, are decisively lowering the living standards of many nations, and are a menacing cause of war, as nations, struggling for self-sufficiency, seek their sources of raw material supplies and foodstuffs in the conquest of territory rather than through the development of trade relations with the rest of the world.

Now, that was taken from the report of Dr. Glenn Frank's Committee of 200, and I could not have said that more succinctly and answered that question better than they did.

Senator LODGE. I do not speak for Dr. Glenn Frank.

Secretary HULL. Well, there were 200 others, too.

Senator LODGE. And I do not speak for them either, and I do not speak for the Republican organization, and I think that is a very eloquent statement of the economic advantages of a free trade and of the benefits to be derived from making the good things of life available to more people, but it still does not alter the fact that the greatest free-trade nation in the world, which is England, is perpetually involved and concerned in every war that takes place, because of her foreign trade.

Secretary HULL. I think you will agree that, because of our leadership in the policy of extremism in trade relations and in obstructing

commerce, we were met by retaliation in the British Empire; they swept our wheat off the world market with a 6-cent discrimination, they swept our lard out of the world market with a 10-percent discrimination, they swept our fruits largely off the world market, they swept our timber out of its great markets in Australia and Great Britain and other parts of the British Empire. You will find, I think, that this was part of that general scramble on the part of nations, when they saw our policy, to offset it or to follow it blindly, or to retaliate against it.

Senator LODGE. I think those are all very strong economic arguments, and I have tried to make it clear that I was not approaching this thing from the economic standpoint, but approaching it not from the standpoint of whether you were going to be rich or not, but from the standpoint of whether you are going to be in the war or not, or whether you are going to be alive or not. I am quite prepared to say that this policy increases values, and to that extent increases prosperity, but it seems to me it causes tremendous risks to a country like ours that wants to stay out of the darkness that we have been talking about this morning.

Secretary HULL. At any rate, the heads of great nations say in effect that we must export or starve to death; we must export or we cannot win the war. I feel that those utterances are of great significance as they relate to the commercial situation. People who are hungry are not going to lay down their arms and be peaceful and happy. Unless you find ways to get people back to work in civil employment, the living standards which have already slumped tremendously during recent years will slump further, hungry people will be organized and led by an increased number of agitators, and we will go back over precisely the road which the nations traveled from 1919 on.

Senator LODGE. You do think it would be a mistake, don't you, Mr. Secretary, for us to develop a policy which was based on any kind of an assumption that we were a small island that could not live without our shipping?

Secretary HULL. Well, naturally I hear some people sometimes say, "Well, we just need to defend our coast line and let the world go hang," but that means to turn over the seven seas of the earth to piracy or any other kind of rule that the most lawless rulers may see fit to inflict. That would mean, before we knew it, that all the small nations would be under their domination and they would be told just how to deal with us in this country.

Senator LODGE. I would like to ask one more question. In the enumeration of industries and economic activities that have been benefited by the trade agreements, on pages 5 and 6 of your prepared statement, I notice that fisheries and shoes were omitted. Is that because they have not benefited by trade agreements?

Secretary HULL. Well, that is a long story to take up in detail here. It brings in the frozen fish people and the effects of the imports and of the increased production in the industry that has been complaining. I have all the details here.

Senator LODGE. Generally speaking, do you think the fisheries have been helped by the trade agreements program?

Secretary HULL. I think unquestionably, if you visualize what this program is. This program began when our national income was 40

billion dollars and by helping to increase exports and by helping to stabilize the economic situation it has contributed to the increase up to the present figure of 70 billion dollars. That enables your fish people—who, by the way, have increased their production from 13 or 14 million dollars up to 20 million, perhaps—that enables them to produce immeasurably more and to get good prices for it. This is the broader aspect.

Senator LODGE. In other words, is it true that even though the imports of foreign fish have increased, the sales of American fish have increased more?

Secretary HULL. As I say, I can take the details here and run them down. There may be temporary readjustments necessary in some cases, and there is the short-sighted course that we pursued for 10 years until we went over the Niagara economically. The short-sighted view that every person should come to Washington and take a steam shovel and just scoop on any amount of tariff he wanted, practically. That is fine, but it does not work out just that way.

Senator LODGE. I do not think I made myself clear. I am not contending anything; I am simply trying to find out whether you think fisheries have been helped, and if so how?

Secretary HULL. That is what I am undertaking to say.

Senator LODGE. Excuse me.

Secretary HULL. In the first place, under the combined policies of which this is a part, our purchasing power has been built up in this country and the fisherman gets his increased share of an increased purchasing power instead of having it decline and decline. This program combines both short and long run advantages, and, taking them together, there is no question but that as the country comes back, as it is coming back in purchasing power to such an enormous extent, his markets increase, his prices increase, and he has a chance as he is doing, vastly to increase his earnings. Now, if anything goes wrong, Senator, if we find from this combined viewpoint that there is any serious injury or any material injury, nobody will be quicker than myself to take steps to deal with it. That is a part of our program. Nobody is more concerned in the promotion of the well-being of every citizen in the country, without any thought of—

Senator LODGE (interposing). I know that.

Secretary HULL. That is why we look out for any abnormal imports. I think you will find that with our 6 years' work there has been a minimum of sustained complaints by anybody. We are watching this and other cases from day to day.

Senator LODGE. Would it be fair to say, to paraphrase what you said there and summarize it, that you contend that if the fisherman has not been benefited so far, he soon will be, is that right?

Secretary HULL. My contention is that he is in a much better position for his future than he would be if we went back to the Smoot-Hawley tariff policy that sent him out of business almost entirely.

Senator LODGE. But you do not contend that as of today, just stopping it right now, that as of today he is better off?

Secretary HULL. Well, if I were looking at it strictly from the interests of the fisherman, as you are, I know—

Senator LODGE (interposing). I try to consider the whole country.

Secretary HULL. I would want to put it, frankly, on a little broader basis than that, because that is what is the matter with the country now. Every fellow has been putting his own ideas and his own interests on the most narrow, short-sighted basis.

Senator LODGE. I think my view of this matter is just as broad—it may not be as intelligent as yours, Mr. Secretary, but I think my Americanism is as good as yours, and I do not speak especially for the fishermen.

Secretary HULL. Even assuming it may be better—

Senator LODGE (interposing). I want to take a national view of it as much as you do.

Secretary HULL. I was not trying to raise any personal question with you.

Senator LODGE. I thought you did.

Secretary HULL. Not at all. If I may add this, Mr. Chairman: A farm leader came in from out in the Corn Belt and said that 12 million bushels of corn were coming in and he said:

We want it stopped. It is coming in from the Argentine. That corn comes right up the Mississippi and flaunts itself in our face and they are about to sell it and it causes a fluctuation downward, a fraction of a cent or more sometimes in corn in the Chicago market.

He said he wanted it stopped right now. I said, "I will agree with you that 12 million bushels came in during a 7- or 8-year period." I said, "We can stop it, and there is nothing easier than that, and that is what I could say to a fisherman." "But," I said, "you must see the long view instead of the short view. The long view is that if you had stopped this 12 million bushels of corn from coming in, you would have stopped from being exported 360 million bushels of American corn and 1,900 million bushels of corn in the form of meat that is exported." "Now," I said, "you cannot export without importing, although, of course, I don't stand for anything below what we call a thorough safeguarding of our producers under this trade-agreement policy."

Senator LODGE. Well, admitting, Mr. Secretary, for the sake of argument, that the business prospects are better, the fact is that unless you are a very rich man you cannot live from prospects. You have got to live today and feed your children today.

Secretary HULL. In other words, Senator, somebody came in the office the other day and said, "Let us drop this trade-agreement program until conditions get normal." I said, "We will all be bankrupt again." I said, "The purpose of this program is to get us back to normal."

Senator LODGE. Thank you very much.

The CHAIRMAN. Let me ask you in that connection, Mr. Secretary: There has been some discussion about this fish industry of New England. Is a large part of it due to some interpretation of the law made within the Treasury Department?

Senator LODGE. That is the General Seafoods Corporation whereby these fish are imported into the United States as though they were the property of an American corporation, although one of the agreements that exists with the people in Newfoundland is that no American citizens can be employed. That has been called to your attention, I believe, hasn't it, Mr. Secretary?

Secretary HULL. Yes. That is a ruling of the Treasury with which we had nothing whatever to do.

Senator LODGE. I am glad you did not.

The CHAIRMAN. That had nothing to do with the reciprocal trade agreements?

Secretary HULL. It has not. Everything, Mr. Chairman, gets confused with this program.

Senator LODGE. All I am trying to find out, and I am not trying to be at all captious about it—

Secretary HULL (interposing). Senator, I did not intend that for your benefit.

Senator LODGE. But I would like to have some facts furnished at your convenience showing how the fisherman is better off, because he does not think he is, and you think he is, and I would like to have some arguments to show him as to why he is better off.

Secretary HULL. Well, I think you can start with an increase of national income from 40 billion up to 70 billion, and that he will get his share of it.

Senator LODGE. People will eat more fish?

Secretary HULL. He will get his increased share of that, and he will get his share of the increase in purchasing power of the Nation right along, just as every other industry. As I say in all earnestness, we have not had over four or five sustained complaints over all of our work, and we are watching each one of them with the utmost care and solicitude, and I hope that we are just as much interested in the fish situation as most people in the country, and we will be giving it attention in every phase and development as we go along.

The CHAIRMAN. Is there some other question? Senator Brown?

Senator BROWN. No.

Senator JOHNSON. My question is also seeking light. You spoke several times during your testimony, Mr. Secretary, of the abandonment of a policy. My understanding is that the abandonment of the policy is not before the Congress, but merely the extension of the program, that is, that these 22 agreements which have been entered into will continue regardless of what action the Congress may take with reference to the matter that is before them at the present time. So we are not abandoning anything; we are simply taking the effects already produced with a postponement of the program.

Secretary HULL. As I said in my manuscript here, if I may repeat, I don't know anything that would be much more certain than that a definite impression and understanding would go out over this country and over all the other nations that we are no longer looking for a program that is sound and is still kept alive, but that the whole thing had been abandoned permanently.

Senator JOHNSON. But none of the 22 agreements would be terminated by this action of the Congress.

Secretary HULL. Well, of course, that is another phase, but as I also say in my manuscript, if we are going to safeguard and facilitate fair operations amidst these increasing war restrictions and other abnormal developments, nothing is more important than to have some governmental agency to do that, and this is the only one that can be effective and is equipped with all of the information that is necessary to safeguard our interests and to develop them and to be prepared, when peace comes, to undertake the broadest possible

efforts to carry this program forward and to induce other nations to do so.

Senator JOHNSON. Can you tell me just how these 22 existing trade agreements may be terminated?

Secretary HULL. After the initial terms, in no case longer than 3 years, the agreements are generally terminable on 6 months' notice.

Senator JOHNSON. What agency of our Government would determine that matter?

Secretary HULL. Of course, the President would determine it under his duty and responsibility to conduct our foreign affairs in that respect.

Senator WALSH. How many countries are we now negotiating treaties with that are incomplete?

Secretary HULL. At this time we have negotiations under way only with Chile and Belgium. The negotiations with Argentina and Uruguay were terminated by mutual consent through inability to agree.

Senator WALSH. Is that because of the war or are we awaiting definite action to be taken on this resolution?

Secretary HULL. Oh no; it was on account of our policies not fitting into each other. In other words, we have a definite policy to safeguard every commodity that might be discussed during the negotiations of a trade agreement, and that policy applies to every negotiation. If another country wants us to make concessions greater than that, we back off and that is the end of it.

Senator WALSH. Well, there are other opportunities with other countries to negotiate and make trade agreements? You have not completed the work with these 22 treaties?

Secretary HULL. As conditions were, we had progressed with the work to an important extent. We do not know what condition the war may leave the general situation in. Of course, the big problem will be to urge other nations not to follow the leadership of the autarchic countries and go down the gulch of totalitarianism, economically speaking. That is the first problem, to prevail on other nations to adhere to the liberal commercial policy that is embodied in this program. As to what opportunities there will be to make trade agreements by mutual reduction of the more extreme trade restrictions, that is not really possible to forecast, but at any rate my view is that unless we steadily pursue and keep alive this only program for reconstruction, the whole situation will collapse.

Senator WALSH. When does the first trade agreement expire?

Secretary HULL. They continue indefinitely until notice is given by one country or the other to abandon them.

Senator WALSH. There is no limitation upon any of them?

Secretary HULL. No; except that the original term in all cases is not longer than 3 years.

Senator WALSH. So that your service and your work of your Department requires you to be on the alert to prepare for a notice of revocation at any time by you or by the other country?

Secretary HULL. Yes. We seek to follow every commodity in the light of the international economic condition.

Senator WALSH. So that modifications or changes may be indicated especially in the warring condition of the world?

Secretary HULL. Yes.

Senator WALSH. And in the existing treaties?

Secretary HULL. Yes; I think we gave notice to Switzerland 2 or 3 days ago about one commodity, just as we took action on the fox fur situation. We only have four or five sustained complaints and we are giving them all close attention from week to week.

Senator CLARK. Well, Mr. Secretary, if we would permit this act to lapse and the general authority for negotiating these trade agreements to lapse, and it were found necessary in the changed condition which might exist in the world at the conclusion of this war, like a general recasting of the trade agreements and the act had lapsed, you would not have any power to do that, would you?

Secretary HULL. No; we would not have any commercial policy except the old unilateral tariff.

Senator CLARK. And you would not have any authority to go and recast the whole trade agreement structure to meet changed conditions at the end of the war?

Secretary HULL. That is true.

Senator CLARK. It is true, is it not, Mr. Secretary, that some of these other nations, including perhaps the totalitarian powers, at the present time are negotiating or trying to negotiate trade agreements either with nations that we do not at present have trade agreements with, in an effort to get them to change their decision and make a trade agreement with them?

Secretary HULL. That is entirely true, and Senator Walsh's question emphasized what I had in mind along with what you say. The world today, so far as production and distribution of the necessities of life, as well as the semiluxuries, outside of a few localities, is in an increasingly destitute situation, and every nation is grabbing in any fashion for any little trade advantage or any little short cut to something in the way of help for its destitute situation, and it is a grabbing situation that will get utterly out of control. Then the dictators come along and proceed to organize them.

Senator CLARK. If we were to let these treaties lapse and go and stand in the corner and suck our thumbs, we would be perfectly helpless to protect ourselves against these negotiations between other countries, would we not?

Secretary HULL. The other countries would walk off with it. They would organize the trade of the world and leave us high and dry.

Senator JOHNSON. Mr. Secretary, along that line, under the existing trade agreements with other nations, does not the President have the power to cancel them item by item? Does he have to cancel the whole treaty?

Secretary HULL. The whole agreement.

Senator JOHNSON. He cancels the agreement in its entirety?

Secretary HULL. Yes.

Senator JOHNSON. If he does anything?

Secretary HULL. Of course, we have what we call safe-guarding clauses relating, for example, to changes in exchange value that might seriously affect imports into this country. We have some safeguarding clauses that apply if imports under a concession become materially hurtful. That applies in the oil situation.

Senator JOHNSON. The point I was bringing up is that if we have an agreement with Venezuela, for instance, would the whole agreement have to be canceled or a part of the agreement?

Secretary HULL. The escape clause could be invoked.

Senator JOHNSON. By the President?

Secretary HULL. Yes.

Senator JOHNSON. The whole agreement?

Secretary HULL. We could only terminate the whole agreement according to the terms of the agreement; we could, however, take individual action under the escape clause in appropriate circumstances. We get the best terms we can, Senator, and that is about all we can do. I spent 3 years in negotiating the trade agreement with Great Britain, because she was standing out for all of that great sky-scraping wall of Empire preference that shut out so many of our things. There is no way that I could get on with that without spending 3 solid years of terrific effort to get their market reopened, and, unfortunately, as we got them reopened the war came on, and that has brought about a suspension of some of the benefits until the war ends.

Senator CAPPER. Mr. Secretary, I come from a great wheat-producing State, which produces more wheat than any other State. They are suffering and have been for several years from the problem of a surplus.

Secretary HULL. Yes.

Senator CAPPER. In times past, years past, they found a pretty good market in Europe for that surplus, but they don't find that market now. I have had in the last 5 or 6 weeks appeals from 22 farm groups in Kansas, made up largely of wheat growers, asking me to oppose the reenactment of this Reciprocal Trade Agreement Act. They believe it has not helped them and they don't want it any longer. What can I tell those people? I am in the same position as Senator Lodge here. I would like to give my folks the information and the facts as to what these trade agreements have done as negotiated by your Department, which will benefit directly the wheat growers of our country who are suffering from the surplus problem, and have been in the past.

Secretary HULL. I want to say, Senator, there is nothing that I am more anxious about than to work a hundred percent with every Senator on this terrific problem. It is coming home to all of us more seriously in every way than we dreamed of—the repercussions of this world situation, as the war goes on. This is one of the temporary things that we have been talking about. But here is the message that I would be glad if you would send to the wheat farmers of Kansas. When the delegates of the British Empire convened at the Ottawa conference in 1932, they were in a very bitter state of mind against us. Up to that time, our wheat was allowed to come into the great British market on an equality with wheat from Canada and the other countries of the British Empire. The Ottawa conference said, "We will put a 6-cents-a-bushel differential or discrimination on American wheat, so that it will have to pay 6 cents above Canada and these other countries of the Empire to get into the British market." After long and earnest effort, we got that 6 cents removed through the trade agreement with Great Britain, and have gotten the wheat farmers of Kansas back into the greatest market in the world on an equality with Canada and the countries in the British Empire. It is not the fault of you or me or anybody in this country that the war situation which developed in Europe has diverted the purchasing power from wheat, lard, and other products, as it normally existed, and put it into armaments.

Senator CAPPER. But in years past, that war situation developed a great market for this surplus wheat of ours.

Secretary HULL. Of course, it is like the fluctuations that occur in crops all over the world. Some years, as in 1935 and 1937, we had the imports caused by drought of a lot of foodstuffs and quite a little wheat and corn, but ordinarily we export large quantities of them. Last year—I think it was last year, but maybe it was 1938—they had a short corn crop in the Argentine, which is relatively the chief exporter of corn outside of ourselves. The result was that we exported almost 150,000,000 bushels of corn, in 1938 I think it was. Those things fluctuate with regard to wheat and other things, and sometimes we can export more, as you know better than I do, and sometimes less, from the standpoint of changes in crop conditions, but in the instant case we have added to that the fact that not only in Great Britain, but all over Europe where they have been accustomed to buying our foodstuffs and raw materials in normal quantities, the preparations for the war and then the war itself has sapped most of the purchasing power for our products. That is one trouble.

The CHAIRMAN. Mr. Secretary, is it not true that in the great World War, that this country had embarked upon a large lending plan to Great Britain and some of the other countries, and that helped also to take a lot of our surplus?

Secretary HULL. Oh, yes; we loaned eight or nine billion dollars just to pay for our exports. We have shut that off, as you know, and that is a tremendous factor in the situation.

Senator CLARK. Mr. Secretary, it is also true, is it not, that in 1932 under the Smoot-Hawley tariff bill, that the tariff was on it and wheat was 42 cents a bushel, and that wheat sold down on the farm in western Kansas to 23 cents. The wheat farmer is certainly a great deal better off than he was then.

Secretary HULL. I did not want to remind the wheat farmer of that unpleasant history.

Senator CLARK. I certainly don't want to be unpleasant to my colleague.

The CHAIRMAN. What is the price of wheat now?

Senator CAPPER. Well, it is a good price now.

The CHAIRMAN. It is \$1.02½ now, I understand.

Secretary HULL. In Chicago.

The CHAIRMAN. Is it \$1.02½, about?

Senator CAPPER. About that; yes.

Senator LA FOLLETTE. Mr. Secretary, if you have not already done so in your testimony or that of your associates in the House committee, could you furnish the committee with a statement regarding the effect of the war on the agreements which have already been negotiated?

Secretary HULL. Yes; we can give you that, in a general way. It changes, you know, from day to day.

Senator LA FOLLETTE. I realize that. What I have particularly in mind—I gathered from your statements and responses to questions that to some extent, at least, the advantages which you list as having been obtained by the United States in negotiating these agreements, have to some extent been abrogated by the war.

Secretary HULL. Unquestionably.

Senator LA FOLLETTE. And I would like to have that, if you will furnish it for the record, for each and every specific agreement that has

been adversely affected from your standpoint and the standpoint of the country, as you view it, as a result of the war.

Secretary HULL. Yes, sir.

(The information referred to follows:)

THE EFFECTS OF WAR ON THE OPERATION OF TRADE AGREEMENTS

The United States has trade agreements with three belligerent countries, the United Kingdom, Canada, and France.

Since the beginning of the war, these countries have adopted a number of measures which have had an influence upon the character of their purchases in the United States. Some of our important exports have been stimulated as the result; other have been affected adversely. All told, our exports to these countries have shown a tendency to increase.

The most recent available complete export figures relate to the first 4 months of the European war, September to December 1939. During that period our exports to the belligerent allied countries (Canada, the United Kingdom, and France) totaled \$478,500,000, as compared with \$390,700,000 in the same period of 1938. More detailed figures will be found in table 1.

Preliminary figures of exports to some of the principal countries are available for January 1940. Exports to the three belligerents with which trade agreements are in effect during the first 5 months of hostilities and comparable previous periods are indicated below, in millions of dollars:

	September 1937 to Jan- uary 1938	September 1939 to Jan- uary 1939	September 1939 to Jan- uary 1940
Canada	201	170	246
United Kingdom	316	239	262
France	81	59	112
Total	600	468	622

Figures relating to our exports to European countries during the first 4 months of the European war are shown in table 2. It will be seen that in the 4-month period from September through December 1939, total United States exports to Europe were valued at \$512,800,000 as compared with \$463,200,000 during the same months of 1938. Our exports to the European countries with which agreements were in effect (United Kingdom, Belgium, France, the Netherlands, Sweden, Switzerland, and Finland) totaled \$394,400,000 during the last 4 months of 1939 and \$330,600,000 during the same months of 1938. Exports to other European countries totaled \$118,500,000 for this period of 1939 and \$132,600,000 for 1938.

Although our exports to Europe, and in particular to those European countries with which trade agreements are in effect, have, during the first 4 months of the war, maintained or exceeded the level of exports during the same months of 1938, the composition of the trade has changed. The decline in exports to the allied countries of various products normally entering has been balanced by increases in exports of commodities more useful in war. The composition of exports to European neutrals has also changed; these countries are replacing

some imports which they are no longer able to obtain in Europe by purchases from the United States.

While the British and the French Governments have markedly expanded their purchases in the United States of certain commodities deemed essential for war needs, they have also, by means of various wartime controls, curtailed or eliminated their imports of other commodities, considered as nonessential. Moreover, because of the exigencies of their financial position and with the view to conserving their dollar exchange resources, they have sought to obtain as large a proportion as possible of their imports from British and French Empire sources.

The wartime import controls have, naturally, affected some of the commodities covered in our trade agreements. The agreements themselves contain a special provision which permits either party to the agreement to adopt, while engaged in hostilities, emergency measures which would not be permitted by the agreement in normal times. Nevertheless, every measure taken by the foreign governments concerned is being carefully scrutinized with a view to possible mitigation of the action taken.

The principal control measures taken by the three belligerent governments, as well as the agreements recently negotiated by them with other countries, are described below.

CONTROL MEASURES OF THE BELLIGERENT COUNTRIES WHICH AFFECT THE EXPORT TRADE OF THE UNITED STATES

British import controls.—There are two principal methods employed by the British Government to regulate imports, namely, the Board of Trade import licenses and the "commodity controls."

As regards import licenses, there is a comprehensive list of articles which may not be imported into the United Kingdom without licenses. For a number of these articles the Board of Trade has announced that no licenses will be issued until further notice. In some other cases licenses are being issued only for imports from British Empire sources.

Imports of products subject to commodity controls are regulated by various methods. In some cases import permits issued by the Ministry of Food are required, while in other cases special control authorities have been established with powers equivalent to those of an import monopoly. There are also cases in which indirect methods of control are employed, such as the setting of maximum prices at low levels which preclude imports from certain countries.

The Ministry of Food, which has general supervision over commodity controls affecting foodstuffs, possesses very broad and flexible powers for regulating imports and domestic trade. Broadly speaking, its functions are: (1) The acquisition of food supplies from abroad; (2) the imposition of price-control measures; (3) control over domestic stocks of important foodstuffs; and (4) the organization of distribution, including the rationing of consumers.

The trade in a number of staple products other than foodstuffs is subject to commodity controls which operate under the supervision of other Government agencies. In some cases, import regulation is effected through joint operation of the Board of Trade licenses and the commodity-controls system.

At the present time British imports of American tobacco, apples, and a number of other agricultural, as well as nonagricultural prod-

ucts are prohibited, while the British regulations also limit the amount of trade in a number of other commodities. With respect to all these products, negotiations are in progress with the British Government, looking toward the most satisfactory possible adjustment of the questions involved.

French import controls.—A general prohibition of imports into France was established by the French Government by decree of September 1, 1939. Its purpose is to limit French purchases to products vital for the prosecution of war. By its terms no product other than gold may be imported except by a specifically granted exception to the general prohibition. Such exceptions are granted generally to products which fit in with the national-defense requirements. The available information does not indicate that actual curtailment of imports has yet been applied to many commodities.

The principal products on which import difficulties have been reported are fresh fruits, and radio and electrical apparatus. Importation of apples and pears does not appear to have been authorized during recent months. The last report on the subject received indicated that American apples and pears would not be needed before the middle or end of the first quarter of 1940 and that importation at that time would be permitted only if considered necessary by the Government.

Reports also indicate that importation of citrus fruits, cash registers, spark plugs, fountain pens, dried prunes, insulating boards, typewriters, domestic refrigerators, passenger automobiles and passenger chassis, pharmaceutical preparations, molasses, and lubricating oil have been prohibited or curtailed.

Negotiations are now in progress with the French Government with a view to alleviating the effects of these controls.

Canadian import controls.—Although the Canadian Government has imposed control over imports, exports, and all transactions in foreign exchange, no restrictions are actually being placed upon the normal flow of trade between Canada and the United States, although the Canadian Government has imposed a quota on fresh pork, which is discussed below. Licenses for imports are being granted freely and promptly to regular importers from the United States, and when importers present documentary evidence of the completion of such import transactions, permits for the transfer of exchange in payment of such imports are being granted at the prescribed rates of exchange.

On February 26, the Canadian Government limited imports of fresh pork from the United States to 1,626,769 pounds monthly. This quantity is equivalent to the average monthly imports from the United States during the first 9 months of 1939. The quota, on an annual basis, amounts to approximately 19,200,000 pounds, which contrasts with 320,000 pounds imported from the United States in 1938, the year prior to the operation of the present trade agreement with Canada.

WARTIME TRADE AGREEMENTS OF THE BELLIGERENTS

British wartime trade agreements.—According to the latest information, the United Kingdom has concluded wartime trade agreements with France, Belgium, Sweden, Norway, Turkey, and Greece. While the full terms of these agreements have not been made public, and it is not possible to tell how comprehensive they are, nevertheless it is known that in the main they are short-term war-trade agreements

which would automatically go out of existence with the cessation of hostilities.

It is the announced intention of the British Government to return, at the end of the war, to the liberal, commercial policy embodied in the Anglo-American trade agreement. The British Prime Minister, in a speech on January 31, 1940, made the following statements:

We made an agreement with the United States a little over a year ago which, as we thought at the time, pointed the way to better things in international trade. It was the very negation of that too-prevalent system of bilateralism, of exclusive advantages, of discrimination carried to a pitch which clogs the wheels of commerce, and which promotes ill feeling among the nations. It was based upon the principle of the most-favored nation, the principle which, in our view, in normal times, is the best way of promoting international trade. And we mean when this way is successfully concluded to return to that ideal.

We recognize that for the full development of international trade it must flow along multilateral channels, and that we must put an end to that vicious policy of economic nationalism and autarchy which did so much to upset the last great peace settlement.

One of our foremost aims of the future will be the restoration of international trade, which seems to us to present the best opportunity for restoring in turn the standard of living and the consuming power of the nations. That is a policy which we have in mind when the time comes to turn once more from war to peace.

French wartime trade agreements.—The only trade agreements made by France with other countries since the beginning of the war other than agreements relating to contraband control and transit trade are those with the United Kingdom, Turkey, Spain, and Yugoslavia. The Turkish agreement, which was made by Turkey with the United Kingdom and France jointly, is mentioned above. There has been no indication so far of its adversely affecting American exports of tobacco to France. The French Government has given assurance that it will purchase this season in the United States the usual amount of tobacco which it has guaranteed to purchase under the trade agreement with us. A clearing agreement between France and Spain, providing for exchange of stipulated quantities of certain commodities, was signed January 18, 1940. It will expire at the end of 1940. American export interests appear to be very little affected by it. France has recently concluded a trade agreement and a payments agreement with Yugoslavia, both of them effective January 1, 1940. These instruments, which have not yet been officially published, are reported to have been prepared with a view to adapting trade relations between France and Yugoslavia to present war conditions and are expected considerably to stimulate trade between the two countries. An increase in French imports from Yugoslavia is anticipated, particularly in the case of such products as meat, lumber, tobacco, mineral ores, and hemp. Information as to the duration of these agreements is not available.

The foregoing is a statement of the salient facts that have developed thus far. With regard to the pertinence of these facts as bearing upon the operation of the trade-agreements program, the following comments are in order:

1. Mention has already been made of a special provision in existing trade agreements which permits either party to the agreement to adopt, while engaged in hostilities, emergency measures which would not be permitted by the agreement in normal times. Upon the cessation of hostilities, these special provisions will automatically cease to apply, the agreements will immediately resume their full effect, and require immediate revocation of any such war emergency measures.

2. The mutually advantageous character of the existing trade agreements between the United States and the countries concerned is the principal factor tending to facilitate a satisfactory outcome of the efforts in which this Government is now actively engaged toward securing immediate alleviation of certain of the war controls as they affect American trade.

3. It is not unlikely that it will be necessary, in order to protect American interests, to adjust the existing agreements in the light of changed conditions at the termination of hostilities or possibly earlier.

The authority under the Trade Agreements Act provides the necessary means of prompt and effective action for this purpose.

TABLE 1.—United States trade, and trade with United Kingdom, France, and Canada, September to December 1937, 1938, and 1939

[In millions of dollars]

	United States total trade		Trade with United Kingdom, France, and Canada		Trade with United Kingdom		Trade with France		Trade with Canada	
	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports
1937:										
September	296.6	233.1	123.0	53.9	60.7	14.8	17.6	5.5	45.3	33.6
October	332.7	224.3	154.0	56.2	65.4	16.6	16.9	7.6	51.7	32.1
November	314.7	223.1	122.8	50.7	62.8	15.8	16.5	6.1	43.5	28.8
December	323.4	208.8	115.1	43.4	64.7	12.2	17.9	6.1	32.5	25.1
4 months' total	1,267.4	889.3	493.5	204.2	253.6	59.3	68.9	25.3	173.0	119.6
1938:										
September	216.3	167.6	98.1	39.3	50.7	10.4	11.2	5.4	36.2	23.5
October	277.7	178.0	110.3	45.9	56.1	13.8	12.3	5.9	41.9	26.2
November	252.4	176.2	95.5	43.3	43.2	17.9	13.8	5.2	38.5	25.2
December	268.9	171.3	86.8	41.3	47.1	12.2	11.2	5.6	28.5	23.5
4 months' total	1,015.3	693.1	390.7	169.8	197.1	40.3	48.5	22.1	145.1	98.4
1939:										
September	288.6	181.5	124.6	48.0	60.3	11.0	12.1	3.9	52.2	33.1
October	332.0	215.3	127.2	50.5	52.9	14.6	12.6	3.0	61.7	32.9
November	292.6	235.4	95.8	54.9	91.8	13.6	13.2	6.3	51.3	34.8
December	367.8	246.9	130.9	53.0	60.4	15.7	30.6	5.3	43.9	32.0
4 months' total	1,281.0	879.1	478.5	209.4	195.1	54.9	74.5	18.5	209.1	132.8

Source: Records of the U. S. Department of Commerce.

TABLE 2.—United States exports to Europe, and to European trade-agreement countries, during the first 4 months of the European war and previous comparable periods

United States exports	September to December—		
	1937	1938	1939
Total, all European countries	\$585,641,000	\$463,189,000	\$512,841,000
To trade-agreement countries:			
Belgium	35,750,000	23,901,000	21,716,000
France	69,025,000	48,516,000	74,320,000
Netherlands	36,818,000	29,536,000	42,378,000
Sweden	25,302,000	24,585,000	45,701,000
Switzerland	3,291,000	4,381,000	11,167,000
United Kingdom	254,393,000	194,968,000	194,159,000
Finland	5,423,000	4,708,000	4,919,000
Total: These countries	429,982,000	330,598,000	394,360,000
To other European countries	155,659,000	132,594,000	118,481,000

Senator LA FOLLETTE. Also, can you say from any information which you have as to whether or not these moves in the direction of totalitarianism in reference to economic policy as distinguished from other policy in relation to the war, provide, insofar as you know, for the duration of the war, or is there a tendency for them to be extended for a period beyond the duration of the war?

Secretary HULL. That is another reason why this program is so important. In the rapid-fire issuance of restrictions here and you, today, tonight, and tomorrow, in London, Paris, or Ottawa, we don't know just how much of them may remain after the war to our injury, and we are trying to follow each one of those cases and safeguard our interests.

Senator LA FOLLETTE. I understand that, but what I am desirous of ascertaining, if you have the information, is where these agreements which have been made as a supplementary economic armament flowing from the participation of these nations in the actual warfare, whether or not you have any information on those specific agreements as to whether or not they are being drawn for the duration of the war or whether some of them or all of them, as the case may be, contain provisions for their extension beyond the termination of hostilities.

Secretary HULL. I will be glad to give you what we have up to date. As I say, it is changing from day to day, and I want to add again that in my opinion there will be numerous instances where these war restrictions and war arrangements among the belligerents especially, or between them and neutrals, will contain things that will hurt us afterward, and that is why we want to keep right after it as best we can.

Senator LA FOLLETTE. I believe I made myself clear, but the thing that I am particularly anxious to ascertain insofar as you have the information is whether or not these belligerent nations are providing that—in these agreements which they are now making, and the restrictions and other activities which you characterize as being economic armament, whether they have the tendency, and whether the tendency for them is to provide in those agreements for their being terminated with the termination of hostilities and the coming of peace, or whether the tendency is to provide for their continuance for a definite and stated period of time beyond the negotiation of peace.

Secretary HULL. I think I finally understand you. I beg your pardon for my denseness in this respect. I have had no intimation from any government that is a party to any of our 22 agreements that they plan to abrogate trade agreements with us or to modify them materially, except for the actual period of the war and the war condition. They have, on the contrary, so far as I have heard, indicated their purpose to resume the fullest observance of the agreements, and in some instances I think you will find that the biggest commercial nations are more and more proclaiming their purpose to get back to the precise formula that is embodied in our trade program.

Senator LA FOLLETTE. All that I was trying to ascertain was—I assumed, of course, that you are apprised of these actions when they are taken?

Secretary HULL. Yes.

Senator LA FOLLETTE. And I assume that they have certain termination dates in them?

Secretary HULL. Precisely.

Senator LA FOLLETTE. What I would like to ascertain is, in so far as the Department has information, which of the agreements have been made for the duration of the war, and a list of those, if any, which provide for a period of continuance after the war.

Secretary HULL. You mean agreements between belligerents and other countries than ourselves?

Senator LA FOLLETTE. That is right.

The CHAIRMAN. Will you furnish that information?

Secretary HULL. I will give you what we have on that.

Senator GEORGE. With respect to tobacco, Mr. Secretary, you will remember there was some statement made by the British Government that they would discontinue the purchase of flue-cured leaf tobacco which is grown in the United States.

Secretary HULL. We have that up and are keeping up on it almost every day.

Senator GEORGE. Is it the information of the State Department, if you may be able to state it now, that that arrangement on the part of the British Government is temporary and made during the period of the war?

Secretary HULL. That would only be temporary, but you remind me, Senator, of a very important phase that I may not have emphasized to you heretofore. This was one of the unfortunate actions of the Ottawa Conference of the British Empire. We had a marvelous market there in London, unrestricted, and the British Government, Great Britain, not only shut off our tobacco to the extent of two shillings preference for South Africa and other countries, but it entered into a 10-year agreement with South Africa to let her furnish the bulk of it. So we got Great Britain—and that was one of the three or four things that held up our agreement for a year or more—we got Great Britain to agree that in 1942 when that 10-year period comes she will then reopen negotiations with us on the tobacco situation. In the meantime we are selling what we can there under this kind of a situation.

Senator GEORGE. I understand that.

Senator LA FOLLETTE. As I understand it, that is just an example which I have in mind. As I understand it, some agreement was made by Great Britain with Turkey to purchase tobacco from Turkey?

Secretary HULL. Yes.

Senator LA FOLLETTE. In lieu of the tobacco purchased from this country. Now, what I desire to know is, if the Department has the information, is that agreement with Turkey for the duration of the war or does it run beyond that?

Secretary HULL. That is very pertinent, and we have that whole tobacco question up with the British Government now, and I could talk to you more definitely about it a little later on, but I will keep in mind especially your inquiry about how long that arrangement runs.

Senator LA FOLLETTE. I did not mean as to just tobacco, but taken as to all of these actions which have been taken since the war broke out.

Secretary HULL. I understand.

The CHAIRMAN. Mr. Secretary, while the question was put about this wheat, I notice that in the hearings of the House committee in volume 1, page 53, this information appears, that the value of wheat exports increased from \$1,400,000 in 1933 to countries with whom

we have trade agreements, to \$53,900,000 in 1938. And that the value of exports to non-trade-agreement countries increased from \$3,400,000 in 1933 to \$24,200,000 in 1938, showing that the increase proportionately is much higher to the trade-agreement countries in the exports of wheat than to the non-trade-agreement countries.

Secretary HULL. In other words, Mr. Chairman, we suffered tremendously by retaliation, but in my judgment if we strive and are sufficiently alert and persistent in our efforts, we can regain an enormous portion of the world trade, but it is not going to just drop into our lap. It is going to require tremendous effort on our part.

Senator JOHNSON. I wonder if the testimony that the chairman has just given us shows that before the reciprocal trade agreements were entered into, that the time was over 2 years before, and further that the last figure that he has read, whether or not it shows that we were paying a subsidy of 30 cents a bushel to get foreigners to buy our wheat? Thirty cents per bushel out of the Federal Treasury.

The CHAIRMAN. These statistics do not show that. I am merely reading the amounts, the increased exportations to the trade-agreement countries within that time.

Senator CLARK. We did not have any export subsidy on wheat in 1938.

Senator JOHNSON. We did in 1939.

Senator CLARK. The chairman has given the figures for 1938.

Senator JOHNSON. I do not know if it was the calendar year, the fiscal year, or what year it was he read from.

The CHAIRMAN. This is the calendar year, I should imagine, but I do not know definitely.

Are there any other questions to be asked of the Secretary?

(No response.)

The CHAIRMAN. Tomorrow morning at 10 o'clock the Secretary of Agriculture will testify.

We thank you very much, Mr. Secretary, and it may be that some member of the committee will want you to come back before these hearings are closed. If so, we will notify you.

Secretary HULL. I appreciate the opportunity of coming over.

(Whereupon, at 12:35 p. m., a recess was taken until Tuesday, February 27, 1940, at 10 a. m.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

TUESDAY, FEBRUARY 27, 1940.

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, in the Finance Committee room at 10 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will be in order.

Mr. Secretary, you may proceed. We began our hearings yesterday with Secretary of State Hull, and we wanted you to follow him by discussing the trade-agreements program from the Agricultural standpoint. So you may proceed without questions in the beginning, and then members will ask questions after you have completed your statement.

STATEMENT OF HON. HENRY A. WALLACE, SECRETARY OF AGRICULTURE

Secretary WALLACE. I have a statement here that will take perhaps 20 minutes.

The CHAIRMAN. You may proceed.

Secretary WALLACE. Three years ago I appeared before your committee to urge the continuation of the reciprocal trade-agreements program. I am here for the same purpose today.

On my previous appearance I suggested that the trade-agreements program and the farm programs administered by the Department of Agriculture are supplementary and that it was extremely important from the standpoint of agriculture as well as the general welfare that the authority to conclude reciprocal trade agreements be continued. I believe that this is equally important now.

Only a month ago I appeared before the Ways and Means Committee of the House of Representatives to make a statement on the trade-agreement issue. I do not think it necessary to go into the same detail here today but there are certain aspects of the matter which I am glad to have the opportunity to reemphasize.

These aspects concern, first, the actual results of the trade-agreements program both on the export and import side from the point of view of agriculture and, second, the function of the reciprocal trade-agreements program during the current war period and the reconstruction era which will follow.

American agriculture is interested in foreign trade from three major points of view. In the first place, it depends upon the foreign market for the disposal of the considerable surplus of its production over domestic requirements. Second, it is interested in that type of

increased foreign demand for American manufactured products which will increase pay rolls and therefore improve the domestic demand for farm products. Finally, it is interested in obtaining at reasonable prices the imported goods which farmers as well as other consumers regularly purchase.

The trade-agreements program serves the interests of agriculture in each of these respects about as effectively as is possible under the circumstances which prevail in the world of today. It increases the accessibility of foreign markets for our farm products both directly by lowering trade barriers and indirectly by enabling foreigners to sell us their specialties in order to obtain dollars for use in buying our goods. It also expands exports of United States factory products, thus increasing industrial pay rolls and the amount spent by industrial workers for food and clothing. By lowering our tariffs on many of the products farmers buy, it decreases farm costs. In general, it is designed to encourage healthy economic activity from which all elements of the American community benefit.

That the foreign market for the American farmer has been expanded over what it would have been in the absence of the trade-agreements program is indicated by all available data. Exports of agricultural products to the 16 countries with which trade agreements were in effect throughout the fiscal year 1938-39 were 15 percent higher during that year than during the fiscal year 1935-36, when only one trade agreement was in effect throughout the year. Exports of farm products to all other countries declined 19 percent for the same period. Moreover, the figures for exports to the trade-agreement countries include all farm products, regardless of whether they benefited directly by reductions in trade barriers. Isolation of only those items which did so benefit would show an even greater relative increase. Finally, I would like to emphasize that this is not a fortuitous comparison between two periods carefully selected so as to show the trend that we are anxious to demonstrate. On the contrary, a similar result can be obtained by comparing any year since the agreements have been in effect with any earlier year for which these data are available.

It would be impossible, of course, for this program—or any other program that would be practical at this time—to restore in a few years all of the foreign market for United States farm products which we enjoyed during the twenties. There is no immediate alternative to adjusting domestic production to the loss of a large part of that market. Perhaps in a post-war world—not too far off we all hope—commerce among the nations of the world will again be expanded to a level consistent with general world prosperity, and major adjustments of United States agricultural production will not be necessary in most years. For the present, however, the trade-agreements program, by encouraging exports, is helping to keep at a minimum the amount of adjustment that is called for, and this seems to be more than any other foreign trade program promises. The alternatives currently being proposed would be almost certain to contract trade and to make the problem of production adjustment greater. As between a program designed to unshackle and expand trade, on the one hand, and any program which would restrict or canalize trade, on the other, the intelligent choice for American agriculture obviously is to support a program to expand trade.

Many observers, under the influence of misleading information, have felt that the protection of American agriculture from competitive farm imports is also a major problem of the American farmer. If such imports were indeed an important threat, I would agree with that point of view. As a matter of fact, however, this is a bugaboo invoked by industrial interests anxious to get or keep tariff protection for their own products at the expense of farmers. It has been echoed enthusiastically by many well-meaning friends of the farmer who fail to appreciate that the interest of the American farmer in foreign trade is primarily that of an exporter. I have pointed out over and over again, and I want to reiterate today, that the American farmer is a surplus producer and that a high-tariff system can bring him nothing but a restricted market and high costs. This applies most directly to producers of cotton, wheat, fruits, hogs, soybeans, tobacco, and our other export crops. But, since acres displaced by the loss of export markets are put into competition with other acres, it applies also to producers of dairy products, eggs, beef, and other commodities which are sold almost entirely in our domestic markets and which are neither exported nor imported to a significant extent. It applies even to producers of such imported products as wool.

Nevertheless, it is with this ancient bugaboo that opponents of the agreements are attempting to stir up sentiment for discontinuance of the program. They have chosen to ignore the major facts. Instead, they use figures which in almost every case suffer from one or more of several serious shortcomings—either the figures apply to imported items which have not been directly affected by trade agreements, or they refer to years carefully selected so as to confuse the effects of trade agreements with those of drought and industrial recovery, or they are simply not correct.

A good example of the first type of propaganda is the almost continuous attack upon the trade-agreements program which has been based upon our large imports of certain drought-affected commodities during the years from 1935 to 1937 or, in the case of animal products, from 1936 to 1938. One of the leading items of import objected to is corn from Argentina. We in the Department of Agriculture have had to point out to literally thousands of farmers—misled by opposition propaganda—that there has never been any reduction in the duty under the trade-agreements program on corn imported from Argentina. The same was true for a number of other commodities the imports of which increased with drought conditions, including wheat, barley, malt, butter, canned beef, canned ham, and various others.

It is remarkable what can be done by the careful selection of years for comparison. Opponents of the trade-agreements program are particularly fond of comparing imports during 1932 with those during 1937. During 1932, because of business depression in this country and large farm surpluses, agricultural prices hit bottom and farm imports reached an extremely low point. In 1937, on the other hand, imports were much higher, since business was at a post-depression peak, and our farm prices, although substantially strengthened by the operation of the Triple A program, had been boosted even higher as a result of the extraordinary droughts of 1934 and 1936. Comparing these 2 years, therefore, gives the impression that the trade agreements have caused a "flood" of imports. One need only add data for imports in almost any year during the 1920's and for either 1938 or

1939 to give a precisely opposite impression as to the effects of trade agreements on agricultural imports. The attacks on the trade agreements, however, rarely, if ever, include these additional data, nor are they apt to reveal the fact that imports into the United States of agricultural products similar in kind to those produced in this country were smaller in the most recent fiscal year, 1938-39, than in the first year of the trade-agreements program, 1934-35, and were less than half their average annual value during the entire decade of the twenties.

Now, it is true, of course, that reductions have been made under the trade agreements in the duties on some agricultural products, but I do not know of a single case where such duty reductions have seriously inconvenienced an American agricultural group. As a matter of fact, in cases where there seemed to be even a remote possibility that a damaging influx of agricultural products might take place as a result of a contemplated duty reduction, safeguards were introduced to prevent such an influx.

A case in point and, incidentally, one which has been a focal point for attacks upon the trade-agreements program, is the effect of the program on imports of cattle. I discussed the matter of cattle imports in relation to the Canadian trade agreements at some length before the Ways and Means Committee of the House. I wish only to point out here that prices received by domestic producers of cattle in the United States since the enactment of the Trade Agreements Act have been consistently higher than they were during the immediately preceding period, and, in some cases, as high as they were back in the predepression years. Furthermore, and this is significant, even in 1939, when cattle imports reached a record level, the farm price of cattle was at or above parity every month of the year. I do not know of another major agricultural product of which this is true. The facts are, of course, that the prices received by American cattle producers are determined almost exclusively by the number of domestic cattle produced in a given year and by economic conditions in the United States. If these factors are such as to make for high prices, then we shall have some imports of cattle, while, if they are such as to make for low prices, our imports of cattle will be almost nonexistent.

Going down the list of all the other commodity figures used to build up the impression that farmers have been sacrificed under the trade agreements reveals, in each case, the hollowness of the complaints that have been made. The interests of domestic farm producers have been protected. Where imports have been high, prices have been high.

To judge by the opposition claims, one would suppose that nearly all of the farm commodities which are sometimes imported had had their duties reduced. What are the facts?

Reductions apply to imports which, on the basis of 1937 figures, made up only 14 percent of total agricultural imports. About half of this 14 percent is sugar, imports of which are not permitted, at whatever rate of duty, to exceed a highly restrictive quota set annually in such a way as to reserve for domestic producers at least as great a share of the United States market as they may fairly be expected to supply, and a share very much less than the share enjoyed in the decade of the twenties. Hence, only 7 or 8 percent of all agricultural imports are free to take advantage of duty reductions made under the program. Set against this the fact that over 20

percent of United States nonagricultural imports had their duties reduced under the agreements, and one has a scale in which to weigh the extravagant charges being made. In short, the whole import furor is a maneuver designed to distract the farmers' attention from the benefits they are obtaining under both the trade-agreements program and the farm program.

Before concluding, I wish to say a word about the trade-agreements program in the light of developments brought about by the war abroad.

The war has brought far-reaching changes in the methods of trading pursued by the great importing countries which have bought our farm products in the past. The existence of trade agreements has enabled us to temper somewhat the impact of those changes on our agriculture. That impact has nevertheless been great, and it has been, on the whole, harmful thus far.

We do not know how great those changes will finally be. Nor do we know whether they will be voluntarily abandoned when war is over—or made permanent. Their existence, however, and the disturbing effects they are having on world trade, make clear the need for continuing our efforts to maintain and expand our own foreign trade. The success of our present trade-agreements program in the difficult years we have come through, and the system of interdepartmental cooperation which has been developed to carry it out, point to the program as the best vehicle for continuing those efforts. Conceivably the program might need to be strengthened to meet the new situations as they arise. But we must go forward in the direction where lie our own interests and the interests of all western civilization. Opponents of the present program seize upon changed conditions as a reason for abandoning it and returning to the extreme protectionism which has wrought such havoc in the last 20 years.

There is an inconsistency about these attacks which reveals their weakness. Some of the persons who claim to be among those most interested in larger farm exports, oppose any means by which we might be paid for such exports. They are against imports, they are against new loans to foreigners, they are against the purchase of foreign gold. But if our country refuses to accept either imports or gold, and refuses to extend further credit, how will it be possible to export? These same persons say they are for free enterprise, yet they wish to regiment us in the field of foreign trade, and they would have the Nation follow policies which would lead by inevitable steps to more and more regimentation of domestic enterprise.

I believe that the opponents of the trade agreements are in an impossible position. I believe that if their ideas were carried out, the country would be put in an impossible position.

When and if world conditions are such that anything like normal international trade can again be stabilized, we shall have to map out a broad policy taking into consideration imports, gold, credit, and all the other factors that affect international transactions.

Meanwhile, there is nothing for us to gain by scuttling the one proven means of preserving and advancing healthy foreign trade. We would only be hurting ourselves if we should adopt the restrictive policies which have almost completely ruined the foreign trade of the dictator countries and brought extreme privation to their people. To abandon the trade-agreements program at this time would be a

step backward rather than a step forward. Instead, we should keep the trade-agreements program, and use it as a valuable foundation stone for the reconstruction of world trade in the future.

The CHAIRMAN. Senator George, have you any questions?

Senator GEORGE. I have no questions.

The CHAIRMAN. Senator Walsh?

Senator WALSH. I have no questions.

The CHAIRMAN. Senator Johnson?

Senator JOHNSON. Just the last paragraph, you say

* * * there is nothing for us to gain by scuttling the one proven means of preserving and advancing healthy foreign trade.

I do not understand that the question before the Senate or before the Congress is to scuttle anything. It is merely not to extend the reciprocal-trade agreements, and if the Congress at this time does not extend the reciprocal-trade agreements, the 22 existing agreements will remain in full force and effect until they have been terminated by the President. But I do not see that we are scuttling anything; we are just simply holding the matter as it stands.

Secretary WALLACE. I think I would have to call on the State Department to answer that particular question.

Senator JOHNSON. They are not terminated. You state in here that we are scuttling something. We are not scuttling anything. We are simply not going ahead making provision for new agreements, but we have 22 agreements, and these 22 agreements are permanent things until they have been terminated by formal action of the President.

The CHAIRMAN. Secretary Hull, as I understood him yesterday, stated of course after June 12, unless this was continued, they have no authority to make any new agreements with any country, and then they would have no authority to make any changes as circumstances would arise, in any particular trade agreement, and so on, so they have to have authority to act.

Secretary WALLACE. Granting the correctness of your statement, Senator Johnson, would it not be true that the post-war situation might make it necessary to have power vested in the executive to make changes?

Senator JOHNSON. The original act has this to say on page 2 of the copy which I have, at the top of the page. It says:

The President may at any time terminate any such proclamation in whole or in part.

That is the proclamation of putting the trade agreement into effect. So the President has the full power to terminate the trade agreements existing in whole or in part, as I understand it. But the point is, if the Congress does not extend the trade agreements, we are simply postponing any extensions at some future time, but we are not changing the existing law in any way or the existing agreements in any way.

Senator CLARK. Mr. Secretary, it is not accurate to say, as Senator Johnson did, that nobody can terminate treaties except the President. The other side may terminate the treaties, and is it not entirely possible and probable that we might face a situation at the end of the war where a general economic situation might exist in which the countries of the world will be gathering and the United States

would be entirely helpless to participate in it if this act had been permitted to lapse and not extended?

Secretary WALLACE. Yes, it is quite permissible to think that some countries would terminate their agreement, and then a year later a situation would result where it would be highly desirable to enter into negotiations with that particular country again.

Senator JOHNSON. We will have another Congress, and if it seems advisable to extend the act to make agreements, another Congress may do so.

Senator CAPPER. Mr. Secretary, I found Sunday morning in all the daily newspapers, this statement accredited to the Associated Press:

The Agricultural Department reported yesterday that total exports of American farm products during the last 6 months of 1939 were 7 percent below those of the last half of 1938, while imports of agricultural products increased 25 percent.

What comfort can the farmers out in my country get out of that information as to the trend of the world trade in agricultural products?

Secretary WALLACE. I would think if a farmer out in your part of the country were fully informed, he would feel that if anyone were drawing conclusions based on a short period like that, it would be an attempt to deceive him.

Senator CAPPER. I had appeals from 22 farm groups in my State asking me to oppose these trade agreements because they feel they are not working for them. We are interested especially in wheat. Just what help and benefit has come to the wheat growers from these 22 trade agreements? They have not been able to figure it out.

Secretary WALLACE. Our leading market for wheat has customarily been the United Kingdom, and the trade agreement has enabled us to abrogate the 6-cent differential or preferential which Canada and Australia had enjoyed at our expense.

Senator CAPPER. Back in the time of the World War, when the World War started, wheat prices went way up, and we found a market for a lot of our surplus, and they do not find any such situation as that now.

Secretary WALLACE. Of course, we must remember that when this war began, the world had on hand more wheat than at any time in history, vastly greater quantities of wheat than when the World War began.

Senator CAPPER. Just what effect have the trade agreements had on the unloading of surplus American wheat?

Secretary WALLACE. Undoubtedly our wheat was placed in a much better competitive position by the removal of this 6-cent preferential on the part of Canada and Australia in the British market.

Senator LA FOLLETTE. Mr. Secretary, you state: "By lowering our tariffs on many of the products farmers buy, it decreases farm costs." Have you any figures, or has any study been made to show specifically to what extent that has been true?

Secretary WALLACE. No; we do know that the tariff on industrial products has been cut by a somewhat greater percentage than the tariff on farm products.

Senator LA FOLLETTE. That is true, but have you made any study on the effect of the actual price to the farmers of any of those commodities, or is that just a generalization which you have not translated into any specific information?

Secretary WALLACE. That is a broad generalization, Senator

Senator LA FOLLETTE. So we do not really know whether the prices of manufactured products or products that the farmers buy have actually been decreased in price to the farmer as a result of this program, do we?

Secretary WALLACE. No; we have no detailed study as yet on that point, Senator.

Senator LA FOLLETTE. Have you any studies that would show anything specific in that respect?

Secretary WALLACE. I don't know of any, Senator.

Senator LA FOLLETTE. You also state that: "Exports of agricultural products to the 16 countries with which trade agreements were in effect throughout the fiscal year 1938-39 were 15 percent higher during that year than during the fiscal year 1935-36, when only one trade agreement was in effect throughout the year." Then you go on to give the exports in percentages. Can you translate that into dollars and cents?

Secretary WALLACE. Yes; I think so; if you would care to have the figures.

Senator LA FOLLETTE. Will you please do so for the record?

Secretary WALLACE. The exports of farm products from the United States to the 16 trade-agreement countries in the fiscal year 1938-39 amounted to \$214,000,000, and in the year 1935-36, \$186,000,000. To the other countries, the non-trade-agreement countries, the exports, in the fiscal year 1938-39, amounted to \$469,000,000, and in the years 1935-36, \$580,000,000; in other words, the exports to the trade-agreement countries increased \$28,000,000, or 15 percent, and to the non-trade-agreement countries declined \$111,000,000, or 19 percent.

Senator LA FOLLETTE. You also state that "the war has brought far-reaching changes in the methods of trading pursued by the great importing countries which have bought our farm products in the past. The existence of trade agreements has enabled us to temper somewhat the impact of those changes on our agriculture." To what extent and what particulars have the trade agreements been effective in tempering the impact of the switch by all the belligerent nations to an economic totalitarian basis?

Secretary WALLACE. Well, I could give you one specific illustration. In the case of the Canadian trade agreement, it has been possible under the powers set forth therein to avoid Canada completely shutting off our exports of hog products. During the year 1939, our exports of hog products to Canada had gone up to some 20 times as great as they had been during the 10 years preceding.

Senator LA FOLLETTE. How much were they in dollars and cents?

Secretary WALLACE. I don't have the figures in mind.

Senator LA FOLLETTE. Will you furnish that for the record, please? (Subsequently the following data was furnished the committee:)

In 1939 the exports of all hog products from the United States to Canada were valued at \$3,235,000. The value of the exports of fresh pork, to which my example applies, was \$2,265,000.

Secretary WALLACE. And Canada, proceeding under the war escape clause, taking alarm at the very great increase in our hog exports during late 1939 and early 1940, set a quota on our exports of fresh pork to Canada.

Senator LA FOLLETTE. What was the quota?

Secretary WALLACE. I have the figure here somewhere. This was announced yesterday, by the way. 1,627,000 pounds monthly.

Senator LA FOLLETTE. And how did that compare with the imports which were going in prior to the time the quota was established?

Secretary WALLACE. It was substantially less than during the last 3 months of 1939, but very much greater than the average monthly imports for the last 10 years, which were 23,000 pounds.

Senator CLARK. Have you any figures to show how they compared with the pre-trade-agreements years? I don't care about that now, but I would like to have that in the record.

Secretary WALLACE. All I have is the average for the last 10 years, which is 23,000 pounds monthly.

(Subsequently the following data was furnished the committee.)

The average monthly imports of fresh pork into Canada from the United States during each of the last 10 years were as follows:

Calendar year:	Quantity (in pounds)	Calendar year:	Quantity (in pounds)
1930.....	109,208	1935.....	77
1931.....	436	1936.....	86
1932.....	451	1937.....	268
1933.....	662	1938.....	26,625
1934.....	14,027	1939.....	1,829,716

Senator LA FOLLETTE. Have you any other examples?

Secretary WALLACE. This would be a generalization, Senator, but I would say in a general way that our trade agreement with Great Britain has enabled and would enable us to fare better with Great Britain in agricultural exports than would otherwise be the case.

Senator LA FOLLETTE. Just in what specific respects has the trade-agreement program enabled us to fare any better with Great Britain than we would have fared without it?

Secretary WALLACE. I am unable to say, Senator, but I will give it as my observation, the fact that the trade agreement will make that possible.

Senator LA FOLLETTE. What is being done, if anything, to effectuate that generalization?

Secretary WALLACE. I am hoping that considerable will be done.

Senator LA FOLLETTE. But anything that has been done to date?

Secretary WALLACE. Very little has been done to date.

Senator LA FOLLETTE. With regard to any of the other countries that have altered their economic policy as a result of the war, do you know of any other instances aside from this one specific thing on pork products with Canada?

Secretary WALLACE. No; I don't know anything specific, Senator, but I would again make the observation of the fact that the agreements give us a mechanism whereby we can operate to greater effect than would otherwise be the case.

Senator LA FOLLETTE. Have you any information which you can furnish the committee showing the impact of economic policy engendered by the participation of nations in the war upon American agriculture?

Secretary WALLACE. We can furnish you with a great deal of data along that line.

Senator LA FOLLETTE. I would like to have all of the general information that you have, and specifically I would like to know of any

studies or data that the Department has gathered to show in what respects we have lost the claimed advantages for agriculture under the trade-agreements program as a result of the totalitarian economic policy of the belligerent nations.

Secretary WALLACE. Of course it is true, Senator, that there exist in these trade agreements, war escape clauses.

Senator LA FOLLETTE. I am aware of that, and I am aware that these nations are taking advantage of it, and I just assumed that the Department of Agriculture must be watching the effect and the impact of the war policies on American agriculture, and I am anxious to get that information.

Secretary WALLACE. And we are very gravely disturbed by that impact. It seems to me to be a problem somewhat aside from the trade-agreements problem, though it is a very great problem from the broad agricultural viewpoint.

Senator LA FOLLETTE. I am not sure of that. That is a matter of opinion as to whether it is aside from the point here, but I as one individual member of this committee and of the Senate would like to have all of the data and information that is available.

Secretary WALLACE. We shall be very happy to prepare that information.

(Subsequently the following data was furnished the committee:)

The following statements prepared in and published by the Department of Agriculture contain considerable information on the subject of wartime controls by the belligerents and their relation to American agriculture. The first statement, "Wartime Control of Agricultural Trade and Production in Belligerent Countries," describes the principal measures taken by the Governments of the United Kingdom, France, and Germany, and the governmental agencies established to carry them out. The second statement, "Economic Weapons of War Bear on Farm Exports," points out some of the principal effects of these wartime control actions on American agricultural exports. The third statement is a factual report of United States trade in agricultural products for the last 6 months of 1939 compared with the corresponding months of 1938.

WARTIME CONTROL OF AGRICULTURAL TRADE AND PRODUCTION IN BELLIGERENT COUNTRIES

By Harry L. Franklin¹

The present war in Europe has been characterized from the outset by strict government control of international trade and, to a lesser extent, of production, prices, and consumption. Although it is too early to evaluate the effects of these controls on the agricultural trade of the United States, it is nevertheless important to know how extensive these new obstacles are because of the importance of the belligerents as markets for American agricultural surpluses.

The assurance of adequate supplies of food in wartime is of paramount importance, as the World War demonstrated when the Allied blockade of Germany developed into one of the principal factors in that country's ultimate collapse and defeat. Today, Germany is dependent upon imports for approximately 18 percent of its total food requirements, or only slightly less than before the World War (20 percent for 1909-13), whereas Great Britain depends on imports for about 60 percent of its total food requirements. France is agriculturally the most self-sufficient of the present belligerents, but nevertheless is dependent to some extent on outside sources of supply. Also of great importance in wartime is the assured supply of adequate quantities of agricultural products other than foodstuffs, namely, fibers and feedstuffs.

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Control of imports, exports, prices, and stocks of agricultural commodities has existed in Germany in varying but increasingly comprehensive degree since the establishment of the National Socialist dictatorship in 1933. Similar action has been authorized in the United Kingdom under the Emergency Powers (Defense) Act of August 24, 1939, and subsequent legislation, and a fairly comprehensive control system is now operating. This applies to France to a less extent.

Of the present belligerents, Germany established government control of agriculture in the fall of 1933, largely in order to achieve the maximum degree of food self-sufficiency possible, in line with the National Socialist regime's vast rearmament program. Although the United Kingdom established the Food (Defense Plans) Department at the end of 1939, Government control of British agriculture was not authorized until August 25, 1939, 2 days after the conclusion of the Russo-German pact. Since then a comprehensive program has been inaugurated for substantially increasing the country's total food output. A certain degree of Government control over French agriculture was provided for in the decree of April 21, 1939, about 5 weeks after Germany's occupation of Bohemia and Moravia; but thus far little, apparently, has been done under that authorization.

CHART 1.—Wartime control of agricultural trade and production (belligerents) as of Nov. 1, 1939

	Germany	France	United Kingdom
Import control.....	Rigid control of imports through (1) some 28 supervisory offices (according to commodity group) and (2) regional foreign-exchange offices, both under direct authority of the Minister of Economics.	All imports require a certificate establishing either (1) that the requisite foreign exchange has been authorized, or (2) that no foreign exchange is required for settlement.	Imports of a long list of products prohibited except under license, including certain agricultural products.
Export control.....	Government supervision and control of exports. Great bulk of export-import trade conducted under clearing and barter (compensation) arrangements.	Exports of certain products, largely industrial raw materials and certain agricultural products, prohibited except under license from the Ministry of Commerce.	Exports of a long list of essential products prohibited except under license.
Foreign-exchange control.	Rigid foreign-exchange control. Penalties ranging to capital punishment for infractions of the regulations.	Foreign-exchange transactions permitted only under authorization of the Ministry of Finance.	Close control exercised over foreign exchange for the payment of imports. Exchange automatically granted for imports covered by license.
Control of stocks....	Government control of supplies largely through the various agencies of the Reich Food Estate and the Ministry of Economics.	-----	Control of domestic stocks authorized. Application thus far to cereals and cereal products, canned meats, oils and fats, oil-seeds, and certain industrial raw materials.
Price control.....	Fixed or controlled prices apply to virtually all agricultural products. Trade and processor margins are controlled for most staple foodstuffs, such as milk and dairy products, potatoes, grain and grain products, fats, and most meats and meat products.	Price fixing for foodstuffs authorized. Every merchant or dealer must display appropriately the fixed sales prices.	Maximum prices or those not above the average for a specified prior period have been applied thus far to sugar, tea, oats, flour, livestock (hogs, sheep, and fat cattle), bacon and hams, oils and fats, dried fruits, and potatoes.
Government control of agriculture.	Strict control of German agriculture through the corporative (totalitarian) set-up under the Reich Food Estate established in September 1933. Emphasis has been on enlarged output and greater farming efficiency.	Some degree of Government control over agriculture in wartime authorized by decree of April 21, 1939, but thus far not exercised.	Government control of agriculture established for (1) insuring efficient land use exclusively for production of essential foodstuffs; and (2) increasing total farm output through large shift (2,000,000 acres) from grassland to food crops.
Ministries and main departments involved in the foregoing.	Ministry of Economics. Ministry of Agriculture. Reich Food Estate.	Ministry of Commerce. Ministry of Finance. Ministry of Agriculture. General War Provisioning Service.	Ministry of Food. Board of Trade. Ministry of Agriculture. Ministry of Supply.

MAIN FEATURES OF WARTIME CONTROL

After the declaration of war on September 3, 1939, and in the emergency period immediately preceding the declaration, a large number of orders, regulations, and decrees were issued by the British and French Governments, particularly the former, establishing various features of wartime control over foodstuffs and other essential commodities. This was not necessary in Germany, however, for that country had been operating under a virtual war economy since 1934-35. The salient features of the British and French control systems, and their German counterpart, are described below.

Import control.

Import control on a fairly comprehensive basis has been established in Great Britain and France. The principal aim is to limit imports, wherever practicable, to essential commodities and war equipment, and to restrict entry of luxury goods or articles of secondary importance. With regard to the United Kingdom, import licenses are issued freely if the commodities under consideration are regarded by the Import Licensing Department (of the Board of Trade) as necessary for military or civil defense purposes. Priority of shipping space in relation to urgent requirements, particularly with respect to overseas shipments to the United Kingdom, is an important consideration.

Among agricultural products on the British list requiring an import license are certain canned fruits, canned vegetables other than tomatoes, poultry and meat pastes, sausages (canned or otherwise preserved), hops, and dried vegetables (other than peas, beans, and lentils). With regard to France, all imports require an official certificate establishing that delivery of the requisite foreign exchange has been authorized by the Office of Foreign Exchange or that the imports in question require no settlement in foreign exchange.

Germany has exercised rigid control of all imports in recent years, particularly since Dr. Schacht's "New Plan" of 1934 and the 4-year plan established in 1936, which placed the country on a military-economy basis. Consequently, the present war has necessitated no change in the German import system.

Export control.

Immediately preceding the declaration of war, both the United Kingdom and France prohibited the export of a wide range of essential commodities, chiefly industrial raw materials and certain foodstuffs, except under license from the appropriate government control agency. Since then several changes in the respective lists have been made. The object, of course, is to conserve domestic stocks of essential commodities.

Among agricultural products included in the British export-license list are wheat and wheat flour, canned meat and meat extracts, condensed and dried milk, canned fruits and vegetables, refined sugar, raw cotton and certain other textile fibers, and certain vegetable oils. In this regard, the French list is somewhat more comprehensive, the main commodities or commodity groups being grains (including rice), wheat flour, meat and meat products, dairy products, eggs, sugar, molasses and sirups, potatoes, beets, hops, animal and vegetable oils, oilseeds, dried beans, cattle, feedstuffs, wool, cotton, and certain other textile fibers. The present war has occasioned no change in the German export-control system.

Foreign-exchange control.

In the United Kingdom, the purchase of foreign exchange for payment of imports was made subject to prior issuance to importers of either (1) an import license for products subject to that requirement or (2) an exchange permit for other products, effective September 5, 1939. This has been done in order to conserve foreign exchange that would otherwise be used for imports of secondary importance, and to utilize foreign-exchange resources, particularly United States dollars, for imports of absolute necessities.

In France, all foreign-exchange transactions, as well as exports of any kind of currency, are prohibited unless authorized by the Ministry of Finance or agencies of the latter. Imports are permitted only after a certificate has been obtained establishing either that the requisite foreign exchange has been authorized or that no foreign exchange is required in settlement.

Foreign exchange in Germany has been subject to the most rigid control in recent years. Infractions of the German currency and foreign-exchange regulations are punishable by penalties up to sentence of death, depending on how serious the offense is regarded.

Control of stock.

An important element in wartime control of essential commodities to insure efficient and equitable distribution is the proper control of domestic stocks. The United Kingdom authorities have taken over the control successively, beginning September 1, 1939, of the domestic stocks (in some instances including shipments destined from abroad or British-owned and stored abroad) of cereals and cereal products, canned meats, dried fruits, sugar, tea, and certain oils and fats.

Control of domestic stocks in France is apparently authorized under the decree of April 21, 1939, to provide effective food control in wartime through the General War Provisioning Service, a special service in the Ministry of Agriculture; but thus far no action under this authority has been publicly announced. Government control over domestic supplies of foodstuffs in Germany has been exercised for some time through the various agencies of the Reich Food Estate and over imported supplies by the Ministry of Economics (in collaboration with the Reich Food Estate for certain major products).

Price control.

In order to prevent or check profiteering in foodstuffs in wartime, price control of some kind is usually indispensable. In the United Kingdom, maximum prices or prices not to exceed the average for a specified prior period, applying to the wholesale and/or retail trade in several important foodstuffs, have been established successively since September 1, 1939. These foodstuffs are sugar, tea, flour, eggs, bacon and hams, margarine and cooking fats, certain other vegetable and animal oils, canned salmon, dried fruits, potatoes, and livestock (hogs, sheep, and fat cattle).

Price fixing of foodstuffs in France by the Minister of Agriculture was authorized by the decree of September 1, 1939, but thus far no public announcement of action thereunder has been made. In fixing prices, the Minister of Agriculture may ask for the assistance of the Consulting Committee (composed of representatives of employers and employees of commercial, industrial, and agricultural enterprises, and of the various Government departments) as well as the National Committee for Price Supervision.

In Germany, fixed or controlled prices have been a central feature of agricultural policy since the establishment of the Reich Food Estate in the fall of 1933. They apply to virtually all agricultural products. Trade and processor profit margins have been brought under control for most of the staple foodstuffs. It is anticipated that German supervision of foodstuff prices during the present war will be further intensified in order to prevent evasions of the control regulations. Infractions of the price-control system imposed by the Reich Food Estate have been punishable for some time by fines up to 100,000 reichsmarks (nominally \$40,000) and/or imprisonment, depending on how serious the offense is regarded.

Rationing of foodstuffs.

In Germany during the World War, food rationing on a comprehensive scale was in effect by 1916; whereas in Great Britain a general system of food rationing did not become operative until July 1918, after nearly 4 years of war. This time, ration cards were introduced in Germany on August 27, 1939, applying to meat, fats and oils, milk, sugar, coffee, cereal products, and eggs. On September 23, the standard weekly ration was further curtailed (for instance, meats were reduced from 24.5 ounces to 18 ounces, and butter from 3.2 ounces to 2.8 ounces), and rationing was extended to include bread. The revised standard ration allows a present annual per capita consumption in percentage of the estimated average 1938 consumption as follows: Meat, 54 percent; butter, 47 percent; cheese, 57 percent; sugar, 53 percent; and bread, about 100 percent.

It may be pointed out that the regulation of German consumption of certain foodstuffs, notably butter, eggs, and fats other than butter, through rationing in various forms has occurred since the winter of 1935-36 in times of shortages. Consequently, German consumers were prepared, to a large extent, for the introduction of ration cards in August shortly before the actual outbreak of hostilities, although such introduction did cause some concern as to the adequacy of supplies.

Food rationing has not yet been established in either France or Great Britain, although elaborate plans have been virtually completed for its introduction in the latter country in mid-December. Several million ration books have been printed, and these will be issued to individual consumers according to a national register to be compiled on the basis of the household enumeration made September 29. When introduced, the British ration system is expected to allow for virtually

normal consumption, except of butter and bacon. The extent of curtailment for these products, and possibly sooner or later for certain other products, will depend on a number of factors, such as supplies on hand, world prices, foreign-exchange reserves, shipping facilities, and the effectiveness of enemy naval and air operations.

GOVERNMENT CONTROL OF AGRICULTURE

The United Kingdom.

The entire agricultural industry of the United Kingdom was placed under the control of the Ministry of Agriculture during the war emergency by the Defense Regulations promulgated August 25, 1939, under the Emergency Powers (Defense) Act, 1939. The principal objective now is to insure that agricultural land will be used efficiently and exclusively for the enlarged production of essential foodstuffs. In order to achieve this, the Minister of Agriculture is empowered to issue all the necessary regulations or directions with respect to cultivation, farm management, land use, and so on. He may terminate any tenancy or dispossess an owner-occupier whenever the land in question is not being cultivated in accordance with good farming practices.

It is planned to place an additional 2 million acres of farm land in cultivation before December 31, 1939. To expedite this objective, a subsidy of £2 (approximately \$8) per acre will be paid for all approved grassland sown before the end of the current year. Farmers are urged to sow as much winter wheat as possible. The Government has a reserve of farm tractors, fertilizer, and certain seeds, which will be utilized in this program for increasing farm output. In addition, about 60,000 tractors were already privately owned at the outbreak of the war, compared with around 1,000 when the World War began.

The extensive powers to regulate and control farming operations in the United Kingdom that have been conferred on the Minister of Agriculture may be delegated to other agencies acting under his authority. It appears that the County Agricultural Executive Committees recently set up will play an important role in this connection, particularly in the "speed-the-plow" campaign. Subcommittees in turn have been appointed in most counties to deal with various special phases of the accelerated production campaign, such as organization of cultivation and cropping; recruiting of farm labor; distribution of feedstuffs, fertilizer, and machinery; control of insect pests and plant diseases; and drainage problems.

Within the jurisdiction of the new Ministry of Food (instead of the Ministry of Agriculture as heretofore) will be placed the various agricultural marketing boards and commission set up in recent years for different products. This applies to the Milk Marketing Board, as well as the Pigs Marketing Board and the Potato Marketing Board; but their activities will undoubtedly be carried on in close cooperation with the Ministry of Agriculture. The increased production and distribution of potatoes is an important phase of the plans for enlarged wartime farm output in Great Britain.

France.

France is far more self-sufficient agriculturally than the other two belligerents and very little appears to have been done thus far toward actual assumption of Government control over French agriculture, although such control is authorized under existing decrees. (An exception is the control of wheat, for which surplus-disposal measures and minimum prices were established in 1933 and a National Wheat Board set up in 1936 to control prices and marketing.) Under the decree of April 21, 1939, the Minister of Agriculture, with a General Secretary under his direction, is charged with directing the "mobilization" of the nation's agricultural resources, especially with regard to foodstuffs. The same decree also provides for a special service of the Ministry of Agriculture, called the General War Provisioning Service, whose functions, among other things, comprise the setting up of various services for agricultural production in war time, the preparation of plans for "agricultural mobilization," and the performance of various services connected with the provisioning of the armed forces and the civilian population.

In each of France's 90 Provinces, a committee for agricultural production in war time is established by the regulation of September 3, 1939, under the presidency of the Provincial Prefect. Other members include the director of agriculture, two other agricultural officials, and nine persons appointed by the Prefect. The function of the committee is to advise farmers to adjust farm output in line with national food requirements and to facilitate measures providing for the requisite agricultural labor, draft animals, fertilizers, seed, and fodder. In each township in turn, wartime agricultural committees headed by the mayor of the

towns are established to cooperate with the Provincial committee and to function along the lines of the latter with regard to the township.

Germany.

German agriculture has been under Government control since its reorganization on a corporative (totalitarian) basis through the Reich Food Estate established in September 1933. Membership in the Reich Food Estate has been compulsory for all Producers, processors, and distributors (wholesale, as well as retail) of agricultural products in Germany. The Minister of Agriculture is also head of the Reich Food Estate.

In addition to the regional and central corporative marketing associations for the major commodities or commodity groups, the Reich Food Estate has 20 regional and 520 district branches, the latter in turn being subdivided into a network of local branches or associations (Ortsbauernschaften), comprising the farmers throughout Germany. Finally, there is a "farm management" card for each farm on which is entered pertinent data relating to the agricultural output, the farming efficiency of the owner or other occupier, and so on. This card must be available at all times to the local and other authorities.

Enlarged farm output has been one of the leading objectives of National Socialist agricultural policy since 1934, coupled with price control and a very comprehensive system of market regulation. No basic changes in Germany's set-up for agricultural control under the National Socialist regime have been occasioned thus far by the war.

CONTRABAND AND BLOCKADE

In addition to the various wartime controls thus far discussed that are being exercised by belligerents in the present war, a most important control is that of seizure of products in ocean shipping designated as contraband. Foodstuffs and most other agricultural products are classed by the three belligerents as "conditional" contraband; that is, products susceptible of use in peace or war and destined for use of the armed forces of the enemy.

The British and French conditional-contraband lists are identical, the specification being "all kinds of food, foodstuffs, feed, forage, and clothing, and articles and materials used in their production." The German specification is somewhat different in that it includes tobacco, the text in translation reading "foodstuffs (including live animals), beverages and tobacco and the like, fodder and clothing; articles and materials used for their preparation or manufacture." It is understood, however, that the United States Department of State is discussing the matter of leaf tobacco with the German Government to the end that tobacco be removed from the German contraband list.

Almost at the outset of the present war, German merchant shipping was swept from the high seas and an Allied blockade instituted against Germany. On the other hand, German submarines have taken a heavy toll of Allied and neutral shipping. During the first 6 weeks of the war, Allied and neutral merchant vessels, amounting to around 300,000 gross tonnage, were sunk by Germany; and during the same period approximately 338,000 tons of contraband goods destined for Germany were seized, including petroleum products, iron ore, manganese, phosphates, aluminum ore, copra, and oilseeds, according to an announcement by the British contraband control, which operates under the Ministry of Economic Warfare.

By way of comparison, it may be pointed out that during the first month of the unrestricted German submarine campaign launched on February 1, 1917, 468,000 gross tons of merchant shipping were sunk, 511,000 tons in March, and 840,000 tons in April 1917, the peak month of the campaign. On the other hand, Germany's large-scale use of bombing planes to attack merchant shipping might greatly alter the present picture. At all events, the Allied blockade against Germany and the latter's activities in combating the blockade's effectiveness will likely again be a determining factor in the outcome of the present war.

UNITED STATES DEPARTMENT OF AGRICULTURE, OFFICE OF THE SECRETARY, WASHINGTON

ECONOMIC WEAPONS OF WAR BEAR ON FARM EXPORTS—A SPECIAL REPORT TO THE AGRICULTURAL ADVISORY COUNCIL

Modern warfare is fought as much with economic weapons as with armies and guns. Nations with their destinies at stake feel themselves justified in striking

with every weapon at hand; are quick to seize those least wasteful of the lives of their people.

The United States is secure today against hostile invasion; but we are not immune to economic injury. Many American farmers dependent on export demand see their markets caught in the no man's land between the opposing economic barrages of the belligerents.

The Allied naval blockade has barred our products from the markets of Germany and the territory controlled by Germany—Czechoslovakia and Poland.

The Allies have pooled economic and financial resources and made arrangements to centralize purchases through government commissions. This is a big gun of trade control. It has not yet been brought to bear heavily upon United States farm exports. United States farm products for France and Britain are still being handled in much the usual channels. However, the centralized purchasing has borne on our export volume indirectly through the fact that the Allied centralized purchasing commissions have bought farm products heavily in British Dominions and in other countries where they could deal directly with governments.

The sale of United States farm products in Britain and France and in neutral countries of Europe has, however, suffered under numerous stray shots from smaller guns of wartime trade controls—requisitioning and control of shipping, allocation of foreign exchange, import and export licensing, requisitioning of stocks, and control of prices and distribution.

The following paragraphs summarize the controls used by belligerents and neutrals and the policies followed in applying them to their trade in United States farm products:

Germany.—War has made no difference in the controls that Germany exercises over imports. In this regard, Germany has been on a wartime footing during the entire Hitler regime. The result was that, even before war broke out, German takings of United States farm goods had drastically declined. In 1932 the Reich took 15 percent of our farm exports; in 1928, 5 percent. Even this volume will be severely curtailed, if not wiped out, by the Allied blockade. So will the small volume of our farm exports that went before the war to Czechoslovakia and Poland. In 1938 that was about 3 percent of our total farm exports.

United Kingdom.—The British are making use of the full armament of wartime economic powers enumerated above. The result has been to curtail the amount of United States farm products taken by a market which in the past has accounted for more than one-third of our farm exports. Britain's wartime economic policy with respect to agricultural products has developed along four lines: (1) Cut down volume of imports needed by increasing domestic production through plowing the grasslands; and by controlling use of farm products by all the people; (2) get as much of the needed imports as possible from Empire countries; (3) of the remainder get as much as possible from European neutrals that might otherwise supply Germany; (4) of the remainder get as much as possible from foreign countries where the exchange situation is most favorable.

France.—France normally absorbs about 5 percent of our farm exports. The French Government is now applying to this trade complete licensing of importation and control of exchange. For some farm products, the French wartime policy may be less restrictive than the pre-war policy, since import quotas on some products have been removed. But the wartime application of licensing will be applied to shut out other products completely.

European neutrals.—The important European neutrals took about 17 percent of our farm exports in 1938. Some of them reshipped imports from us into Central Europe. They are largely giving up this function now under the push of British and French policy to limit imports of neutrals to the amount they need for their own people. This cuts down their potential takings of our farm products. The neutrals also are applying exchange controls to limit farm imports to essential products and to build up stocks of products which may not be available later if war continues. This likewise cuts down their potential takings of our farm products.

Canada.—Canada usually is the second or third largest foreign taker of our farm products. The Canadian Government has set up machinery for wartime control of trade including fixing of prices, exchange control, and import licensing. But so far this machinery of control has not been brought into action in a way that hindered United States farm exports. As a matter of fact, the position of United States farm exports consumed in Canada has tended to improve in recent months.

So much for the controls over international trade existing within the belligerent nations and the neutral nations in the war zones. How have these controls changed the position of the United States as exporter of farm products? The answer can be given most readily by examining the effects of wartime trade controls on exports of specific commodities. Summaries of these effects follow:

Cotton.—During the past 5 marketing years, 47 percent of the United States cotton exported has gone to the European nations that are now at war. Another 21 percent of our cotton has gone to European nations not now at war but affected by wartime trade controls of the belligerents.

The most severe effects on cotton exports have been exerted by the naval blockade, which has completely cut off the market in German-controlled territory. This market formerly accounted for 15 percent of our total exports.

But so far the loss of the German-controlled market has been concealed by the fact that the Allied belligerents and neutral countries have been stocking up on United States cotton. They are less able to draw on dominions and colonies for cotton than for other farm products. They ended the last season very short of United States cotton. This season, we put into effect an export subsidy, and there was a rush to replenish low stocks of American cotton. This rush has been accelerated, of course, by the progressive reduction in the rate of export subsidy being paid. Heavy speculation in Bombay also has helped to make American cotton prices comparatively attractive. When the funds for export subsidy are exhausted, there is likely to be a sharp reduction in buying of American cotton during the balance of this marketing year.

When that occurs, the effects of trade controls will be felt more sharply. The chief control now being exercised is the allocation of shipping space by the British intensified, of course, in its effect by the withdrawal of United States flag ships from the sea lanes of the war zones. These things already are slowing down the movement and also tend to slow down sales of cotton. Another influence which may come to bear later on is latent in the following series of governmental moves: France has taken over complete control of the cotton trade; Great Britain has made heavy bulk purchases of Egyptian, and is negotiating similar purchases of Brazilian, Turkish, and other cottons; Britain and France are collaborating closely in all economic lines. It may be that when France needs more cotton in the future she will draw first upon the British bulk holdings. It may also be that the British bulk holdings will be placed in part with the neutral nations of Europe, thus cutting down their need for American cotton.

Wheat.—Our export surplus is small owing to the prospective short crop of 1940, and our prices are above world markets, so we cannot hope to export much wheat this year. For the present, the effects of wartime trade controls are not felt because of the greater effects of impending crop losses. If we were on the world wheat market, we should be hurt by the fact that imports into Central Europe are cut off by the blockade; also by the fact that some belligerent and neutral countries into which our wheat might go are rationing consumption, and all are trying to increase their home production. We should be further hurt by the fact that the British (who take two-fifths of the total wheat imports of the world) have established a selective buying policy for wheat which favors cobelligerent countries of the Empire, particularly Canada.

Tobacco.—The warring countries plus the neutral countries in the war zone take 87 percent of all our tobacco exports. Naturally, our tobacco exports have been severely affected by wartime trade controls. The blockade shuts them out of Central Europe. The British decision to use from their own 2-year stocks rather than to spare exchange for buying United States tobacco after September 11 suddenly shut off one-third of our total export market. France will probably not disclose what she intends to do about purchases from us before the Kentucky fire-cured markets open in January.

Pork products.—The British are the heaviest buyers of all our pork products exported. They have imposed import licenses, exchange controls, and fixed prices as part of their economic armament for war, and these have all affected our exports. Their buying program favors other pork over United States pork. Neutrals in the war zone are taking more pork and lard, but not enough to make up for the decline in takings by the belligerents. Here is the situation:

1. Lard: Decreased purchases by belligerents during the first 2 months of war have been followed by some increase in November. Heavy increase to European neutrals—especially during November—brought total for that month above the July level, although not as much as normal seasonal movement would call for. Some Latin-American increase (not directly related to war trade controls).

2. Cured pork: War trade controls have cut share of belligerents in our exports to 67 percent now as against 82 percent in 1938. European neutrals are now taking 4 percent as against 1 percent in 1938. British prices for cured pork are fixed at a relatively high point, but that confers no benefit on us *directly*, since the British will not license imports of cured pork from the United States, which would mean drawing on her dollar resources. As Britain normally takes 71 percent of our cured pork exports, we are sending out very small quantities now. October exports of hams and bacon were the smallest since January 1937. Indirectly, the British high fixed price for cured pork may mean something beneficial to our hog industries. It works out this way: The British assure Canada an acceptable price for huge amounts of cured pork—at present weekly guaranty levels, it would amount to 230 million pounds in a year, or more cured pork than Canada has exported in 1 year since 1919. Canadian packers may need more hogs than Canadian farmers can supply and American farmers may be able to sell some hogs in Canada at good prices. If war lasts long, however, prices are fairly sure to stimulate larger Canadian hog production and pork exports—more competition in our markets abroad.

Fresh fruit.—Naval blockades bar shipments to German-controlled territory, curtail movement to other Central Europe, Baltic, and Scandinavian countries. United States apple and pear exports to Britain and France are completely cut off by war trade restrictions. Britain refuses to license imports; France imposes tight restrictions, which prevent exchange from being used to buy apples and pears from the United States. So exports of apples and pears to Europe (which normally takes 91 percent of our apple exports, 79 percent of our pear exports) are severely curtailed. As to citrus, neither British nor French have imposed trade controls directly. The joint Anglo-French war trade policy, however, favors buying citrus from the Mediterranean nations, and we are consequently selling little to the Allies at present. We are, of course, shut out of German-controlled territory by the blockade. Normally, we send 50 percent of our citrus exports to Canada. No trade controls applied to this business.

Dried fruit.—Blockade curtails this trade with Germany, central Europe, Baltic and Scandinavian countries. Allies license imports and follow a war-trade policy of drawing supplies first of all from the Empire and Mediterranean countries. All these influences are bearing adversely on the 91 percent of our export trade in dried fruit that normally goes to Europe.

Canned fruit.—Britain the principal market; no controls imposed yet. The policy, however, of preferring Empire supplies will work against United States exports, whether or not further controls are imposed. Because fresh fruit cannot readily be exported in wartime, Australia, Canada, and South Africa will can more than usual. Their packs will compete with ours and will get the first call, if present policies are continued. The British Government already has arranged to take the entire Australian surplus of canned and dried fruits.

Soybeans.—This is an exceptional commodity. Exports have risen to a new high in spite of war conditions. No controls have yet been applied to restrict imports into Allied and neutral European countries. Of course, soybean exports are shut out of German-controlled territory by the naval blockade. Exports this season are expected to exceed 10 million bushels, more than twice as great as the record exports of last season—4,400,000 bushels.

AT A GLANCE

- United States farm exports in line of fire of economic war weapons.
- Blockade shuts our products out of German-controlled markets.
- Allies apply trade controls in ways tending to favor sources of farm supplies other than the United States.
- European neutrals' trade measures cut potential takings of United States farm products.
- Canadian controls not yet applied to farm imports from the United States.
- Control of shipping space and bulk buying outside the United States may later adversely affect cotton exports.
- Selective buying policy for wheat favors producing nations other than United States.
- Selective buying policy for pork products favors producing nations other than the United States; but Canada may buy hogs from the United States.
- Exchange controls and import licenses work against United States fruit exports.
- Tobacco exports cut by exchange control.
- No controls yet applied to soybeans.

(Excerpt from Foreign Crops and Markets, Vol. 40, February 24, 1940, No. 8)

UNITED STATES FOREIGN TRADE IN AGRICULTURAL PRODUCTS, JULY-DECEMBER 1939

During the first half of the current fiscal year, the foreign trade of the United States in agricultural products has been influenced principally by two factors: Wartime trade controls abroad and economic improvement at home. The former checked our farm exports, while the latter increased agricultural imports.

EXPORTS

Since wartime trade controls in the leading importing countries have been directed to the curtailment of all imports considered nonessential, and since the items now urgently needed by those countries are practically all either manufactured products or metals, trade in most agricultural items has suffered. An important exception is American cotton, exports of which have been high for a number of reasons—some of the major ones not associated with the war. Some exceptions of less importance (from the point of view of the value of trade involved) are soybeans (exports of which were more than tripled), canned fruits and vegetables, and dried peas and beans.

For the 6 months, total agricultural exports were 7 percent below the very low level of the corresponding period of 1938. This compares with nonagricultural exports 25 percent above the 1938 level. Furthermore, if cotton is taken out of the agricultural figures, they show a 30 percent decline from a year ago. The data are as follows:

United States domestic exports, July-December 1938 and 1939

	1938	1939	Increase (+) or decrease (-)	Percentage of increase or decrease
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Percent</i>
Total.....	1,487	1,720	+239	+16
Nonagricultural.....	1,072	1,389	+267	+25
Agricultural.....	415	397	-28	-7
Cotton.....	110	175	+65	+59
Other agricultural.....	305	212	-93	-30

The war period.—The belligerent countries (United Kingdom, France, Canada, Union of South Africa, Australia, Germany, and Poland) took \$43,000,000 less of agricultural products from the United States during the 4 first months of the war than during the corresponding 4 months a year earlier. This was true in spite of the fact that they took 67 percent more cotton than during the earlier period.

The principal country involved, from the point of view of its importance as a market for United States agricultural exports, is the United Kingdom. United States agricultural exports to the United Kingdom declined from \$120,000,000 during the September-December period of 1938 to \$88,000,000 during the corresponding period of 1939. If cotton exports are subtracted from these figures, they show a decline for other agricultural exports from \$109,000,000 to \$42,000,000, or 61 percent.

The decline in exports to the belligerent countries was roughly offset by an increase in agricultural exports to the European neutrals, chiefly the Netherlands, Sweden, Italy, and Spain. There was also a slight rise in agricultural exports to the Latin-American countries.

The commodities that have appeared to suffer most from wartime controls are the fruits (especially fresh apples and pears), the grains (especially wheat), and flue-cured tobacco. Total exports of apples and wheat grain during the war months were only slightly more than a third of their level during the same months of the preceding year, and those of prunes, pears, and flue-cured tobacco each about half.

IMPORTS

General economic activity in the United States was considerably greater during the July-December period of 1939 than during that of the previous year. The Federal Reserve Board index shows United States production of manufactured products to have been 23-percent higher. Moreover, there was widespread anticipation of further improvement; so that buying took place not only to meet current needs but also to increase stocks. This situation was reflected in a 20-percent increase in United States imports.

The proportional increase was greatest (32 percent) for the group of complementary agricultural products that are not produced in the United States and not interchangeable in use with United States farm products. The chief elements in the increase for this group were a rise of more than 80 percent in the value of rubber imports and one of \$28,000,000 in raw-silk imports, the latter due entirely to an increase in price.

Nonagricultural imports rose only 15 percent, and imports of supplementary agricultural products (those that supplement the output of American farms) rose 17 percent, or \$40,000,000. The leading items in the latter rise were a \$17,000,000 increase in the value of sugar imports (reflecting largely a price advance), a \$7,000,000 increase in the value of dutiable-wool imports, and a \$5,000,000 increase in those of hides and skins.

The rise that has probably received the greatest attention, however, is that which took place in cattle imports in response to the relatively high prices in this country and their favorable ratio to feed prices. Imports during the 1939 period were 85,000 head larger than during the 1938 period. The group showing the largest rise (38,000 head) were those of medium weight (i. e., in 1938, those weighing 175 pounds or over but less than 700 pounds each and, in 1939, those in the even more limited bracket between 200 and 700 pounds). This development is of special interest in view of the fact that the tariff on this medium-weight group has not been lowered under the trade-agreements program, but remains at the level of 2 5 cents per pound established in the Tariff Act of 1930.

Not all agricultural imports rose in response to improved domestic demand. Some items that were imported in smaller amount during the July-December period of 1939 than in the 1938 period are butter, meats (especially fresh and cured pork), cotton, oilcake and meal, a number of fruits, barley malt, wheat (for domestic use), some vegetable oils (including tung, coconut, corn, and cottonseed), copra, flaxseed, leaf tobacco, and a number of vegetables.

Senator LA FOLLETTE. Now you state "Conceivably the program might need to be strengthened to meet the new situations as they arise." What devices, if any, has the Department of Agriculture, or have you as the Secretary had under consideration as a means of strengthening this program and implementing it in order that we might take some action to protect American agriculture from the impact of the totalitarian economic policies of the belligerents?

Secretary WALLACE. That is a generalization, Senator. We have no specific measures in mind at the moment.

Senator LA FOLLETTE. Have you looked into this so-called market-basket plan?

Secretary WALLACE. Yes; we have looked into it.

Senator LA FOLLETTE. Well, will you furnish the committee with all the information that is available on that plan?

Secretary WALLACE. I did not know that any such idea had been put forward in the definite form of a plan. I am not aware of any such definite plan.

Senator LA FOLLETTE. If the Department or the experts in the Department have been considering this matter, if they have prepared any data on it, if they have gotten any information or memoranda which would be helpful to the committee and the Senate, I as one member of this committee would very much like to have it.

Secretary WALLACE. I think there is very little we have, but we will be glad to furnish you what we have.

Senator LA FOLLETTE. Has the Department or have the experts in the Department or any of its divisions given any consideration to any suggestion relating to the imposition of a tax on munitions and the utilization of that money to assist agriculture in going through the period of this war situation?

Secretary WALLACE. Someone suggested that idea in an offhand way to certain members of the Department, but I don't know whether any work whatever has been done to meet the request.

Senator LA FOLLETTE. If the information has been gathered, any information, or if it is in the process of being gathered, if it is available at any time prior to the date when the Senate acts on this resolution, would you be so kind as to furnish it to the committee?

Secretary WALLACE. If there is anything of the sort in existence, I don't know whether it exists or not, Senator.

Senator LA FOLLETTE. I put it in that form.

Now has the Department studied or had any information in its possession to show whether these agreements and devices which belligerent nations are making between themselves and with other neutrals, aside from the United States, concerning the period for which those agreements are to run; in other words, whether or not they are to run beyond the cessation of hostilities? I have been told that the agreements, just as one example, that Great Britain made with Turkey in regard to tobacco is to run for 25 years. I don't know whether that information is correct or not, but I am asking whether the Department has any information along that line.

Secretary WALLACE. I am sure we have no such definite information at the present time.

Senator LA FOLLETTE. Is it not pretty important from both the executive and the legislative branches of the Government to know whether the tendency in these agreements and arrangements is to project them beyond the period of the war?

Secretary WALLACE. I have been informed by both the British Ambassador and the commercial counselor of the British Embassy that the information which has been available to the American people in the press has not been accurate with regard to the Turkish tobacco, and that they wished to in the very near future talk with us about the matter, but those conversations have not yet come to pass.

Senator LA FOLLETTE. Are these agreements all secret in character?

Secretary WALLACE. I have not had the opportunity for a detailed conversation with these gentlemen as yet, and I do not know that they are yet ready to have the conversations, but I assume that they will be forthcoming shortly.

Senator LA FOLLETTE. If they are secret in character, then you are not advised as to whether there is any information available to the executive branch of the Government?

Secretary WALLACE. So far as I know, there is none.

Senator CAPPER. Mr. Secretary, what the wheat growers of my part of the country would especially like to know is why, without reciprocal trade agreements, during the World War they had prosperous conditions so far as their trade was concerned, and a big demand at good prices, and now we find under this present war with these reciprocal trade agreements in operation and supposed to be helping to solve the surplus problem of this country, that the demand for wheat and other agricultural products is down about as low as it ever has been.

Secretary WALLACE. Well, Senator, you might tell these farmers who are expressing those fears that it is my considered judgment as the Secretary of Agriculture that the trade agreements have had nothing whatsoever to do with the contrast between the two periods.

Senator CLARK. Mr. Secretary, you do not believe that the trade agreements were responsible for these various European nations over a period of several years going to work and deliberately laying up surpluses of foodstuffs for use in the event of a war, do you?

Secretary WALLACE. I certainly do not.

Senator BARKLEY. Along that line—you said a while ago that there were vastly more storages of wheat, a greater supply of wheat in existence throughout the world at the beginning of this war than existed at the beginning of the World War?

Secretary WALLACE. As I remember it, the excess was more than a billion bushels over that of the former war period.

Senator BARKLEY. Another thing that would have something to do with the difference is the fact that the World War lasted over 4 years, and more wheat-growing nations were involved in it than have been involved up to date in this one, and also that if the war has anything to do with the price, it might be noted that in 4 months the price of wheat has gone from around 60 cents a bushel to \$1.07.

Secretary WALLACE. That has been due, I think, chiefly to the drought, Senator. We must remember back in 1915, Senator Capper, that the price which had gone up very sharply during August, September, November, and December of 1914, went down again during 1915. You cannot reason from a short period.

Senator GEORGE. There were very heavy purchases of course, Mr. Secretary, of wheat and other food products in this country in the World War. There were also heavy loans made subsequently later and during the war.

Secretary WALLACE. To show how irrelevant arguments of that sort may be, we must remember that in 1914 there was a very sharp drop in the price of cotton which did not take place this time.

Senator GEORGE. That is true. There was almost no market for it, in fact there was no world market for a long time in cotton. It was impossible to make payments.

Senator VANDENBERG. In connection with your answer to Senator Capper about wheat and wheat flour exports, have you the figures available as to the increase to nonagreement countries as compared to agreement countries from 1935 to 1939?

Secretary WALLACE. You mean the specific countries?

Senator VANDENBERG. The total as to the two classifications, the nonagreement countries and the agreement countries.

Secretary WALLACE. Just for wheat alone?

Senator VANDENBERG. Wheat and wheat flour.

Secretary WALLACE. I do not have them with me. I can get them easily enough.

Senator VANDENBERG. Would you think these figures could be correct, that the increase from 1935 through 1938 to agreement countries is 361 percent, and the increase to nonagreement countries is 792 percent?

Secretary WALLACE. I would be a little inclined to question it.

Senator VANDENBERG. Do you think the increase to nonagreement countries has been greater than to agreement countries?

Secretary WALLACE. I don't know. I do not have the figures.

Senator VANDENBERG. Will you furnish those for the record?

Secretary WALLACE. Yes.

(Subsequently the following data was provided the committee:)

United States exports of wheat and wheat flour to the 16 agreement countries rose from an annual average of 7.5 million dollars during 1934 and 1935 to an average of 27.9 million dollars during the 3 years from 1936 to 1938. This was a proportional rise of 270 percent. Wheat and flour exports to all other countries rose only 147 percent for the same period. They went from 13.6 million dollars for the 1934-35 average to 33.6 million dollars for the 1936-38 average.

Senator VANDENBERG. In your endorsement of the trade-agreement law, do you include without reservation an endorsement of the unconditional most-favored-nation policy?

Secretary WALLACE. You ask if in the continuance, I would favor the continuance of that policy?

Senator VANDENBERG. Well, you are endorsing the pending measure, and in the measure is included inevitably the unconditional most-favored-nation policy, and I ask you if you would favor it.

Secretary WALLACE. Yes; I favor it.

Senator CLARK. That is good Republican doctrine enunciated by Chief Justice Hughes when he was Secretary of State, wasn't it?

Secretary WALLACE. Yes.

Senator VANDENBERG. That is not the reason you endorse it, is it?

Secretary WALLACE. No.

Senator VANDENBERG. I was struck by a quotation from the House hearings, and I should like to ask you about it in order to make the record clear. The discussion is by you:

It seems to me that the only safe way to handle it is to conclude both loans and trade deals to foreign countries as nearly as possible on a bilateral basis.

Secretary WALLACE. I have no recollection of such a statement.

Senator VANDENBERG. That is supposed to be from a very famous best seller entitled "America Must Choose."

Secretary WALLACE. I set forth various alternatives there, and in setting forth the alternatives, it opened up the argument in this quotation. That doubtless was a discussion under one eventuality—that that kind of handling might become necessary.

Senator VANDENBERG. That is what I wanted to get straight for the record, because the statement is attributed to you in the House hearings, that at one time you favored bilateral agreements rather than multilateral agreements. That is not true?

Secretary WALLACE. Well, I just remember this about "America Must Choose," that I set forth three alternatives, and in discussing one alternative, I indicated that such a procedure might be necessary.

Senator VANDENBERG. Well, regardless of the book?

Secretary WALLACE. I don't feel that such a procedure is necessary as yet. It is conceivable that the world might get into such a state where such a procedure might be necessary even for the United States. I would say that the United States would probably be the last nation for which it would be necessary, but I can conceive of a situation where it would be necessary for the United States to embark on a policy of that kind.

Senator VANDENBERG. We have already found it necessary, haven't we, through your Department?

Secretary WALLACE. I don't know to what you refer.

Senator VANDENBERG. Haven't we made a bilateral barter agreement with Great Britain?

Secretary WALLACE. Do you mean with regard to rubber?

Senator VANDENBERG. Rubber and cotton. Aren't you making one with China through the Import and Export Bank in connection with tung oil?

Secretary WALLACE. I am not familiar with the tung-oil procedure, but I am quite familiar with the rubber and cotton trade.

Senator VANDENBERG. What I am getting at is that it seems to me you somewhat sympathize in your statement with the idea as a realist that the trade-agreements program is not adequate now or in contemplation to meet the whole foreign-trade problem as we are now confronting it or as we are calculated to confront it.

Secretary WALLACE. I can visualize the time when the world would get so tied up that even the United States would have to embark increasingly on bilateral agreements. I do not think that time has yet come, but it might.

Senator VANDENBERG. You have indicated in your statement that trade agreements have helped to keep at a minimum the amount of internal adjustment required in the agricultural situation. I was wondering how that affects the operations, let us say, of the Federal Surplus Commodities Corporation. It is not true that this Corporation has had to use public funds to retire surpluses in commodities upon which tariffs have been reduced by the trade agreements?

Secretary WALLACE. Do you have some particular commodity in mind, Senator?

Senator VANDENBERG. Somewhere I have the categorical statement that 22 agricultural commodities, I think that was the number, upon which rates have been reduced in the trade agreements——

Secretary WALLACE (interposing). Do you happen to have a particular commodity in mind, Senator?

Senator VANDENBERG (continuing). Are also commodities which the Federal Surplus Commodities Corporation has within the last 2 years used Federal funds with which to retire the surpluses.

Secretary WALLACE. I think it might be interesting to look into the particular commodities if you happen to have one in mind, just offhand.

Senator VANDENBERG. No. I have seen the general statement, and I am asking you whether it is true or not.

Secretary WALLACE. I don't know whether the statement is true or not. The statement, I believe, was made by one of the members of the House Ways and Means Committee on the Republican side, but I have not verified it to see whether it was true. I engaged in some discussion with the gentleman in regard to a particular commodity. The argument was going along very much as it is here now, and when we got down to particular commodities, the argument seemed to amount to very little indeed.

Senator VANDENBERG. Well, I can give you a commodity in prospect, because I happen to have looked into this. One of the agricultural commodities in the pending Chilean agreement upon which the rate may be reduced is white beans. Whether it is or not remains

to be seen; we will know after the final secret conclave has taken the country into its confidence. The Surplus Commodities Corporation has purchased large quantities of white beans, has it not?

Secretary WALLACE. That is true.

Senator VANDENBERG. To help the surplus situation?

Secretary WALLACE. Yes.

Senator VANDENBERG. Well, it would not be logical, would it——

Secretary WALLACE (interposing). White beans also are on the stamp plan as well.

Senator VANDENBERG. Well, it would not be logical, would it, for the State Department to reduce the tariff on beans at a time when another branch of the Government is buying up a part of the domestic surplus?

Secretary WALLACE. It would seem improbable that action of that sort would be taken.

Senator VANDENBERG. Whether it is improbable or not, is not the question. The probabilities are something else. You would not think it would be logical, would you?

Secretary WALLACE. Oh, I am not so sure about that if a greater good could be attained. If having the friendship of Chile were a very important matter and if the tariff were slightly lowered and a few beans came in under a quota or something of that sort, my logical mind would not be hurt in the slightest if a greater good were attained.

Senator VANDENBERG. Have you any idea whether a greater good would be attained?

Secretary WALLACE. No.

Senator VANDENBERG. In the same connection, using that as an example——

Secretary WALLACE (interposing). You could conceive of an example where we got some very great concessions from Chile and worth a great deal to this country. It might conceivably cause the workmen in this country to eat more beans in this country than would come in from Chile. Therefore, it would be desirable to go ahead and do that. If a little concession like that was all that stood between us and an agreement, and the concession were protected by quota and it represented let us say one-half of 1 percent of our consumption of beans, in such case I would not hesitate to give the assent of the Department of Agriculture to go ahead with the agreement. I question whether that kind of a situation would come up, but if it did, I would go for the greater good rather than for the lesser good.

Senator VANDENBERG. I understood that it had already come up in connection with 22 commodities, and would you have a study of that put in the record for me for my study and illumination?

Secretary WALLACE. A study of 22 commodities?

Senator VANDENBERG. This might be a laughing matter to you, but it is not to me.

Secretary WALLACE. Could you list the 22 commodities, to help us?

Senator VANDENBERG. Yes, I can help you that much. And if you could also give me——I do not think it is funny at all to see one branch of the Government using Federal money to acquire surpluses, and another branch reducing the tariff on the very commodities of which there is a surplus, with Government funds being used to acquire. I do not think that is funny.

Secretary WALLACE. We will try to get the figures for you, Senator.

Senator BARKLY. At least the fact that the Federal Surplus Commodities Corporation is using beans now as one of the objects of its stamp program was not inaugurated because of the prospective trade agreement with Chile, was it?

Secretary WALLACE. Certainly not. But I would like to have the Senator give, for the purpose of the present record, some particular commodity which is being affected in this way.

Senator VANDENBERG. I will give you the whole list.

Secretary WALLACE. I think it might be worth while for the committee to have a little discussion with regard to some of these commodities if you could bring them forward right now.

Senator VANDENBERG. You are running the Department of Agriculture; I am not. And you ought to have more information about it than I have, and I am not asserting that there is anything right or wrong about it. I am simply seeking information. Are you paying any export subsidies—

Secretary WALLACE (interposing). I remember they urged that with regard to grapefruit, and the argument practically evaporated when we got into it. You won't object if we put in some information about each one of these commodities?

Senator VANDENBERG. That is what I want you to do. I want the truth, I want to know the truth about it.

Secretary WALLACE. That will be fine.

(The information referred to follows:)

Apparently Senator Vandenberg refers to the list of commodities introduced in connection with the hearings of the Committee on Ways and Means of the House on the extension of the Reciprocal Trade Agreements Act (vol. I, p. 469). This list includes 19 agricultural products (apples, beets, cabbage, carrots, cauliflower, celery, cheese, eggs, grapefruit, grapes, milk, canned peas, dried peas, fresh peas, potatoes, raisins, rice, tomatoes, and wheat cereal) of which purchases were made during the fiscal years 1937-38 and 1938-39. In the following paragraphs the actual situation during those years with respect to each of these commodities, as regards the relation between the duty reductions in the trade agreements and Federal Surplus Commodities Corporation purchases, is indicated. An examination of these paragraphs shows conclusively that, with a few exceptions noted below, duty reductions have not been made on the same kind of commodities or at the same time of the year when Federal Surplus Commodities Corporation purchases were being made. The few exceptions relate to duty reductions on certain products in the trade agreements with Canada, on which Canada granted the United States the same or better reductions and on which we export to Canada larger quantities than Canada exports to us. In general, the whole discussion provides an excellent illustration of the great care that has been taken in the trade agreements program to make duty reductions in such a way as not to lead to serious competition in our domestic markets.

Apples.—A duty reduction on apples was made in the Canadian trade agreement. This reduction was made as a very minor compensation for the important duty reductions made by Canada on a long list of American fruits and vegetables, including apples. Imports of

apples from Canada are negligible in relation to our own production or our exports. In fact, in an ordinary year the United States exports a considerably larger quantity of apples to Canada than Canada exports to the United States.

Beets, carrots, cauliflower.—United States duties on these products were reduced in the trade agreement with Canada. These reductions were made as a small compensation to Canada for the very substantial concessions Canada made to the United States on the same products. For instance, Canada reduced its import charges on carrots 68 percent, on cauliflower 62 percent, and on beets 54 percent during the season in which Canada is marketing the same vegetables, and reduced the duties by 66½ percent on the same products during the off season.

Since the United States ships vastly more of these products to Canada than Canada ships to the United States, it was obviously in the interests of the United States to make this arrangement. In the 2 fiscal years indicated, the United States imported half a ton of beets, 135 tons of carrots and 20 tons of cauliflower. Not one of these items is equivalent to one-tenth of 1 percent of our domestic production. Furthermore, Federal Surplus Commodities Corporation purchases of these commodities have been made only in local farmers' markets when prices have fallen temporarily because too many farmers marketed their products at the same time. These very small imports are not related in any way to Federal Surplus Commodities Corporation purchases.

Cabbage.—A duty reduction on cabbage was made in the trade agreement with the Netherlands. Imports of cabbage from all sources have been extremely small and consisted largely of early cabbage from Cuba not of the type purchased by the Federal Surplus Commodities Corporation. Federal Surplus Commodities Corporation purchases of cabbage have been made chiefly in local farmers' markets in which imports are not a competitive factor. As a matter of fact, the small amounts imported enter principally when we have short crops and high prices.

Celery.—The duty reduction on celery granted in the trade agreement with the United Kingdom was limited to imports, coming from the British West Indies, during the period April 15 to July 31. The Federal Surplus Commodities Corporation has never made any purchases of celery for surplus removal during the months when imports occurred at the reduced duty.

Cheese.—In various trade agreements the United States import duties on several types of cheese have been reduced, namely Edam and Gouda in the trade agreement with the Netherlands; Swiss or Emmenthaler and Gruyere process cheese in the trade agreements with Switzerland and Finland; Roquefort and blue-mold cheese in the trade agreement with France; and Cheddar cheese in the trade agreement with Canada.

There have been no Federal Surplus Commodities Corporation purchases of any of these types of cheese except Cheddar cheese and, in fact, of the various types listed only Cheddar and Swiss are produced in significant quantities in the United States.

During the 2 years examined, Federal Surplus Commodities Corporation purchases of cheese were made only in June 1938 to relieve

a temporary emergency condition. These purchases were made at a time when imports were at an unusually low level because of the low price in the United States resulting from an oversupply of domestic Cheddar cheese.

Eggs.—The duty on eggs was reduced in the trade agreement with Canada from 10 to 5 cents per dozen and at the same time Canada made a similar reduction in its duty on eggs from the United States. Since the United States exports more eggs to Canada than Canada exports to the United States, it was obviously to the advantage of this country to conclude this arrangement since it reduces the domestic surplus which is the concern of the Federal Surplus Commodities Corporation.

Grapefruit.—The duty reduction on fresh grapefruit is limited to imports from Cuba during August and September, the 2 months preceding our principal marketing season, when domestic shipments are very light. The Federal Surplus Commodities Corporation did not purchase fresh grapefruit for surplus removal during any month in which imports occurred at the reduced duty. United States exports of grapefruit are consistently many times imports.

Grapes.—The duty on fresh grapes has not been reduced in any agreement, although the duty on hothouse grapes was bound at the existing tariff rate in the trade agreement with Belgium. Hothouse grapes are a very high-priced luxury food, frequently retailing for as much as 75 cents per pound. They are not in any way comparable with Federal Surplus Commodities Corporation purchases for which the average price is a little over 2 cents a pound.

Whole milk.—In the second trade agreement with Canada the duty on whole milk was reduced on an annual quota of 3,000,000 gallons. However, in 1939, the first year under this arrangement, only 7,214 gallons were actually imported. The insignificance of imports in relation to Federal Surplus Commodities Corporation purchases is shown strikingly by the fact that our total imports of whole and skimmed milk and buttermilk in the 2 years covered by Federal Surplus Commodities Corporation purchases amounted to only 22,000 gallons compared with Federal Surplus Commodities Corporation purchases of 18,440,000 gallons.

Canned peas.—The duty reduction on canned peas made in the trade agreement with Belgium was limited to peas valued at 10 cents or more per pound, a product distinctly in the luxury class. Domestic canned peas of the kind bought by the Federal Surplus Commodities Corporation were of the ordinary type which average from 5 to 6 cents per pound.

Dried Peas.—There has been no duty reduction in any trade agreement on dried peas, although there was a reduction in duty on split peas in the Netherlands trade agreement. The Federal Surplus Commodities Corporation made no purchases of split peas during the period under consideration.

Fresh peas.—In the trade agreement with Canada the duty on fresh peas was reduced during the period from July 1 to September 30. There have been no imports of fresh peas from Canada or any other place at times the Federal Surplus Commodities Corporation was making purchases of fresh peas.

Potatoes.—Reductions in United States duties on potatoes were made in the agreement with Cuba for a limited seasonal period and to Canada with respect to a limited quota both in regard to seed potatoes and in regard to table potatoes. The reduction to Cuba applies only during the months of December, January, and February. The only Federal Surplus Commodities Corporation purchases made during these winter months were of old-crop potatoes from the Western States. Such potatoes are not sold to the same trade as the higher-priced early (new) potatoes imported from Cuba into the Eastern States in the winter months. Moreover, Cuba is an important market for American potatoes during our main marketing season and the United States obtained a substantial concession from Cuba with respect to potatoes.

In the case of Canada the duty reduction on potatoes was in respect to both seed potatoes and table potatoes, both on a limited quota. Approximately 95 percent of our total imports of potatoes during the 2 fiscal years covered by Federal Surplus Commodities Corporation purchases were certified seed potatoes which command a premium price and are imported for the benefit of the potato grower. The Federal Surplus Commodities Corporation purchases no certified seed potatoes.

The concession on table potatoes to Canada is a striking illustration of the care taken in the trade agreements program not to permit increased imports at a time of heavy supplies in the United States. Actually, the duty reduction on table potatoes applies to only 1,000,000 bushels except in years when the United States crop falls below 350,000,000 bushels. In such years it is not likely that any Federal Surplus Commodities Corporation purchases would be necessary. In exchange for this, Canada agreed to permit free entry of American potatoes throughout the year except for a brief 6-week period from June 15 to July 31.

Raisins.—In the trade agreement with Turkey, which went into effect on May 5, 1939, the United States reduced its duty on raisins made from seedless grapes. Since the United States is a very large exporter of raisins in competition with Turkish raisins in foreign markets, it is not possible for Turkey to market any significant quantity of raisins in the United States. The very small amount that is imported is used for special purposes and is relatively high priced. The raisins purchased by the Federal Surplus Commodities Corporation were a much lower-priced product than the imported product on which the duty was slightly reduced.

Rice.—There has been no reduction in the duty on rice as such. There was a reduction in the duty on a finely screened type of broken rice, known as brewers' rice, in the trade agreement with the Netherlands. The Federal Surplus Commodities Corporation has bought no broken rice of this kind and the type of rice that has been purchased by the Federal Surplus Commodities Corporation could not have been converted to brewers' rice except through further processing. In fact, brewers' rice is a byproduct obtained from screening out whole grains. Incidentally, rice growers have benefited substantially under the trade-agreements program, particularly in the marked reduction in the Cuban duty on American rice. Exports of American-

milled rice to Cuba have increased from 261,000 pounds in 1934 to 209,253,000 pounds in 1939.

Fresh tomatoes.—The duty reduction on fresh tomatoes is limited to imports from Cuba during December, January, and February. The Federal Surplus Commodities Corporation has never made any purchases of fresh tomatoes for surplus removal during these months.

Wheat cereal.—The duty on cereal breakfast foods and similar preparations, processed further than milled, was reduced in the agreement with Canada. The wheat-cereal purchases of the Federal Surplus Commodities Corporation were entirely of whole wheat cereals which had not been further processed than milled and were not comparable to the duty-reduced items.

Senator VANDENBERG. Are you paying any export subsidies?

Secretary WALLACE. Not at the present time except on the wheat and flour from the Pacific Northwest.

Senator VANDENBERG. What other export subsidies have you paid?

Secretary WALLACE. We have paid on cotton. We have on walnuts, I believe. Some of the California specialty crops—I do not have the complete list at hand.

Senator VANDENBERG. Isn't that one more evidence of the fact that we are already in a period where we cannot rely upon the generalization of international trade agreements for the support of our position?

Secretary WALLACE. No; I think not, Senator. As a matter of fact, we never have liked the export subsidy plan in the Department, but occasionally situations have come up which could be straightened out only by the use of export subsidies. We have been realistic enough to use the export subsidies long enough to do the job, and we have abandoned them as soon as we could. We have set up during the past 2 years as a policy that we would not use export subsidies to gain a market which this country had not formerly enjoyed. Prior to setting up that policy, we had embarked on an export subsidy for walnuts in California. They had had a terrific overplanting of trees there. By starting an export subsidy we enabled the walnut growers to obtain a market which they had not formerly enjoyed. I may say now that I believe that that policy is the wrong policy. No doubt we shall continue with walnuts but we do not want to expand that policy to anybody else. We believe it is a false policy to use export subsidies to enable anybody to get a market which they had not formerly enjoyed. In order to regain a market which we have formerly enjoyed, it may under certain circumstances be desirable to use the export subsidy.

Senator VANDENBERG. Is that generally—

Secretary WALLACE (interposing). And if you want to rely on pure logic, you may do so, but my conscience is not hurt a bit by it.

Senator VANDENBERG. I am not trying to prove an inconsistency; I am trying to prove the necessity for supplemental action.

Secretary WALLACE. I agree with you fully about the necessity for supplemental action.

Senator VANDENBERG. I feel there is probably going to be increasing necessity for supplemental action to meet all of these other devices which we are confronting, so that in the final analysis the

more generalization of trade benefits so far as it can be shown in this distraught world will be a minor factor as compared with some of these other devices with which we are confronted and which we will have to find a way to meet.

Senator CLARK. Nobody ever said that the trade agreements were a cure-all, did they, Mr. Secretary?

Senator VANDENBERG. I have heard a great many speeches which indicated that.

Senator CLARK. I have not.

Senator VANDENBERG. To what extent at the present time, so far as the agricultural export trade is concerned, do you find it hampered by these other devices like exchange control, bilateral agreements, quotas, embargoes, and so forth?

Secretary WALLACE. Agricultural trade has been tremendously hampered by those devices.

Senator VANDENBERG. Are they hampered by those devices more than they are by actual tariffs against them abroad?

Secretary WALLACE. I don't know of anyone who has made an effort quantitatively to ascertain which is the greater. But, I would say exchange controls and quotas are probably more significant than the tariffs.

Senator VANDENBERG. I believe that is a fair and frank answer, and I presume that is the reason you very frankly say in your statement that probably some other devices are going to be necessary, and I would be tremendously interested in an enlargement of your answer to Senator La Follette's question as to what we can do about that, inasmuch as that is the major menace.

Secretary WALLACE. I think that will have to wait on the peace, when we get into the whole question of gold and credits. We have this vast gold store, and we have a terrific power for good or ill in international affairs. We are the strongest creditor nation in the world, with the biggest market in the world, and we will have a tremendous responsibility on the day when the peace comes.

Senator LA FOLLETTE. Mr. Secretary, do I understand you to say that you think we have to wait on the peace before we can do anything or take any step in an effort to protect American products, particularly agricultural products, against the economic war policies of all of the belligerent nations?

Secretary WALLACE. No; but while the war is going on, it is obvious in the case of the belligerent countries, that we shall have to go more or less on a day-by-day, week-by-week basis, or month-by-month basis, by means of representations made by the State Department rather than on the basis of policies provided in treaties or agreements.

Senator LA FOLLETTE. Then, if I understand you, your position is that when these belligerent nations make these agreements with their constituent parts of their empires or with other neutrals in an effort to win their friendly neutrality in this war, that the United States has got to sit back here and take it? Are we in a position where we can do something about it if we had the guts to do it?

Secretary WALLACE. Well, that becomes a matter which involves both economics and politics. It involves all of the departments of government and not merely the Department of Agriculture. The

Department of Agriculture, speaking solely on behalf of farmers, would be tempted of course to employ an attitude similar to that which you have described, but I would trust in employing that attitude that we would allow it to be tempered by the knowledge which exists in the other departments with regard to world affairs.

Senator LA FOLLETTE. I am not suggesting by my vigorous slang expressions that they should not be tempered in the way you suggest, but if you remember in the period prior to our entrance into the last war and our entrance into the last war, we had lodged strong protests against the interference with our neutral rights by certain belligerents, and the Commerce Department said that there was a weapon which we had not used and that it had become rusty because it had not been used, and that was the necessity of these belligerents and their desire to purchase commodities which they needed for their war. I am only suggesting that now that we have got this proposition before us is the time to consider whether we are going to implement it and to make possible a more adequate defense of the interests of American producers and especially farmers who are getting it in the neck as a result of the policies of belligerent nations. That to me, if I may amplify that statement, that to me does not indicate any failure to temper your policy. If you have got one group of commodities which certain nations have decided that they are going to buy and that they are not going to buy our other commodities, isn't there anything that we can do to protect the farmer, just speaking of one group?

Secretary WALLACE. Let us be realistic about that, Senator.

Senator LA FOLLETTE. That is what I want to be.

Secretary WALLACE. The countries about which you are talking are obviously England and France. Germany, because of the shipping situation, is not in a position to buy much from us. England and France are very anxious to buy certain kinds of goods in this country. The resources with which they buy our goods are somewhat limited, and they naturally want to buy the things——

Senator LA FOLLETTE (interposing). It is seven or eight billion, isn't it?

Secretary WALLACE (continuing). Goods which will help them most to preserve themselves. They are going to pursue a policy which will enable them to survive. Obviously, therefore, this program about which you talk is one which is perhaps three-quarters very broad policy and only one-quarter economics in an agricultural sense.

Senator LA FOLLETTE. Well, that one-quarter is pretty important to the farmers, isn't it?

Secretary WALLACE. Yes; and it is important, of course, that the Agricultural Department do an efficient job of representing the farmers' interests, but——

Senator LA FOLLETTE (interposing). I am not indicating by any of my questions that you are not doing so, but all that I want to explore here is the question whether or not the committee and the Congress should not consider at least and get all the information it can as to the advisability of some implementation if this program is to be continued. That does not necessarily mean it has got to be used, but if our experience in the last war is any guide to what our experience is going to be in this war, protests and representations are not going to get us very far, and I see no reason——

Secretary WALLACE (interposing). Of course, I see a great peril in the present situation, Senator, granting that power were included—I don't know exactly what particular power you have in mind, but granting the power were included, the power to do that which you have in mind—and that it were used, and as a result we forced the British and the French to take the same quantity of tobacco and fruit and wheat and all the other—

Senator LA FOLLETTE (interposing). I do not say the same quantity.

Secretary WALLACE. Well, or some quantity. I say, granting that that were done, that their purchases of ammunition were cut down and their purchases of food were increased to some particular point, and granting that the British and the French in spite of the handicap which was thus placed upon them were able to win the war, granting that all of that took place and that the war comes to an end, our agriculture has been expanded or has been maintained—I will put it that way—it has been maintained on a basis necessary to furnish these quantities of agricultural products, then the question would come. What will be the demand a year or two after the war has ended? It might be that the demand would still continue for the first year after the war ended, and it might be that we would furnish credits to enable them to buy the first year after the war ended, as we did in 1919 and 1920, but what would be the situation of American agriculture after that year or two had elapsed? That is when I see the truly great peril coming to American agriculture, because at that time it seems obvious that the debtor position of the belligerent nations will be so great, their inability to buy will be so great, and if the United States continues to have the same attitude toward imports as we have today and continues to have the same attitude toward loans to any foreign nation that we have today, the demand at that time for American agricultural products abroad will be reduced to such an infinitesimally small proportion that we will have the greatest problem of readjustment of agricultural acreage that we have ever had. That is the time that I am worried about, and this proposal which you make now, while it might possibly have some effect in maintaining an export market for our products during the next year or two, would be as nothing compared with the situation that would exist after the war ended.

Senator LA FOLLETTE. Now, Mr. Secretary, none of the questions or statements that I have made should be interpreted to mean that I am in favor of a wartime expansion of agriculture in this country. I offered an amendment in the Senate just to prevent that very thing, so far as the further distortion of our industrial economy as the result of war is concerned. I got very little support or hearing for it, but I am one of those who believes that many of our most serious problems were either originated or seriously augmented as a result of the distortion of our economy during the last war.

Secretary WALLACE. I feel sure, Senator, that you have as great an appreciation of that as almost anyone. I feel sure of that.

Senator LA FOLLETTE. I further feel that nothing I have said should be interpreted to mean that I want to complicate the problems of agriculture, but as I see it, the effects of the war as far as it has gone have indicated an alarming tendency which, if the war is prolonged and if that tendency grows, American agriculture is going to be seriously hurt.

Secretary WALLACE. There would be this question, Senator, whether it might not be wise to start adjusting now for that eventual situation, or whether to delay the period of adjustment to that eventual situation.

Senator LA FOLLETTE. All that I was trying to explore was the question of trying to maintain some of the claimed advantages that agriculture obtained as the result of this reciprocal trade program and to explore the possibility of implementing this program to meet eventualities. We are constantly told here by the witnesses appearing in support of the program that we must have this program continued in order to have some device with which to protect American producers, and agriculture in particular has been emphasized in your statement, and then when we get into the exploration of this stuff, it seems to me that you indicate that all we have got to help us is representations on the part of the State Department, and I personally feel—

Secretary WALLACE (interposing). That is during the war period.

Senator LA FOLLETTE. Yes; but we don't know how long this war is going to last. If there is any way to prevent it and maintain our neutrality, I do not want to see the farmers asked to pay the price or contribute the price of Great Britain and France winning this war, and I think that right here and now is the time to explore that situation, because if this resolution passes in its present form we are not going to have any device or any implements in the hands of the executive branch of the Government to deal with this situation.

Secretary WALLACE. As a matter of fact, Senator, I think we have fully adequate implements in the executive branch of the Government at the present time, but I would not want to state them for the record.

Senator LA FOLLETTE. I would be happy if you would tell me for my own sake and comfort off the record at some time what they are.

Senator LODGE. Mr. Secretary, yesterday Secretary Hull did not answer a question I asked him which I would now like to ask you. If it is true that the principle of free trade promotes peace, how is it that England, the greatest free trade country in the world, is always the first to get involved in every big war that comes along?

Senator KING. There are a great many historical analogies there.

Senator LODGE. The assertion is constantly made that this program promotes peace. I can see an economic argument for the program, but I cannot see this argument, and I would like to be enlightened.

Secretary WALLACE. It does happen, of course, that England has the most far-flung empire in the history of the world, which exposes her to many international impacts. I would not say that she got into the war because of her moderate tariff policy on any occasion.

Senator LODGE. If she did not have so much trade and so much shipping going in and out of England, she would not care what they tried to do to her, would she?

Secretary WALLACE. However, I do not see how you could draw the argument upon England's experience that a moderate tariff policy on the part of the United States would result in more likelihood of conflict on the part of the United States. As a matter of fact, I would say that high tariffs are one of the things which do make for wars.

Senator LODGE. You are changing the subject now.

Secretary WALLACE. Possibly I am going to the heart of your question rather than to the superficial aspects of it.

Senator LODGE. I want you to do that. I don't want you to be superficial. I am simply questioning this contention that this program promotes peace. It seems to me that to defend it on economic grounds is an intellectually respectable thing to do, but to say that free trade and low tariffs promote peace when the whole history of foreign trade shows that the more trade you have the more friction you have and the more causes for fighting you have, that is an entirely different proposition.

Secretary WALLACE. It seems to me it is impossible to have world peace until such time as there are moderate tariffs prevailing over the world, and I am convinced that Cordell Hull in his approach to this program is right in his estimation that the carrying out of this program makes for peace.

Senator LODGE. Isn't it a fact that you and I, as officials of the United States Government, have a primary responsibility to promote peace for the United States rather than for the whole world?

Secretary WALLACE. Of course, that is our first interest.

Senator LODGE. Let me ask you some economic questions. Has this program helped the poultry raiser?

Secretary WALLACE. We are not on the export market in any very significant way with poultry. I would say the chief beneficial effect to the poultry raiser has come by reason of the fact that the export of certain types of manufactures has been increased through the upturn in the manufacturing industries, and increased employment in these industries increases the demand for eggs and poultry—I think there has been some effect there—not very great, but some.

Senator LODGE. Would substantially the same answer hold true for the truck farmer?

Secretary WALLACE. The same answer for the truck farmer.

Senator LODGE. And for the cattleman?

Secretary WALLACE. And for the cattleman.

Senator LODGE. And the dairy farmer?

Secretary WALLACE. Yes; for the dairy farmer.

Senator BARKLEY. Mr. Secretary, if I may be permitted to ask a question now if Senator Lodge is through. You were speaking a little while ago about the impact of the war and our actual situation. I happen to come from a very large tobacco-growing State. Formerly a certain type of our tobacco depended on the foreign markets for 85 percent of its sale. The World War interfered with that very largely. Italy used to buy large quantities of heavy dark tobacco for smoking and chewing purposes. During the war she sought to become self-sufficient by developing tobacco in Italy and some of her island possessions in the south, so that market never came back to us after the war was over. Now we have a trade agreement with France. I am assuming that it would be perfectly natural for the nations at war now to do exactly the same thing with respect to that and other commodities. We have a trade agreement with France which gives certain concessions that are available to the tobacco growers of the United States, and in that trade agreement there is

an escape clause, of course, applying to war, and as a result of this war so far, there has been a cessation of the purchase of tobacco by the French, by the State Department and the Department of Agriculture recognizing the escape clause, but at the same time seeking to promote the development of our market, and they have been in touch with the French Government and have considerably mollified that situation, I am told, to the extent that I received a letter yesterday from a large buyer of tobacco in Kentucky who has the French market as his outlet, that he has again begun to buy tobacco from the farmers to be shipped to France. While the escape clause does relieve the country of some of the provisions of the trade agreement during war, will not the maintenance of the agreement be advantageous when the war is over in resuming the situation which existed prior to the outbreak of the war? Is that true?

Secretary WALLACE. Yes.

Senator BARKLEY. Of course, I am using tobacco merely as an example, because I happen to come from a tobacco country. Great Britain has diverted for the time being some of her purchases of our tobacco, to Turkey.

Secretary WALLACE. I think not to the extent that is generally assumed.

Senator BARKLEY. Yes; I know not to the extent generally assumed, but to some extent, and that that grew out of this situation. So, there are a lot of diplomatic secrets that we do not all know about, but my information is that Great Britain extended a credit to Turkey, the amount of which I need not stipulate, and that Turkey's only means of repaying that credit to Great Britain was through tobacco, just as we extended credit to China and are taking tung oil in repayment, and it is suggested if China should get another loan, they might want to pay it in tin. The conditions which war brings create a natural desire for self-preservation, and while it is true that our tobacco growers are put at a disadvantage because of that situation, would we be justified in saying to Great Britain, "You cannot buy any ammunition over here unless you buy some tobacco in a certain percentage of what you expend in the United States, or that a certain percentage must be for agricultural products." How could we enforce a provision of this sort or regulation by law or intent of this sort, and if we were able to enforce it and take advantage of one of our largest customers during the war, it would force her or any of them or all of them to buy certain commodities that are not of a military character in order that they might purchase military supplies in this country, which they need for their own preservation, what position would that put us in after the war is over in undertaking to maintain those markets or to extend them in those identical countries?

Secretary WALLACE. Undoubtedly there would be very deep resentment toward us and very deep distrust of us.

Senator BARKLEY. In the long run, would it be beneficial to pursue a policy of that sort?

Secretary WALLACE. Feeling of that sort usually manifest themselves in economic ways sooner or later.

Senator WALSH. Mr. Secretary, I notice in the House minority report this statement, "Over 1,000 reductions have been made in all,

affecting 22 percent of our dutiable imports." Can you break that down and tell us the number of reductions that have been made in agricultural products?

Secretary WALLACE. I do not have the figures with me. In my general statement I indicated that only 14 percent of our agricultural imports had been affected by reduction, and if we left out sugar, only 7 percent had been affected by reduction. I will get for the purposes of the record, the figures which will show that.

Senator WALSH. Also the amount of the reduction in each case.

Secretary WALLACE. Yes.

(The data requested is as follows:)

SCHEDULE 5.—Sugar, molasses, and manufactures of

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change
501	Sugars, tank bottoms, sirups of cane juice, melada, concentrated melada, concrete and concentrated molasses, testing by the polariscope not above 75 sugar degrees, and all mixtures containing sugar and water, testing by the polariscope above 50 sugar degrees and not above 75 sugar degrees, ⁴ and For each additional degree shown by the polariscopic test.	1.0275¢ per lb. ⁴ (from Cuba). 0.0225¢ per lb. additional, and fractions of a degree in proportion ⁴ (from Cuba).	0.6165¢ per lb. ⁴ (from Cuba). 0.0135¢ per lb. additional, and fractions of a degree in proportion ⁴ (from Cuba).	Sept. 3, 1934; Cuba (T. D. 47232). Sept. 3, 1934; Cuba (T. D. 47232).
502	Molasses and sugar sirups, not specially provided for, which contain soluble nonsugar solids (excluding any foreign substance that may have been added) equal to more than 6 per centum of the total soluble solids: Testing not above 48 per centum total sugars Testing above 48 per centum total sugars.	3¢ per gal. 11/100¢ additional for each per centum of total sugars, and fractions of a per centum in proportion.	3¢ per gal. 11/100¢ additional for each per centum of total sugars and fractions of a per centum in proportion.	Jan. 1, 1939; United Kingdom (T. D. 49753).
	NOTE.—The agreement with the United Kingdom limits the quantity of molasses and sugar sirups which may be entered in any calendar year at the reduced rates under this item to 1,500,000 gallons. Entries in excess of such quantity are to be dutiable at not more than the rates in effect on the day of signature of the agreement.			
502	Maple sugar	6¢ per lb.	3¢ per lb.	Jan. 1, 1939; Canada (T. D. 49752).
503	Maple sirup	4¢ per lb.	2¢ per lb.	Jan. 1, 1939; Canada (T. D. 49752).
505	Salicin	50% ad val.	35% ad val.	Jan. 1, 1939; United Kingdom (T. D. 49753).
506	Sugar candy and all confectionery not specially provided for, valued at 6 cents or more per pound.	40% ad val.	20% ad val.	Jan. 1, 1939; United Kingdom (T. D. 49753).

⁴ Subject to quotas under Sugar Act of 1937. If quotas become inoperative and no equivalent limitation on imports is imposed, duty to be 20 per centum under general (world) rate. On September 12, 1939, the Secretary of Agriculture gave public notice that the quotas under the Sugar Act of 1937 had become inoperative. On December 26, 1939, a proclamation of the President was filed with the Federal Register giving public notice that the said quotas would resume operation on January 1, 1940. Accordingly, pursuant to the provisions of item 501 of the Cuban trade agreement and of paragraph numbered 1 of Article II of the supplemental trade agreement with Cuba, articles described in said item 501 were subject to the rates shown in the "Rate changed" column from September 12 to December 26, 1939, inclusive (T. D. 49962; T. D. 49977), and on December 27, 1939, the rates shown in the "Modified rate" column again became effective (T. D. 50051).

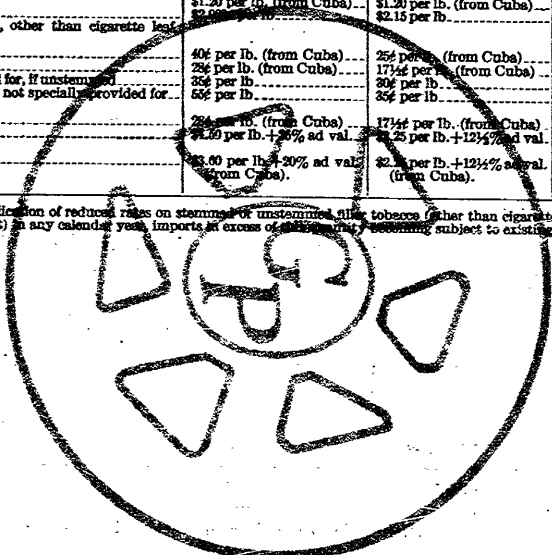
⁵⁰⁰° sugar 1.5 cents per pound.

⁵⁰⁵° sugar 0.9 cents per pound.

SCHEDULE 6.—Tobacco and manufactures of

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change
601	Wrapper tobacco, and filler tobacco, when mixed or packed with more than 25 per centum of wrapper tobacco: Unstemmed	\$2.27 1/4 per lb.	\$1.50 per lb.	Feb. 1, 1936; Netherlands (T. D. 48075).
	Stemmed	\$1.20 per lb. (from Cuba)	\$1.20 per lb. (from Cuba)	Dec. 23, 1939; Cuba (T. D. 50060).
602	Filler tobacco, not specially provided for, other than cigarette leaf tobacco: ¹ If stemmed	\$2.00 per lb.	\$2.15 per lb.	Feb. 1, 1936; Netherlands (T. D. 48075).
	If unstemmed	40¢ per lb. (from Cuba)	25¢ per lb. (from Cuba)	Dec. 23, 1939; Cuba (T. D. 50060).
603	Cigarette leaf tobacco not specially provided for, if unstemmed	25¢ per lb. (from Cuba)	17 1/2¢ per lb. (from Cuba)	Dec. 23, 1939; Cuba (T. D. 50050).
604	Manufactured or unmanufactured tobacco, not specially provided for	35¢ per lb.	30¢ per lb.	May 5, 1936; Turkey (T. D. 49838).
		55¢ per lb.	35¢ per lb.	Jan. 1, 1939; United Kingdom (T. D. 49753).
605	Scrap tobacco ¹	24¢ per lb. (from Cuba)	17 1/2¢ per lb. (from Cuba)	Dec. 23, 1939; Cuba (T. D. 50060).
606	Cigarettes	\$1.50 per lb. + 2% ad val.	\$1.25 per lb. + 12 1/2% ad val.	Jan. 1, 1939; United Kingdom (T. D. 49753).
606	Cigars and cheroots of all kinds	\$3.00 per lb. + 20% ad val. (from Cuba).	\$2.50 per lb. + 12 1/2% ad val. (from Cuba).	Dec. 23, 1939; Cuba (T. D. 50060).

¹ Supplemental Cuban agreement limits the application of reduced rates on stemmed or unstemmed filler tobacco (other than cigarette leaf tobacco) and scrap tobacco to a total quantity of 22,000,000 pounds (unstemmed equivalent) in any calendar year; imports in excess of 22,000,000 pounds becoming subject to existing higher rates but not in excess of the rates shown in "Rate changed" column.



SCHEDULE 7.—Agricultural products and provisions

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change
701	Cattle, weighing less than 200 pounds each.....	2½¢ per lb.....	1½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	<i>NOTE.</i> —The present agreement with Canada limits the quantity that may be entered at the reduced rate in any calendar year to 100,000 head, but binds the rate on entries in excess of such quantity at.....	2½¢ per lb.....	2½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
701	Cattle, weighing 700 pounds or more each:			
	Cows, imported specially for dairy purposes.....	3¢ per lb.....	1½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Other.....	3¢ per lb.....	1½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	<i>NOTE.</i> —The present agreement with Canada limits the quantity of heavy cattle (other than dairy cows) which may be entered at the reduced rate of 1½ cents per pound in any quarter year to 60,000 head and in any calendar year to 225,000 head. The duty on entries in excess of these quantities is bound at.....	3¢ per lb.....	3¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
703	Swine.....	2¢ per lb.....	1¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
703	Pork, fresh or chilled, but not frozen.....	2½¢ per lb.....	1½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
703	Bacon, hams, and shoulders, and other pork, prepared or preserved, but not cooked, boned, packed in air-tight containers, or made into sausages of any kind.....	3½¢ per lb.....	2¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
704	Venison, fresh, chilled, or frozen, not specially provided for.....	6¢ per lb.....	3¢ per lb.....	Jan. 1, 1939; United Kingdom (T. D. 49753).
705	Extract of meat, including fluid.....	15¢ per lb.....	15¢ per lb.....	Jan. 1, 1939; United Kingdom (T. D. 49753).
706	Meat pastes (other than liver pastes), prepared or preserved, not specially provided for, packed in air-tight containers weighing with their contents not more than three ounces each.....	6¢ per lb., but not less than 20% ad val.....	6¢ per lb., but not less than 10% ad val.....	Jan. 1, 1939; United Kingdom (T. D. 49753).
706	Edible animal livers, kidneys, tongues, hearts, sweetbreads, tripe, and brains, fresh, chilled, or frozen.....	6¢ per lb., but not less than 20% ad val.....	3¢ per lb., but not less than 15% ad val.....	Jan. 1, 1939; Canada (T. D. 49752).
707	Whole milk, fresh or sour.....	6½¢ per gal.....	3¼¢ per gal.....	} Jan. 1, 1939; Canada (T. D. 49752).
	<i>Provided,</i> That such fresh or sour milk entered for consumption in any calendar year after 1938 in excess of 3,000,000 gallons shall not be entitled to a reduction in duty by virtue of this item, but the rate of duty thereon shall not exceed—	6½¢ per gal.....	6½¢ per gal.....	
707	Cream, fresh or sour.....	56½¢ per gal.....	28¼¢ per gal.....	} Jan. 1, 1939; Canada (T. D. 49752).
	<i>Provided,</i> That such fresh or sour cream entered for consumption in any calendar year after 1938 in excess of 1,500,000 gallons shall not be entitled to a reduction in duty by virtue of this item, but the rate of duty thereon shall not exceed—	56½¢ per gal.....	56½¢ per gal.....	
707	Skimmed milk, fresh or sour, and buttermilk.....	2¼¢ per gal.....	2¼¢ per gal.....	Jan. 1, 1939; Canada (T. D. 49752).
708 (b)	Dried buttermilk.....	3¢ per lb.....	1½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
710	Cheddar cheese: Whether or not in original loaves, but not including any cheese processed otherwise than by division into pieces.....	7¢ per lb., but not less than 35% ad val.....	4¢ per lb., but not less than 25% ad val.....	Jan. 1, 1939; Canada (T. D. 49752).
710	Edam and Gouda cheese.....	7¢ per lb., but not less than 35% ad val.....	5¢ per lb., but not less than 25% ad val.....	Feb. 1, 1936; Netherlands (T. D. 49075)

710	Roquefort cheese in original loaves.....	7¢ per lb., but not less than 35% ad val.	5¢ per lb., but not less than 25% ad val.	June 15, 1936; France (T. D. 48316).
710	Blue-mold cheese in original loaves.....	7¢ per lb., but not less than 35% ad val.	5¢ per lb., but not less than 25% ad val.	June 15, 1936; France (T. D. 48316).
710	Cheese having the eye formation characteristic of the Swiss or Emmenthaler type; and Gruyere process cheese.	7¢ per lb., but not less than 35% ad val.	7¢ per lb., but not less than 20% ad val.*	Feb. 15, 1936; Switzerland (T. D. 48093).
711	Birds, live: Chickens, ducks, geese, turkeys, and guineas.....	7¢ per lb., but not less than 20% ad val.	5¢ per lb., but not less than 20% ad val.	Nov. 2, 1936; Finland (T. D. 48554).
712	Birds, dead, dressed, or undressed, fresh, chilled, or frozen:	8¢ per lb.....	4¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Chickens and guineas.....	10¢ per lb.....	6¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Ducks and geese.....	10¢ per lb.....	8¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Other (except turkeys).....	10¢ per lb.....	5¢ per lb.....	Jan. 1, 1939; United Kingdom (T. D. 49753).
713	Eggs of chickens, in the shell.....	10¢ per doz.....	5¢ per doz.....	Jan. 1, 1939; Canada (T. D. 49752).
714	Horses, unless imported for immediate slaughter: Valued at not more than \$150 per head.....	\$30 per head.....	\$15 per head.....	Jan. 1, 1939; Canada (T. D. 49752).
	Valued at more than \$150 per head.....	20% ad val.....	17½% ad val.....	Jan. 1, 1939; Canada (T. D. 49752).
716	Honey.....	23¢ per lb. (from Cuba).....	13¢ per lb. (from Cuba).....	Sept. 3, 1934; Cuba (T. D. 47232).
716	Honey.....	3¢ per lb.....	2¢ per lb.*.....	June 15, 1936; Guatemala (T. D. 48317).
717 (a)	Fish, not specially provided for, fresh or frozen (whether or not packed in ice), whole, or beheaded or eviscerated or both, but not further advanced (except that the fins may be removed).	2¢ per lb.....	1½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
717 (a)	Fish, fresh or frozen (whether or not packed in ice), whole, or beheaded or eviscerated or both, but not further advanced (except that the fins may be removed):	3¢ per lb. (from Cuba).....	3¢ per lb. (from Cuba).....	Sept. 3, 1934; Cuba (T. D. 47232).
	Halibut.....	2¢ per lb.....	1¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Salmon.....	2¢ per lb.....	1¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Mackerel:			
	Fresh.....	2¢ per lb.....	1¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Frozen.....	2¢ per lb.....	1½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Swordfish (not including naturally or artificially frozen swordfish)	2¢ per lb.....	1¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Eels.....	1¢ per lb.....	½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Shad and sturgeon (not including frozen sturgeon)	1¢ per lb.....	½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Chubs, fresh-water mullet (<i>catostomus</i>), jacks, lake trout, sangers, tullibees, whitefish, and yellow pike.	1¢ per lb.....	½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Blue pike, ciscoes, lake herring, and yellow perch.	1¢ per lb.....	¾¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Cod, haddock, hake, pollock, and cusk:			
	Without fins removed.....	1¢ per lb.....	¾¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	With fins removed.....	1¢ per lb.....	1¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).

*Superseded.

¹ In accordance with the second proviso to item 70¹ and Article III of the present trade agreement with Canada, the President by proclamation on February 27, 1939 (T. D. 49811), allocated the quantity of cattle (other than dairy cows) weighing 700 pounds or more each, entitled to reduced rates of duty by virtue of item 70¹ of the agreement, for the period April 1 to December 31, 1939, on the basis of 86.2 percent for Canada and 13.8 percent for other foreign countries. On November 30, 1939 (T. D. 50032), the President proclaimed, a similar allocation on the same percentage basis with respect to the quantity of such cattle entitled to enter at reduced rates during the calendar year 1940.

SCHEDULE 7.—Agricultural products and provisions—Continued

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change
717 (b)	Fish, fresh or frozen (whether or not packed in ice), filleted, skinned, boned, sliced, or divided into portions, not specially provided for.	2¢ per lb. (from Cuba).....	1¢ per lb. (from Cuba).....	Sept. 3, 1934; Cuba (T. D. 47232).
717 (b)	Fish, fresh or frozen (whether or not packed in ice), filleted, skinned, boned, sliced, or divided into portions, not specially provided for: Cod, haddock, hake, pollock, cusk, and rosefish.....	2½¢ per lb. 2½¢ per lb.	17¢ per lb. 2½¢ per lb.	Jan. 1, 1939; Canada (T. D. 49752). Jan. 1, 1939; Canada (T. D. 49752).
	NOTE.—The agreement with Canada limits the quantity of cod, haddock, hake, pollock, cusk, and rosefish which may be entered in any calendar year at the reduced rate under this item to 15 million pounds or 15 percent of United States consumption if such consumption exceeds 100 million pounds.			
718 (b)	Fish, prepared or preserved in any manner, when packed in air-tight containers weighing with their contents not more than fifteen pounds each (except fish packed in oil or in oil and other substances): Herring, smoked or kippered or in tomato sauce, packed in immediate containers weighing with their contents more than one pound each.	25% ad val.	15% ad val.	Jan. 1, 1939; United Kingdom (T. D. 49753).
719	Fish, pickled or salted (except fish packed in oil or in oil and other substances and except fish packed in air-tight containers weighing with their contents not more than 15 pounds each):			
	(1) Salmon.....	25% ad val.	12½% ad val.	Jan. 1, 1939; Canada (T. D. 49752).
	(2) Cod, haddock, hake, pollock, and cusk, neither skinned nor boned (except that the vertebral column may be removed): When containing not more than 43 per centum of moisture by weight.	1½¢ per lb.	5¢ per lb.	Jan. 1, 1939; Canada (T. D. 49752).
	When containing more than 43 per centum of moisture by weight.	¾¢ per lb.	¾¢ per lb.	Jan. 1, 1939; Canada (T. D. 49752). Jan. 1, 1939; United Kingdom (T. D. 49753).
	(3) Cod, haddock, hake, pollock, and cusk, skinned or boned, whether or not dried.	2¢ per lb.	1½¢ per lb.	Jan. 1, 1939; Canada (T. D. 49752).
	(4) Herring, beheaded and eviscerated, but not further advanced (except that the fins may be removed), and herring known commercially as split herring, any of the foregoing, in bulk or in immediate containers weighing with their contents more than 15 pounds each and containing each more than 10 pounds of herring, net weight.	1¢ per lb. net wt.	5¢ per lb. net wt.	Jan. 1, 1939; Canada (T. D. 49752).
	(4) Herring, whether or not boned, in immediate containers weighing with their contents more than fifteen pounds each and containing each more than ten pounds of herring, net weight. If known commercially as full herring, when imported and entered for consumption during the period from December 15 to the following January 31, inclusive, in any year; or if valued at 6 cents or more per pound.	1¢ per lb. net wt.	5¢ per lb. net wt.	Jan. 1, 1939; United Kingdom (T. D. 49753).
	(4) Herring, whether or not boned, in immediate containers weighing with their contents more than 15 pounds each and containing each not more than 10 pounds of herring, net weight.	1¢ per lb. net wt.	¾¢ per lb. net wt.	Feb. 1, 1936; Netherlands (T. D. 48075).

	(4) Mackerel, whether or not boned, in bulk or in immediate containers weighing with their contents more than 15 pounds each.	1¢ per lb. net wt.-----	1¢ per lb. net wt.-----	Jan. 1, 1939; Canada (T. D. 49752).
	(5) Alewives, in bulk or in immediate containers weighing with their contents more than 15 pounds each.	1½¢ per lb. net wt.-----	¾¢ per lb. net wt.-----	Jan. 1, 1939; Canada (T. D. 49752).
720 (a)	Fish, smoked or kippered (except fish packed in oil or in oil and other substances and except fish packed in air-tight containers weighing with their contents not more than 15 pounds each):			
	(1) Salmon	25% ad val	15% ad val	Jan. 1, 1939; Canada (T. D. 49752).
	(2) Hard dry-smoked herring, when whole or beheaded, but not further advanced.	1¼¢ per lb	¾¢ per lb	Jan. 1, 1939; Canada (T. D. 49752).
	(3) Smoked herring, boned, whether or not skinned	3¢ per lb	1½¢ per lb	Jan. 1, 1939; Canada (T. D. 49752).
	(3) Herring, eviscerated, split, skinned, or divided into portions (but not boned).	3¢ per lb	2¢ per lb	Jan. 1, 1939; United Kingdom (T. D. 49753).
	(4) Cod, haddock, hake, pollock, and cusk, whole, or beheaded or eviscerated or both, but not further advanced (except that the vertebral column may be removed).	2½¢ per lb	1¼¢ per lb	Jan. 1, 1939; Canada (T. D. 49752).
	(5) Cod, haddock, hake, pollock, and cusk, filleted, skinned, boned, sliced, or divided into portions.	3¢ per lb	2¢ per lb	Jan. 1, 1939; Canada (T. D. 49752).
720 (b)	Cod, haddock, hake, pollock, and cusk, prepared or preserved, not specially provided for, in immediate containers weighing with their contents not more than 15 pounds each.	25% ad val	2¼¢ per lb., but not less than 12½¢ nor more than 25% ad val.	Jan. 1, 1939; Canada (T. D. 49752).
721 (b)	Razor clams (<i>siliqua patula</i>), packed in air-tight containers.	23% ad val	15% ad val	Jan. 1, 1939; Canada (T. D. 49752).
721 (c)	Fish paste and fish sauce.	30% ad val	20% ad val	Jan. 1, 1939; United Kingdom (T. D. 49753).
722	Barley, hulled or unhulled	20¢ per bu. of 48 lbs	15¢ per bu. of 48 lbs	Jan. 1, 1939; Canada (T. D. 49752).
722	Barley malt	40¢ per 100 lbs	40¢ per 100 lbs	Jan. 1, 1939; Canada (T. D. 49752).
722	Pearl barley	2¢ per lb	1¢ per lb	Feb. 1, 1936; Netherlands (T. D. 48075).
722	Patent barley and barley flour	2¢ per lb	2¢ per lb	Jan. 1, 1939; United Kingdom (T. D. 49753).
723	Buckwheat, hulled or unhulled	25¢ per 100 lbs	15¢ per 100 lbs	Jan. 1, 1939; Canada (T. D. 49752).
723	Buckwheat flour and grits or groats	1¢ per lb	¾¢ per lb	Jan. 1, 1939; Canada (T. D. 49752).
724	Corn or maize, including cracked corn	20¢ per bu. of 56 lbs. (from Cuba).	10¢ per bu. of 56 lbs. (from Cuba).	Sept. 3, 1934; Cuba (T. D. 47232).
725	Oats, hulled or unhulled	16¢ per bu. of 32 lbs	8¢ per bu. of 32 lbs	Jan. 1, 1939; Canada (T. D. 49752).
726	Unhulled ground oats	45¢ per 100 lbs	25¢ per 100 lbs	Jan. 1, 1939; Canada (T. D. 49752).
726	Oatmeal, rolled oats, oat grits, and similar oat products	80¢ per 100 lbs	10% ad val; but not less than 40¢ nor more than 80¢ per 100 lbs.	Jan. 1, 1939; Canada (T. D. 49752).
				Jan. 1, 1939; United Kingdom (T. D. 49753).
727	Broken rice, which will pass readily through a metal sieve perforated with round holes five and one-half sixths of 1 inch in diameter.	¾¢ per lb	¾¢ per lb	Feb. 1, 1936; Netherlands (T. D. 48075).
728	Rye	15¢ per bu. of 56 lbs	12¢ per bu. of 56 lbs	Jan. 1, 1939; Canada (T. D. 49752).
728	Rye malt	40¢ per 100 lbs	35¢ per 100 lbs	Jan. 1, 1939; Canada (T. D. 49752).
729	Wheat, unfit for human consumption	10% ad val	5% ad val	Jan. 1, 1939; Canada (T. D. 49752).
730	Bran, shorts, by-product feeds obtained in milling wheat or other cereals	10% ad val	5% ad val	Jan. 1, 1939; Canada (T. D. 49752).
730	Hulls of oats, barley, buckwheat, or other grains, ground or unground.	10¢ per 100 lbs	5¢ per 100 lbs	Jan. 1, 1939; Canada (T. D. 49752).
730	Dried beet pulp	\$3 per ton	\$3.75 per ton	Jan. 1, 1939; Canada (T. D. 49752).
731	Malt sprouts and brewers' grains	\$3 per ton	\$2.50 per ton	Jan. 1, 1939; Canada (T. D. 49752).
730	Mixed feeds, consisting of an admixture of grains or grain products with oil cake, oil-cake meal, molasses, or other feedstuffs.	10% ad val	5% ad val	Jan. 1, 1938; Canada (T. D. 49752).

SCHEDULE 7.—Agricultural products and provisions—Continued

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change
721	Screenings, scalings, chaff, or screenings of wheat, flaxseed, or other grains or seeds: Unground or ground.	10% ad val.	5% ad val.	Jan. 1, 1936; Canada (T. D. 49732).
722	Cereal breakfast foods, and similar cereal preparations, by whatever name known, processed further than milling, and not specially provided for.	20% ad val.	10% ad val.	Jan. 1, 1936; Canada (T. D. 49732).
723	Biscuits, wafers, cake, cakes, and similar baked articles, and puddings, all the foregoing by whatever name known, whether or not containing chocolate, nuts, fruits, or confectionery of any kind.	20% ad val.	15% ad val.	Jan. 1, 1936; United Kingdom (T. D. 49733).
724	Apples, green or ripe.	25¢ per bu. of 50 lbs.	15¢ per bu. of 50 lbs.	Jan. 1, 1936; Canada (T. D. 49732).
725	Berries, edible in their natural condition or in brine, not specially provided for:			
	Blueberries	1½¢ per lb.	¼¢ per lb.	Jan. 1, 1936; Canada (T. D. 49732).
	Strawberries	1½¢ per lb.	¾¢ per lb.	Jan. 1, 1936; Canada (T. D. 49732).
	Lingon or partridge berries	1½¢ per lb.	¾¢ per lb.	Jan. 1, 1936; United Kingdom (T. D. 49733).
	Other	1½¢ per lb.	¾¢ per lb.	Jan. 1, 1936; Canada (T. D. 49732).
726	Blueberries, prepared or preserved, or frozen, but not in brine and not dried, desiccated, or evaporated, and not specially provided for.	25% ad val.	17½% ad val.	Jan. 1, 1936; Canada (T. D. 49732).
726	Berries (including blueberries), edible, frozen, and not specially provided for.	35% ad val.	17½% ad val.	Jan. 1, 1936; United Kingdom (T. D. 49733).
727	Cherries:			
	(1) In their natural state, not in air-tight or water-tight containers.	2¢ per lb.	¼¢ per lb.	Jan. 1, 1936; Canada (T. D. 49732).
	(4) Maraschino, candied, crystallized, or glacé, or prepared or preserved in any manner.	9½¢ per lb. + 40% ad val.	9½¢ per lb. + 20% ad val.	June 15, 1936; France (T. D. 48216).
728	Cider	5¢ per gal.	2¢ per gal.	Jan. 1, 1936; Canada (T. D. 49732).
728	Malt vinegar	5¢ per proof gal.	4¢ per proof gal.	Jan. 1, 1936; United Kingdom (T. D. 49733).
740	Figs, fresh, dried, or in brine, valued at 7 cents or more per pound.	5¢ per lb.	2¢ per lb.	May 5, 1936; Turkey (T. D. 49638).
742	Hothouse grapes in bulk, crates, barrels, or other packages.	25¢ per cu. ft. of such bulk or the capacity of the packages, according as imported.	25¢ per cu. ft. of such bulk or the capacity of the packages, according as imported.	May 1, 1935; Belgium (T. D. 47608).
742	Raisins made from seedless grapes.	2¢ per lb.	1½¢ per lb.	May 5, 1936; Turkey (T. D. 49638).
743	Grapefruit, when imported and entered for consumption during the period from August 1 to September 30, inclusive, in any year.	1½¢ per lb. (from Cuba).	¾¢ per lb. (from Cuba).	Sept. 3, 1934; Cuba (T. D. 47222).
743	Limes in their natural state.	1½¢ per lb. (from Cuba).	¾¢ per lb. (from Cuba).	Sept. 3, 1934; Cuba (T. D. 47222).
743	Limes, in their natural state, or in brine.	2¢ per lb.	1½¢ per lb.	Jan. 1, 1936; United Kingdom (T. D. 49733).
747	Pineapples:			
	In crates	40¢ per crate of 2.45 cu. ft. (from Cuba).	20¢ per crate of 2.45 cu. ft. (from Cuba).	Sept. 3, 1934; Cuba (T. D. 47222).
	In bulk	9.2¢ each (from Cuba).	½¢ each (from Cuba).	Sept. 3, 1934; Cuba (T. D. 47222).
747	Pineapples: In crates*	50¢ per crate of 2.45 cu. ft.	20¢ per crate of 2.45 cu. ft.	June 2, 1935; Haiti (T. D. 47667).
				Mar. 2, 1936; Honduras (T. D. 48121).
				June 15, 1936; Guatemala (T. D. 48217).
				Aug. 2, 1937; Costa Rica (T. D. 49072).

747	Pineapples:				
	In bulk.....	136¢ each	96¢ each		June 2, 1936; Haiti (T. D. 47667). Mar. 2, 1936; Honduras (T. D. 46321). June 15, 1936; Guatemala (T. D. 46317). Aug. 2, 1937; Costa Rica (T. D. 46672). Jan. 1, 1939; United Kingdom (T. D. 46735).
	Not in bulk.....	33¢ or 53¢ per crate of 2.45 cubic ft.	25¢ per crate of 2.45 cubic ft.		
747	Pineapples:				
	Candied, crystallized, or glazed	28¢ ad val. (from Cuba).	14¢ ad val. (from Cuba).		Sept. 2, 1934; Cuba (T. D. 47222).
	Otherwise prepared or preserved, and not specially provided for. [See schedule 8 for pineapples preserved in alcohol.]	134¢ per pound (from Cuba)	56¢ per pound (from Cuba)		Sept. 2, 1934; Cuba (T. D. 47222).
747	Pineapples, prepared or preserved, and not specially provided for	2¢ per pound	136¢ per pound		Jan. 1, 1939; United Kingdom (T. D. 46735).
751	All jellies, jams, marmalades (except orange marmalade), and fruit butters	28¢ ad val. (from Cuba)	14¢ ad val. (from Cuba)		Sept. 2, 1934; Cuba (T. D. 47222).
751	All jellies, jams, marmalades, and fruit butters	35¢ ad val.	20¢ ad val.		Jan. 1, 1939; United Kingdom (T. D. 46735).
752	Mango pastes and pulps, and guava pastes and pulps	28¢ ad val. (from Cuba)	14¢ ad val. (from Cuba)		Sept. 2, 1934; Cuba (T. D. 47222). June 2, 1936; Haiti (T. D. 47667).
752	Mango pastes and pulps, and guava pastes and pulps	35¢ ad val.	28¢ ad val.		Mar. 2, 1936; Honduras (T. D. 46321). June 15, 1936; Guatemala (T. D. 46317). May 31, 1937; El Salvador (T. D. 46647). Aug. 2, 1937; Costa Rica (T. D. 46672). June 2, 1938; Haiti (T. D. 47667).
752	Guavas prepared or preserved, and not specially provided for	35¢ ad val.	17 1/2¢ ad val.		Mar. 2, 1936; Honduras (T. D. 46321). June 15, 1936; Guatemala (T. D. 46317). May 31, 1937; El Salvador (T. D. 46647). Aug. 2, 1937; Costa Rica (T. D. 46672). Oct. 23, 1938; Ecuador (T. D. 46716).
752	Bananas, dried, desiccated, or evaporated	35¢ ad val.	17 1/2¢ ad val.		June 15, 1936; France (T. D. 46316).
752	Candied, crystallized, or glazed apricots, figs, dates, peaches, pears, plums, prunes, prunelles, berries, and other fruits not specially provided for	40¢ ad val.	25¢ ad val.		
753	Tulip bulbs	\$1 per thousand	\$3 per thousand		
	Narcissus bulbs	\$2 per thousand	\$6 per thousand		
	Crocus corms	\$2 per thousand	\$1 per thousand		Feb. 1, 1936; Netherlands (T. D. 46675).
	All other bulbs, roots, rootstocks, cinnams, corms, tubers, and herbaceous perennials imported for horticultural purposes and not specially provided for.	20¢ ad val.	15¢ ad val.		
753	Cut flowers, fresh, dried, prepared, or preserved	45¢ ad val.	25¢ ad val.		Jan. 1, 1939; Canada (T. D. 46732). Jan. 1, 1939; United Kingdom (T. D. 46735).
754	Seedlings and cuttings of Manetti, multiflora, brier, rugosa, and other rose stock, all the foregoing not more than three years old	\$2 per thousand	\$1 per thousand		Feb. 1, 1936; Netherlands (T. D. 46675).
754	Orchid plants	25¢ ad val.	15¢ ad val.		Jan. 1, 1939; United Kingdom (T. D. 46735). Dec. 15, 1938; Venezuela (T. D. 46615).
755	Chestnuts (including macrons), candied, crystallized, or glazed, or prepared or preserved in any manner	24¢ per lb.	12 1/2¢ per lb.		June 15, 1936; France (T. D. 46316).
757	Cream or Brazil nuts:				
	Not shelled	11 1/2¢ per lb.	3 1/2¢ per lb.		
	Shelled	45 1/2¢ per lb.	24 1/2¢ per lb.		Jan. 1, 1936; Brazil (T. D. 46664).
757	Filberts, shelled	34¢ per lb.	8¢ per lb.		May 5, 1936; Turkey (T. D. 46628).

*Boperaded

SCHEDULE 7.—Agricultural products and provisions—Continued

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change
758	Coconuts.....	½¢ ea.....	½¢ ea.....	Jan. 1, 1939; United Kingdom (T. D. 49753).
761	Pistache nuts: Not shelled.....	2½¢ per lb.....	1¾¢ per lb.....	May 5, 1939; Turkey (T. D. 49838).
762	Shelled.....	5¢ per lb.....	2½¢ per lb.....	
762	Castor beans.....	½¢ per lb.....	¾¢ per lb.....	Jan. 1, 1936; Brazil (T. D. 48034); May 20, 1936; Colombia (T. D. 48256).
762	Poppy seed.....	32¢ per 100 lbs.....	16¢ per 100 lbs.....	(Feb. 1, 1936; Netherlands (T. D. 48075). May 5, 1939; Turkey (T. D. 49838).
763	Grass seeds and other forage crop seeds:			
	Alfalfa.....	8¢ per lb.....	4¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Alsike clover.....	8¢ per lb.....	4¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Red clover.....	9¢ per lb.*.....	5¢ per lb.*.....	June 15, 1936; France (T. D. 48316).
	Sweet clover.....	15¢ per lb.....	4¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Clover, not specially provided for.....	4¢ per lb.....	2¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Rye grass.....	3¢ per lb.....	2¢ per lb.....	Jan. 1, 1939; United Kingdom (T. D. 49753).
	Timothy.....	3¢ per lb.....	1½¢ per lb.....	Jan. 1, 1939; United Kingdom (T. D. 49753).
	Bentgrass (genus agrostis).....	2¢ per lb.....	1¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Bluegrass.....	40¢ per lb.....	20¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Wheatgrass.....	5¢ per lb.....	2½¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Bromegrass.....	1¢ per lb.....	2¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
764	Other garden and field seeds:			
	Beet (except sugar beet).....	4¢ per lb.....	3¢ per lb.....	Feb. 1, 1936; Netherlands (T. D. 48075).
	Cabbage.....	12¢ per lb.....	6¢ per lb.....	Feb. 1, 1936; Netherlands (T. D. 48075).
	Canary.....	1¢ per lb.....	¾¢ per lb.....	May 5, 1939; Turkey (T. D. 49838).
	Carrot.....	4¢ per lb.....	3¢ per lb.....	Feb. 1, 1936; Netherlands (T. D. 48075).
	Celery.....	2¢ per lb.....	2¢ per lb.....	June 15, 1936; France (T. D. 48316).
	Kale.....	6¢ per lb.....	3¢ per lb.....	Feb. 1, 1936; Netherlands (T. D. 48075).
	Mangolwurtzel.....	4¢ per lb.....	2¢ per lb.....	Feb. 1, 1936; Netherlands (T. D. 48075).
	Radish.....	6¢ per lb.....	3¢ per lb.....	Feb. 1, 1936; Netherlands (T. D. 48075).
	Spinach.....	1¢ per lb.....	½¢ per lb.....	Feb. 1, 1936; Netherlands (T. D. 48075).
	Tree and shrub.....	8¢ per lb.....	4¢ per lb.....	Jan. 1, 1939; Canada (T. D. 49752).
	Turnip.....	5¢ per lb.....	4¢ per lb.*.....	Feb. 1, 1936; Netherlands (T. D. 48075).
		4¢ per lb.....	3¢ per lb.....	Jan. 1, 1939; United Kingdom (T. D. 49753).
	Rutabaga.....	5¢ per lb.....	4¢ per lb.*.....	Feb. 1, 1936; Netherlands (T. D. 48075).
		4¢ per lb.....	3¢ per lb.....	Jan. 1, 1939; United Kingdom (T. D. 49753).
	Flower.....	6¢ per lb.....	3¢ per lb.....	Feb. 1, 1936; Netherlands (T. D. 48075).
	All other garden and field, not specially provided for.....	6¢ per lb.....	3¢ per lb.....	Feb. 1, 1936; Netherlands (T. D. 48075).
765	Lima beans, green or unripe, in their natural state, when imported and entered for consumption during the period from December 1 to the following May 31, inclusive, in any years.....	24¢ per lb. (from Cuba).....	15¢ per lb. (from Cuba).....	Sept. 3, 1934; Cuba (T. D. 47232).
766	Beets, other than sugar beets.....	17¢ ad val.....	10¢ ad val.....	Jan. 1, 1939; Canada (T. D. 49752).
768	Mushrooms, prepared or preserved, other than dried.....	10¢ per lb. on drained wt. +45% ad val.....	8¢ per lb. on drained wt. +20% ad val.....	June 15, 1936; France (T. D. 48316).

768	Peas, green or unripe: When imported and entered for consumption during the period from July 1 to September 30, inclusive, in any year.	3½¢ per lb.-----	2¢ per lb.-----	Jan. 1, 1939; Canada (T. D. 49752).
769	Split peas:-----	2½¢ per lb.-----	1½¢ per lb.-----	Feb. 1, 1936; Netherlands (T. D. 48075).
769	Peas, prepared or preserved in any manner, valued at 10 cents or more per pound.	2¢ per lb. on entire contents of container.	1½¢ per lb. on entire contents of container.	May 1, 1935; Belgium (T. D. 47600).
771	White or Irish potatoes, when imported and entered for consumption during the period from December 1 to the last day of the following February, inclusive, in any year. ¹	60¢ per 100 lbs. (from Cuba).-----	30¢ per 100 lbs. (from Cuba).-----	Sept. 3, 1934; Cuba (T. D. 47232).
771	White or Irish seed potatoes, certified by a responsible officer or agency of a foreign government in accordance with the official rules and regulations of that government to have been grown and approved especially for use as seed, in containers marked with the foreign government's official certified seed potato tags, when entered for consumption during the period: From March 1 to November 30, inclusive, in any year. From December 1 in any year to the last day of the following February, inclusive.	75¢ per 100 lbs.----- 75¢ per 100 lbs.-----	37½¢ per 100 lbs.----- 60¢ per 100 lbs.-----	Jan. 1, 1939; Canada (T. D. 49752). Jan. 1, 1939; Canada (T. D. 49752).
	<i>Provided</i> , That if and when the United States is no longer obligated to accord to such potatoes produced in the Republic of Cuba a preferential reduction in the rate of duty in excess of 20 per centum, the rate of duty under this item during the entire year shall be.	60¢ per 100 lbs.-----	37½¢ per 100 lbs. ² -----	Canada (T. D. 49752).
	NOTE: The agreement with Canada limits the quantity of seed potatoes which may be entered in any 12-month period beginning on September 15 in any year at the reduced rates to 1,500,000 bushels of 60 pounds each, but provides that the rate on entries in excess of this quantity shall not exceed 75 cents per 100 pounds.			
771	White or Irish potatoes, other than certified seed potatoes, as defined in the preceding item, when entered for consumption during the period: From March 1 to November 30, inclusive, in any year. From December 1 in any year to the last day of the following February, inclusive.	75¢ per 100 lbs.----- 75¢ per 100 lbs.-----	37½¢ per 100 lbs.----- 60¢ per 100 lbs.-----	Jan. 1, 1939; Canada (T. D. 49752). Jan. 1, 1939; Canada (T. D. 49752).
	NOTE. —The agreement with Canada limits the quantity that may be entered in any 12-month period beginning September 15 at the reduced rates to 1,000,000 bushels of 60 pounds each, unless the United States crop of potatoes is estimated as of September 1 by the Department of Agriculture as less than 350,000,000 bushels, in which event an additional quantity equal to the amount by which the estimated crop is less than 350,000,000 bushels may be entered at the reduced rates. Duty on entries in excess of these quantities is bound at 75 cents per 100 pounds.			
772	Tomatoes in their natural state, when imported and entered for consumption during the period from December 1 to the last day of the following February, inclusive, in any year.	2½¢ per lb. (from Cuba)....	1½¢ per lb. (from Cuba)....	Sept. 3, 1934; Cuba (T. D. 47232).

¹Superseded.

²By virtue of item 771 of the supplemental Cuban agreement, effective Dec. 23, 1939 (T. D. 50050), this concession no longer includes certified seed potatoes.

³In view of item 771 of the supplemental Cuban agreement, the reduced rate applicable to white or Irish seed potatoes under item 771 of the trade agreement with Canada will be 37½ cents per 100 pounds throughout the year on a quantity not in excess of 1,500,000 bushels of 60 pounds each in accordance with the proviso to said item 771 of the Canadian agreement, on and after Dec. 23, 1939, the effective date of the supplemental Cuban agreement.

SCHEDULE 7.—Agricultural products and provisions—Continued

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change
773	Turnips and rutabagas	25¢ per 100 lbs.	12½¢ per 100 lbs.	Jan. 1, 1939; Canada (T. D. 49752).
774	Peppers in their natural state, when imported and entered for consumption during the period from January 1 to April 30, inclusive, in any year.	2¢ per lb. (from Cuba)	1½¢ per lb. (from Cuba)	Sept. 3, 1934; Cuba (T. D. 47232).
774	Eggplant in its natural state, imported and entered for consumption during the period from December 1 to the following March 31, inclusive, in any year.	1½¢ per lb. (from Cuba)	9¢ per lb. (from Cuba)	Sept. 3, 1934; Cuba (T. D. 47232).
774	Cucumbers in their natural state, when imported and entered for consumption during the period from December 1 to the last day of the following February, inclusive, in any year.	2½¢ per lb. (from Cuba)	1½¢ per lb. (from Cuba)	Sept. 3, 1934; Cuba (T. D. 47232).
774	Squash in its natural state, when imported and entered for consumption during the period from December 1 to the following May 31, inclusive, in any year.	1½¢ per lb. (from Cuba)	1½¢ per lb. (from Cuba)	Sept. 3, 1934; Cuba (T. D. 47232).
774	Celery in its natural state, when imported and entered for consumption during the period from April 15 to the following July 31, inclusive, in any year.	2¢ per lb.	1¢ per lb.	Jan. 1, 1939; United Kingdom (T. D. 49753).
774	Cabbage in its natural state	2¢ per lb.	1½¢ per lb.	Feb. 1, 1936; Netherlands (T. D. 49075).
774	Okra in its natural state, when imported and entered for consumption during the period from December 1 to the following May 31, inclusive, in any year.	40% ad val. (from Cuba)	20% ad val. (from Cuba)	Sept. 3, 1934; Cuba (T. D. 47232).
774	Endives, in their natural state [see T. D. 48447]	50% ad val.	35% ad val.	May 1, 1935; Belgium (T. D. 47600).
774	Carrots, radishes, and cauliflower, in their natural state	50% ad val.	25% ad val.	Jan. 1, 1939; Canada (T. D. 49752).
775	Sauerkraut	50% ad val.	25% ad val.	Feb. 1, 1936; Netherlands (T. D. 49075).
775	Onions, pickled or packed in brine	30% ad val.	25% ad val.	Feb. 1, 1936; Netherlands (T. D. 49075).
776	Chicory			
	Crude [see T. D. 48447]	2¢ per lb.	1½¢ per lb.	May 1, 1935; Belgium (T. D. 47600).
	Ground or otherwise prepared	4¢ per lb.	3¢ per lb.	Feb. 1, 1936; Netherlands (T. D. 49075).
777 (a)	Cocoa and chocolate, unsweetened	3¢ per lb., net weight	1½¢ per lb., net weight	
777 (b)	Cocoa and chocolate, sweetened			
	In bars or blocks weighing ten pounds or more each	4¢ per lb.	2¢ per lb.	
	In any other form, whether or not prepared, valued at 10 cents or more per pound.	40% ad val.	20% ad val.	Feb. 1, 1936; Netherlands (T. D. 49075).
777 (c)	Cocoa butter	25% ad val.	12½% ad val.	
779	Hay	\$5 per ton of 2,000 lb.	\$2.50 per ton of 2,000 lb.	Jan. 1, 1939; Canada (T. D. 49752).
779	Straw	\$1.50 per ton of 2,000 lb.	75¢ per ton of 2,000 lb.	Jan. 1, 1939; Canada (T. D. 49752).
781	Mustard seeds (whole)	2¢ per lb.	1½¢ per lb.	Jan. 1, 1939; United Kingdom (T. D. 49753).
781	Mustard, ground or prepared in bottles or otherwise	10¢ per lb.	7½¢ per lb.	Jan. 1, 1939; United Kingdom (T. D. 49753).
781	Curry and curry powder	5¢ per lb.	2½¢ per lb.	Jan. 1, 1939; United Kingdom (T. D. 49753).

Senator BROWN. Mr. Secretary, I think your statement before the House committee—I have not fully digested your statement here—but that is the ablest defense that I have yet seen of the trade-agreements program. There are two or three things you said there that have not been said here, and I want to call particular attention to them. I have heard more, I think, from the dairy farmers and the cattlemen than anything else as to our position in this program. I understood you to say there that the American dairy farmer has 99½ percent of the American dairy products market. Is that true?

Secretary WALLACE. Yes.

Senator BROWN. What about the other one-half of 1 percent? It is a rather small amount, but do we export sufficient to make up to the farmer for the loss of that one-half of 1 percent?

Secretary WALLACE. Ordinarily we export just about as much as we import of dairy products. It is a different type. It may be evaporated milk that we export and cheese that we import.

Senator BROWN. So that as a matter of fact we do have in effect 100 percent of the dairy market for the dairy farmer?

Secretary WALLACE. That is substantially accurate.

Senator BROWN. I believe you said that the imports consisted mainly of cheese from Europe?

Secretary WALLACE. Foreign types of cheeses. Italian cheese especially.

Senator BROWN. Which are not produced here in the same quality as is produced abroad?

Secretary WALLACE. Yes.

Senator BROWN. What did you say with respect to the cattle market? What percentage of the beef market do we have here in the United States, or does the farmer have? My recollection is it is 96 percent.

Secretary WALLACE. Something like that. I believe it depends on how you figure it.

Senator JOHNSON. 91.1 percent I believe is the figure.

Secretary WALLACE. With regard to the live-cattle quota, 225,000 head represent 1½ percent of the ordinary total United States cattle slaughter. That is the part on which the tariff was lowered. That represents 1½ percent, but we also import cattle under the tariff that was not lowered.

Senator BROWN. Is Senator Johnson approximately right? He just stated here that about 91 percent of the beef market is supplied by the American beef producer.

Senator JOHNSON. 91.1 percent of the cattle market.

Secretary WALLACE. I would not be sure of that.

Senator BROWN. Will you give us that figure if you will?

Secretary WALLACE. Yes.

(The information requested follows:)

Imports of slaughter cattle and beef, including canned beef, amounted to 96 percent of total beef consumption in the United States during 1938. The figure for 1939 will probably be 1 or 2 percent smaller. For 1929 the figure was 94 percent. For 1932 it was 99 percent. It is interesting to consider how much more valuable to the United States cattle producer it was to have 94 or 95 percent of his home market in 1939 than to have 99 percent of it in 1932.

The figure referred to by Senator Johnson probably was obtained by subtracting from 100 percent the percentage which slaughter cattle and beef imports bear to United States inspected slaughter of cattle and calves. Imports during 1938 were 6 percent as large as inspected slaughter during that year. During both 1939 and 1929, the figure was 8 percent. It will readily be apparent, however, that these figures are of less relevance to the question of the percentage of the domestic market enjoyed by the American producer than are those for the ratio of imports to total domestic beef and veal consumption (including, in consumption, not only figures for inspected slaughter but also those for uninspected slaughter and imports).

Senator BROWN. I also find that it was said over there, I think it was in your statement, too, that for many years the American farmer has been supplying approximately 90 percent of the domestic market, and that that percentage has been going up slightly since the trade-agreement program went into effect.

Secretary WALLACE. This was in regard to what product?

Senator BROWN. All agricultural products. I will read you what it says:

These exhibits show among other things that for many years the farmer has been supplying approximately 90 percent of the domestic market, and that in recent years the percentage has if anything increased.

It might be said that the American farmer produces 90 percent plus of the American market and that we import a little less than 10 percent. Is that approximately correct?

Secretary WALLACE. Yes; that is approximately correct.

Senator BROWN. And I also wanted to call your particular attention to a statement you made in 1936, I think before the House committee, in which you called attention to the fact that the farmer was cultivating approximately 35 to 45 million acres for products that were exported from the United States. Do you recall that?

Secretary WALLACE. Yes.

Senator BROWN. And that approximately 10 million acres is all that he would gain if we took the entire American market for the American farmer and cut out all export trade altogether. That is the time you said—perhaps this will recall it to your mind, this remark—that it would be trading dollars for quarters.

Secretary WALLACE. I would say that is substantially accurate.

Senator BROWN. That was in 1936. Has there been any substantial change?

Secretary WALLACE. I would want to have that ten million figure reexamined to be sure that it is true under present conditions.

Senator BROWN. What you said is, "The greatest additional amount that they could use by cutting out exports would be 10 million acres." You say that is approximately true today?

Secretary WALLACE. I would want to have that figure reexamined.

Senator BROWN. I think it would be helpful if you could do that and put it in the record.

(The figures referred to were inserted in the testimony appearing on p. 101.)

Senator BARKLEY. Senator, let me ask you this. Does that statement indicate that if we lost all of the 35 millions that we are now using to produce exports, that we would only get 10 millions additional by excluding everything, and that there would be a net loss of practically 25 millions acres in cultivation?

Senator BROWN. That is what the statement says. If we exported nothing, we would lose 25 to 35 million acres with farmers now raising export products, and we would gain but 10 million.

Secretary WALLACE. The trouble with the doctrine of the American market for the American farmer is that it takes away acres from one group of farmers and would give it not to another group of farmers but in large measure to another group of at present nonexisting farmers.

Senator BARKLEY. That grows out of the fact that the things that we import and export are not identical. You cannot swap an acre in some other country for an acre in the United States and produce the same thing on it.

Secretary WALLACE. It might result, for instance, in a great expansion of the production of flax down in southern California if we completely shut out all imports of flax from Argentina. The North Dakota farmer might think that he was being benefited, but in all probability the benefit would go to the areas in California where they can produce 20 bushels an acre, or twice as much as they can in North Dakota. It might result in a very great expansion of sugar beets or sugarcane in Puerto Rico, Hawaii, or California, and it probably would not benefit the sugar-beet farmer in Michigan.

The CHAIRMAN. Senator Capper asked you a question and read from some press dispatch that in the last 6 months of 1939, that on agricultural products there had been a decline in exports and an increase in imports. Coffee is classed as an agricultural product, of course?

Secretary WALLACE. And rubber and silk.

The CHAIRMAN. I wish you would put in the record, for the first 6 months of 1939 and the last 6 months of 1939, the importations on rubber and also on coffee.

(Subsequently the following data was furnished the committee:)

United States imports of coffee and rubber, July-December 1939, compared with January-June 1939 and July-December 1938

	Rubber and similar gums		Coffee	
	Million pounds	Thousand dollars	Million pounds	Thousand dollars
July-December 1938.....	447	62,584	974	67,933
January-June 1939.....	517	79,960	692	71,614
July-December 1939.....	623	100,937	1,023	67,930

Senator CAPPER. Can we have also the exports under the trade-agreement program to foreign countries of wheat and other agricultural products?

Secretary WALLACE. I would like to indicate, with respect to wheat, Senator, that it would prove absolutely nothing, because we had during a part of this period an export subsidy operating.

Senator CAPPER. It means everything out in Kansas to the wheat growers as to whether they are going to be able to find under the present conditions a market for their wheat.

Secretary WALLACE. The important thing is not to have over-all figures, but to find a method by which they can get an increased market for wheat—

Senator CAPPER (interposing). They have it in their minds very strongly that they are not doing as well under the trade-agreement program as they did 20 years ago without trade agreements.

Secretary WALLACE. I am sorry that there have not been more people in Kansas to enlighten them as to the true situation.

The CHAIRMAN. It is a fact that the price has increased on wheat, is it not? Wheat is higher now than it was 2 or 3 years ago or in 1932.

Secretary WALLACE. Why, yes; of course the price is higher, but I would say the price is higher now chiefly because of the drought.

The CHAIRMAN. Then the record also shows that in 1933—

Secretary WALLACE (interposing). I wish to point out that all of this discussion about wheat is totally irrelevant and has no bearing on the trade-agreement program. We should not attribute the high price at the present time to the trade agreements. I do not think the trade agreements have had anything important to do with that. That is largely the drought. But the discussion on wheat is mostly irrelevant with regard to trade agreements.

Senator CAPPER. We have been told that the trade agreements make prosperity for the farmer, including the wheat grower.

Secretary WALLACE. There has been some benefit because they were relieved of that 6-cent differential, but with the war situation coming on, I do not think even that has had any great effect at the moment.

Senator VANDENBERG. Mr. Secretary, let me ask you just one further question—a generalization. You cannot measure, can you, the impact of imports in its full effect on the domestic market by merely comparing the percentage of imports as related to the domestic production? In other words, would not the imports as small as 5 percent have a price impact that would be serious?

Secretary WALLACE. Typically it would have a price impact of 5 percent.

Senator VANDENBERG. Might it not have a far greater price impact than that?

Secretary WALLACE. It will average out at 5 percent. There have been a lot of studies made on that, and they all indicate typically the impact would be about the same as the percentage in the quantity.

Senator VANDENBERG. My observation in some industrial operations has been that an almost infinitesimal import can break the price. You do not think that is so?

Secretary WALLACE. I do not agree with that doctrine.

Senator JOHNSON. Mr. Chairman, I would like to ask another question relative to wheat. I agree wholeheartedly with what the Secretary has said, that the reciprocal trade agreements have had little or no effect upon the price of wheat through the years and I follow the market very closely.

Secretary WALLACE. If you put in just a little parenthesis there to the effect that the elimination of that 6-cent differential was of some significant value.

Senator JOHNSON. But even that had almost no effect, because the English miller had become accustomed to using other wheats than our wheat, but the thing that has affected—

Secretary WALLACE (interposing). Don't forget that we exported in the last fiscal year 118,000,000 bushels of wheat, and a large part of it went to England.

Senator JOHNSON. That is the very thing I am getting to. The thing which has affected the wheat market and which has helped to bring up the price in addition to the drought, at the present time is the subsidy that has been paid, the 32-cent or the 30-cent subsidy that has been paid during the past year on the exports of wheat. That is the thing that has brought wheat up. It has not been the reciprocal trade agreements, just as you have stated. Yesterday in our discussion—

Secretary WALLACE (interposing). But you should put this in. We will say that it might take a 36-cent subsidy to export wheat to the United Kingdom before the 6-cent differential were removed. After it were removed, it would take less to get the wheat into the United Kingdom in competition with Canada, would it not?

Senator JOHNSON. That is true.

Secretary WALLACE. It would cost the United States Treasury that much less—possibly not the entire 6-cent amount but substantially less—to get it into the British market, wouldn't it?

Senator JOHNSON. Yes; that was helpful to this extent, but the big help, the thing that made it possible for us to export wheat, and we could not have exported wheat without that assistance, was the subsidy that was paid on wheat. Yesterday we were in some disagreement as to when that subsidy policy started. As I recall it—

Secretary WALLACE (interposing). I think it was in 1934 we exported—I think it was in the fall of 1934 we started subsidizing Northwest wheat.

Senator JOHNSON. It was stated here, I believe by Senator Clark of Missouri, that the subsidy did not start until 1939, and I knew it had started before that.

Secretary WALLACE. Then we dropped it for several years and started it again. Senator Clark undoubtedly had reference to that.

Senator JOHNSON. We started again with the crop produced in 1938, did we not?

Secretary WALLACE. Yes. In 1934, the subsidy was effective solely with regard to Northwest wheat. In 1938 it had effect for the first time with regard to all wheat.

Senator JOHNSON. But the subsidy plan, which I presume may be called in a sense a bilateral plan, was far more effective than the trade-agreement plan in disposing of our surplus supplies of wheat.

Secretary WALLACE. I think we should draw this distinction between the two, Senator. The trade-agreement plan is a fundamentally sound long-run program. You can use, from the standpoint of meeting immediate short-run effects, a great variety of devices, devices which typically lead to international economic warfare. They are devices which are in the nature of a double-edged sword. They are devices which should be used only sparingly and in an emergency. We have used the wheat subsidy with the specific objective of getting an international wheat agreement. We used the cotton export subsidy with that also in mind. Possibly it would be unwise to use export subsidies unless you can hook up with such subsidies, sooner or later, some method for arriving at an international agreement with regard to the particular commodity under consideration. In other words, I am in complete accord with the fundamental philosophy of Cordell Hull's trade-agreements program, but recognize at the same time that in specific situations it may be necessary to take some other action.

Senator JOHNSON. Are you in accord with the reciprocal trade agreements program because it is a general lowering of the tariff established by the Smoot-Hawley Tariff Act and it is the general lowering of all of the tariffs established by that act?

Secretary WALLACE. The only sound, long-time way that I can see to get a market for our export surplus of agricultural products is to bring about an increase in imports, and I think the trade-agreements program makes it possible to bring about an increase in imports in a way that is least damaging to our own domestic economy and most beneficial toward lowering foreign tariffs on our exports of agricultural products. It seems to me that it is by all odds the most effective and constructive way of accomplishing that objective.

Senator JOHNSON. I notice in your testimony this morning that you named imports as only one of the conditions. You also named the purchase of gold as another. You named three factors.

Secretary WALLACE. You will find that that was referring to the inconsistency of certain people attacking the trade-agreements program. I say, some of the persons who claim to be among those most interested in larger farm exports, oppose any means by which we might be paid for such exports. They are against imports, they are against new loans to foreigners, they are against the purchase of foreign gold. But if our country refuses to accept either imports or gold, and refuses to extend further credit, how will it be possible to export?

Senator JOHNSON. To what extent would you say that exports have been dependent upon reciprocal-trade agreements? Have they been boosted because of the reciprocal-trade agreements or because of the purchases of foreign gold? What is your comparison?

Secretary WALLACE. Well, we have estimated that the reciprocal-trade agreements increased the market for farm products by perhaps 5,000,000 acres. I believe undoubtedly the purchase of foreign gold has served more effectively than any other agency thus far in increasing dollar exchange in the hands of foreigners.

Senator GEORGE. Mr. Secretary, I am in close accord with your general statement just made that the reciprocal trade agreements did afford a promise both of a long-term program adjusted to the building up of our general foreign trade, and that it did afford an opportunity to approach more liberal trade policies or a more liberal trade program with the least apparent injury to our own domestic producers. I fully agree with that, and I am also in full accord with your statement with respect to the use of the devices of the subsidy so far as food products are concerned, but I think you know that I have differed from you when you were paying the subsidy for the exportation of an essential raw material of manufacture such as cotton, but I infer from what you say this morning that you regard the subsidy used in exporting cotton as a means to meet an acute situation?

Secretary WALLACE. Yes. That is what I have always said, Senator.

Senator GEORGE. And not as a permanent program?

Secretary WALLACE. Typically, I look on export subsidies as economic warfare, Senator.

Senator GEORGE. I agree with you there, and especially when it is a raw material of manufacture, because we have to meet it coming back in the same way.

Secretary WALLACE. Of course, you will remember, Senator, that we had compensating devices to take care of the situation so that the competitive situation of our American textile mills was not changed.

Senator GEORGE. That gets us right back into illiberal trade policies that we are trying to avoid under the other. But as I understand, you would not favor a subsidy on raw materials for manufacture, as in the case of cotton, except to meet an acute situation?

Secretary WALLACE. I would make that apply not only to raw materials, but to all other products as well, and I think that some of our American manufacturers have used exactly that device to gouge our American consumers. They have oftentimes exported at a less price abroad than the price in the American market. I would not restrict the observation to raw materials, and I would expand the statement to take care of indirect subsidies as well as direct subsidies.

Senator GEORGE. I have no issue with you at all on that point, but as I understand you, you did say that the subsidy, particularly as applied to cotton or wheat, also looked to an ultimate arrangement by which you could avoid that?

Secretary WALLACE. Yes. We had well warranted hopes with regard to the wheat subsidy, that we were going to get an international wheat agreement, and we were on the point of getting it when the war broke out. Something of this sort must be done sooner or later with these great raw materials which move in world trade. We must have a world-wide understanding with respect to these great raw materials which move in world trade.

Senator GEORGE. Is there any possibility so far as the international agreement with respect to cotton?

Secretary WALLACE. We had the preliminary conversations with regard to cotton in September 1939.

Senator GEORGE. You had not progressed so far as you had with wheat?

Secretary WALLACE. No; I would say it would be several years before you could get along that far. You will find typically that there are a few nations that think they have an inside track for certain reasons, who won't get in line unless you have some device such as the export subsidy to bring them into line. There are nations which can use the device of depreciated currency such as Brazil has used. Brazil for several years depreciated the milreis very rapidly, which gave her a temporary but very great advantage in the world cotton trade. The subsidy which we employed to some extent offset that great advantage which Brazil had employed.

The CHAIRMAN. Are there any other questions?

Senator BROWN. Mr. Chairman, I think I can read you in the record, to save the printing of a lot of figures, these statistics in the matter of the displacement of the domestic market by acres to which I was referring (see p. 96.)

The amount of the principal agricultural imports that would be displaced are as follows:

Sugar, we would grow here in acres, 2,803,000 acres; flaxseed, 2,540,000 acres; wheat, only 15,000 acres; corn, 12,000 acres; oats, barley, rye, and buckwheat, 115,000 acres; hay, 13,000 acres; cotton, 510,000 acres; fruit, 33,000 acres; vegetables, 25,000 acres; and all others, chiefly tobacco, nuts, rice, soybeans, etc., 561,000 acres; and the total in 1938-39 is estimated by your Department of 7,564,000

acres. That is the acreage equivalent of the principal agricultural imports.

On the other side of the picture, the acreage equivalent of the principal agricultural exports as estimated for 1938 to 1939 are tobacco, 670,000 acres; rice, 550,000 acres; pork and lard, 2,909,000 acres, or almost 3,000,000; hay, 269,000 acres; wheat, 8,462,000 acres; corn, 3,014,000 acres; cotton, 10,110,000 acres; fruit, 804,000 acres; or a total of 28,375,000 acres, or approximately four times as much acreage devoted to agricultural exports as to agricultural imports.

Secretary WALLACE. And there probably would have to be added to the export acreage the acreage required to produce the oats, hay, and pasture needed to feed the horses employed on the acres growing those crops.

Senator JOHNSON. Should there not be an added acreage for the cattle imported into this country, the wool?

Secretary WALLACE. Yes; there should be.

Senator BROWN. That is probably taken care of under the head of animal products?

Secretary WALLACE. Yes.

Senator JOHNSON. What is the acreage shown there under animal products?

Senator BROWN. In the matter of the equivalent of agricultural imports, 462,000 acres of grain and 475,000 acres of hay, which I read, but I did not read that that related to the importation of animal products. Likewise, on the other side, the animal products exported consumed, according to this estimate, 2,909,000 acres of grain and 134,000 of other products.

Secretary WALLACE. It would seem to me that it would not adequately cover wool. I would want to check into the wool.

Senator BROWN. It does not say anything about wool here. It is probably covered in the statement of the classification of the other products.

Secretary WALLACE. It apparently refers only to plowed land and not to pasture.

Senator JOHNSON. I do not see how those figures prove anything, because everybody knows that we are a surplus producer of agricultural products, and why we should ship in agricultural products to take up 10,000,000 acres when we are naturally an exporting nation of all agricultural products is a question that is hard to understand; but that is the question the farmers do not understand.

Senator BROWN. You cannot continue to be an exporter of agricultural products to the extent that we are now unless we take a few of the products which these other nations have to sell.

Secretary WALLACE. If you endeavored to cut off the imports of these products representing, say, 10,000,000 acres—if you cut out those imports altogether, the result would be that the other producers of imported commodities, manufactured commodities, would say, just like they did when President Hoover called the Congress together for raising farm tariffs, in 1929, "We want ours, too." The farmer cannot push his advantage exclusively; the others will inevitably get on and ride, and when they get on and ride, they destroy the market for the product of 30,000,000 acres of export crops. That is the danger of the whole thing, that we will expose ourselves to another Hawley-Smooth affair. We raised the tariffs on agricultural products under the Hawley-Smooth law but we certainly did not

raise farm prices as a result of the Hawley-Smoot tariff. As a matter of fact, the Hawley-Smoot law contributed so greatly to the tying up of world affairs that the farmer found himself in most serious trouble.

Senator BROWN. Well, I might say, Mr. Chairman, that those figures are taken from pages 1683, and 1684 of volume 2 of the House hearings, and are based upon figures of the Bureau of Agricultural Economics reported in November 1939, in both cases.

Senator JOHNSON. For what period do they apply?

Senator BROWN. 1938 and 1939.

Senator JOHNSON. Is that for the calendar year?

Senator BROWN. I suppose it is the crop year.

Senator JOHNSON. And the figures are given for all the years?

Senator BROWN. 1938 and 1939 on the same page, but I did not read them.

The CHAIRMAN. Is there anything else, Mr. Secretary?

Secretary WALLACE. No.

The CHAIRMAN. We thank you very much for coming down.

I desire to announce that we will meet at 2 o'clock in this room this afternoon. Dr. Grady, the Assistant Secretary of State, will be here, and I want to request that those people who have filed with the clerk of the committee a desire to appear before the committee, and who live here and are here, ought to be in the room tomorrow. They might be called before we anticipated getting to them, because we want to expedite these hearings as speedily as possible.

The committee will adjourn until 2 o'clock.

(Whereupon, at 12:05 p. m., a recess was taken until 2 p. m., of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2 p. m., pursuant to the noon recess.)

The CHAIRMAN. The committee will come to order.

Mr. Grady, I wish you would give us your position in the State Department, and your position in connection with the trade-agreements program.

STATEMENT OF HON. HENRY F. GRADY, ASSISTANT SECRETARY OF STATE

Mr. GRADY. Mr. Chairman, I am the Assistant Secretary of State in general charge of economic and financial matters, which includes the trade-agreements program.

The CHAIRMAN. You succeeded Dr. Sayre in the work with these trade agreements?

Mr. GRADY. Yes; I succeeded him last August when he went to the Philippines as High Commissioner.

The CHAIRMAN. Do you prefer to go through your statement and then answer questions?

Mr. GRADY. Yes.

The CHAIRMAN. We will proceed in that way, then.

Mr. GRADY. Mr. Chairman and members of the committee: I shall endeavor to show my appreciation of the privilege of appearing before you by making my remarks brief and to the point. Your committee, in view of its previous hearings in 1934 and 1937, is well acquainted with the essentials of the trade-agreements program which the bill now under consideration proposes to continue. The Secretary of

State has set forth the significance of this program to our present situation and the important reasons calling for its continuance.

It seems to me, therefore, that I can best contribute to your purpose by answering such questions as you may have regarding any aspect of the subject. My statement will therefore be devoted mainly to a few remarks on certain aspects which I consider warrant some special mention.

Together with the widespread growth of support in all directions for this program, there has occurred a notable change in the character of the general opposition which continues from some quarters. It now seems almost universally recognized that we must have a positive foreign-trade program of this sort. Objection of a general nature is now confined largely to the results and methods of this particular program which has been in operation for nearly 6 years. This objection is based principally on two contentions: First, that this program has accomplished no beneficial results for our export trade, but, on the other hand, has caused harm to domestic industries; secondly, that it is not the proper procedure. I propose to deal briefly with each of these contentions.

Those who claim that the 22 trade agreements negotiated with foreign countries have brought no benefits to our export trade are generally to be found among those who also claim that these agreements have injured certain domestic producers by unduly stimulating our imports. This places them in a somewhat unenviable position from the point of view of logic and consistency, since it means that they are contending, at one and the same time, that on the one hand concessions obtained from foreign countries in the form of tariff reductions or enlargements of quotas for American products do not result in stimulating sales of these products in those countries, but that on the other hand comparable concessions which we have granted do result in stimulating excessive imports into our markets.

Without dwelling further on this curious contradiction, I would like to comment upon the general character of the statistical methods by which these contentions are supported. Our trade with the world is subject to such a great variety of factors as to make the accurate measurement of any single influence, such as the trade agreements we have negotiated, an intricate and difficult task.

There is, however, a clear and simple distinction to be drawn between two methods of statistical analysis. One method is an endeavor to ascertain objectively from the facts, in what measure the indications of common sense are supported. On the other hand it is also possible, by sleight-of-hand statistics, to make it appear that common sense is wrong.

The facts amply support the common-sense belief that where excessive barriers to trade are reduced, a healthy stimulus to trade may be expected. This conclusion has been checked and rechecked by using various appropriate statistical approaches and by bringing our calculations up to date whenever new data have become available.

I wish to present to the committee for inclusion in the record, several detailed exhibits and will confine my remarks to a brief enumeration of the main conclusions shown by these exhibits. These are as follows:

Exhibit I shows that our exports to the countries with which we have made trade agreements have, in the aggregate, increased about twice as fast as our exports to other countries; comparing our exports for the 2-year period 1938-39 with the 2-year period 1934-35, the

increase to trade-agreement countries was \$475,000,000, or 62.8 per cent, and to other countries, \$314,000,000, or 31.7 per cent.

EXHIBIT I

(Reprint from Commerce Reports of February 17, 1940, issued by the Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce)

RESULTS UNDER THE RECIPROCAL TRADE AGREEMENTS PROGRAM DURING 1939

(Prepared by the Trade Agreements Unit, Bureau of Foreign and Domestic Commerce)

There are given below tables showing the trade of the United States with trade-agreement countries and nontrade-agreement countries in 1939 compared with 1938, as well as the average for the post agreement years 1938 and 1939 compared to the average for the preagreement years 1934 and 1935. In addition to a summary table showing total trade with the two groups of countries, detailed statistics are given covering trade with the agreement countries and the principal nonagreement countries individually.

During December 1939 total United States exports reached the highest monthly figure recorded since March 1930. The increase was particularly marked in exports to the agreement countries, and as a result the statistics for the full year 1939 show an increase of 8.1 per cent for this group compared with 1938, whereas for 11 months the increase was only 4.9 per cent. In the case of the nonagreement countries, a decrease in exports of only 4.5 per cent is shown for the full year, compared to the decrease of 7.9 per cent shown for 11 months.

On the side of imports, both groups of countries also improved their position during December. Imports from trade-agreement countries for the full year 1939 show an increase of 20.1 per cent over 1938, compared to the increase of 17.5 per cent shown for 11 months, and imports from nonagreement countries for the full year show an increase of 15.6 per cent, compared to the increase of 13.2 per cent shown for 11 months.

In the analysis of trade with the agreement and nonagreement countries during the first 11 months of 1939, which was published in Commerce Reports of January 20, 1940, appropriate comments were made on the important changes that had taken place in the composition and direction of the foreign trade of the United States during that period. With few exceptions, these comments are equally applicable to the 12-month period, most of the tendencies previously shown having continued throughout December.

TABLE 1.—United States trade with trade-agreement countries and with all other countries, 1939 compared with 1938, and 1938-39 compared with 1934-35

(Values in millions of dollars)

Items	Comparison of 1939 with 1938				Comparison of 1938-39 with 1934-35			
	1938 value	1939 value	Change		1934-35 average value	1938-39 average value	Change	
			Value	Percent			Value	Percent
<i>Exports, including reexports</i>								
Total, trade-agreement countries.	\$ 1,788	\$ 1,901	+142	+8.1	\$ 757	\$ 1,232	+475	+62.8
Total, nonagreement countries...	1,336	1,277	-59	-4.5	992	1,306	+314	+31.7
Total, all countries.....	3,094	3,177	+83	+2.7	2,208	3,136	+928	+42.0
<i>General imports</i>								
Total, trade-agreement countries.	\$ 1,155	\$ 1,387	+233	+20.1	\$ 774	\$ 942	+168	+21.6
Total, nonagreement countries...	806	931	+125	+15.6	772	868	+97	+12.6
Total, all countries.....	1,960	2,318	+358	+18.3	1,851	2,139	+288	+15.6

¹ Including the 18 countries (and colonies) with which agreements were in operation during the greater part of the last 12 months. Only 1 of the agreements was in operation throughout 1935, 6 throughout 1936, 14 by the end of 1936, 16 by the end of 1937, 17 by the end of 1938, and 18 by the end of 1939, including the agreement with the United Kingdom (covering also Newfoundland and the non-self-governing British Colonies). The agreement concluded with Turkey became provisionally effective only on May 5, 1939, and the agreement with Venezuela only on Dec. 16, 1939. Statistics for these countries are therefore not included in the above calculations.

² These figures do not include Ecuador, the United Kingdom, Newfoundland, and non-self-governing British Colonies, Turkey, and Venezuela with which agreements have been concluded but where the period during which the agreement has been in effect is too short to justify inclusion for purposes of comparison.

³ The apparent discrepancy shown by these figures in comparison with the other totals is due to the non-inclusion of trade with Ecuador and the United Kingdom and its Crown colonies.

GENERAL NOTE.—Percentage changes have been calculated upon fuller figures in thousands of dollars. Source: Latest records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce.

TABLE 2.--United States trade with individual trade-agreement countries—1934-39

[Values in millions of dollars]

Trade-agreement countries (in order of effective dates)	Dates effective	Exports, including reexports						General imports					
		1934 and 1935 average value	1938 and 1939 average value	Percentage change	1938 value	1939 value	Percentage change	1934 and 1935 average value	1938 and 1939 average value	Percentage change	1938 value	1939 value	Percentage change
Total, trade-agreement countries		757	1,232	+62.8	1,758	1,901	+8.1	774	942	+21.6	1,155	1,387	+20.1
Cuba	Sept. 3, 1934	53	79	+49.8	76	82	+7.0	92	105	+14.9	105	105	—
Belgium	May 1, 1935	54	71	+30.7	77	65	-16.1	33	52	+59.1	42	63	+51.8
Haiti	June 3, 1935	3	4	+31.3	4	5	+41.1	1	3	+151.6	3	3	+2.2
Sweden	Aug. 5, 1935	36	80	+125.7	64	97	+50.5	38	44	+16.1	45	42	-6.4
Brazil	Jan. 1, 1936	42	71	+69.5	62	80	+29.8	96	103	+7.3	96	107	+9.8
Canada	do	313	481	+53.6	468	493	+5.5	259	300	+14.8	260	340	+30.7
Netherlands (including overseas territories) ¹		75	170	+126.4	168	171	+2.3	93	135	+45.3	124	145	+17.2
Netherlands proper		50	97	+93.4	97	97	+0.8	35	30	-12.6	31	29	-8.0
Netherlands Indies	Feb. 1, 1936	10	31	+200.8	28	35	+28.9	46	81	+74.4	69	93	+35.2
Netherlands West Indies		14	41	+192.0	43	38	-10.3	11	20	+87.8	21	20	-4.3
Switzerland ²	Feb. 15, 1936	8	15	+82.1	11	19	+75.6	16	27	+70.4	23	31	+32.9
Honduras	Mar. 2, 1936	6	6	+4.1	6	6	-7.6	7	6	-9.2	6	7	+22.5
Colombia	May 20, 1936	22	46	+111.5	41	51	+25.5	49	49	+8	49	49	—
Guatemala	June 15, 1936	4	8	+93.2	7	9	+25.0	5	10	+99.5	10	11	+12.6
France (including colonies) ³		127	174	+36.4	148	199	+34.4	68	76	+11.7	71	81	+13.8
France proper	do	116	158	+35.7	134	182	+35.8	60	58	-2.3	54	62	+15.5
Nicaragua	Oct. 1, 1936	2	4	+43.3	3	4	+53.1	2	3	+20.8	2	3	+50.0
Finland	Nov. 2, 1936	6	13	+110.2	12	13	+12.1	11	19	+83.1	18	21	+14.3
El Salvador	May 31, 1937	3	4	+29.1	4	4	+15.3	4	6	+50.0	4	7	+75.0
Costa Rica	Aug. 2, 1937	3	8	+177.9	5	10	+70.6	3	4	+41.2	4	3	-21.3
Ecuador	Oct. 23, 1938	(⁴)	(⁴)		3	6	+78.2	(⁴)	(⁴)		3	4	+33.0
United Kingdom	Jan. 1, 1939	(⁴)	(⁴)		521	585	+12.5	(⁴)	(⁴)		118	150	+26.6
Newfoundland	do	(⁴)	(⁴)		8	9	+12.5	(⁴)	(⁴)		7	9	+28.6
British colonies	do	(⁴)	(⁴)		71	72	+1.1	(⁴)	(⁴)		151	208	+38.4
Total, nonagreement countries		592	1,306	+121.5	1,336	1,277	-4.5	772	868	+11.2	806	951	+17.5
Total, all countries		2,208	3,136	+42.0	3,094	3,177	+2.7	1,851	2,139	+15.6	1,960	2,318	+18.3

¹ These figures include Surinam (Dutch Guiana), the trade with which is too small to warrant individual listing.² United States statistics show only a small portion of the actual exports to Switzerland, most of which are transhipped through third countries and are shown as exports to those countries. Therefore, too much significance should not be attached to the statistics of exports to Switzerland.³ These figures include all French colonies. Only France proper is listed separately.⁴ Countries with which agreements have been concluded but where the period during which the agreements have been in effect is too short to justify inclusion for purposes of comparison.⁵ The apparent discrepancy shown by these figures in comparison with other totals is due to the noninclusion of trade with Ecuador and the United Kingdom and its Crown colonies.

GENERAL NOTE.—Percentage changes have been calculated upon fuller figures in thousands of dollars.

SOURCE: Latest records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce.

TABLE 3.—United States trade with individual nonagreement countries—1934-39

[Values in millions of dollars, except those inclosed in parentheses, which are in thousands of dollars]

Nonagreement countries	Exports, including reexports						(General imports)					
	1934 and 1935 average value	1938 and 1939 average value	Per-cent- age change	1938 value	1939 value	Per-cent- age change	1934 and 1935 average value	1938 and 1939 average value	Per-cent- age change	1938 value	1939 value	Per-cent- age change
Total.....	992	1,300	+31.7	1,336	1,278	-4.5	772	868	+12.5	806	931	+15.0
Mexico.....	60	73	+20.4	62	83	+34.1	39	53	+33.4	49	56	+14.9
Panama (Includ- ing Canal Zone).....	20	29	+45.7	24	33	+33.6	5	4	-14.2	4	4	+3.5
Dominican Repub- lic.....	5	6	+20.7	6	7	+19.0	4	6	+32.0	6	6	+1.4
Venezuela ²	19	57	+201.7	62	62	+18.5	22	22	-1.2	20	24	+17.9
Argentina.....	46	70	+71.5	87	71	-18.1	47	51	+8.1	41	62	+52.1
Uruguay.....	6	5	-17.2	5	5	+2.3	6	7	+21.8	5	9	+97.3
Bolivia.....	4	5	+24.7	5	5	-16.4	(201)	1	+454.4	(865)	2	+134.6
Chile.....	13	26	+90.5	25	27	+8.9	21	34	+60.8	28	41	+44.1
Peru.....	11	18	+63.8	17	10	-13.9	7	13	+96.0	13	14	+8.9
Austria ¹	2			(740)			3			1		
Czecho-Slovakia ¹	3	15	+405.7	27	4	-85.8	19	15	-22.5	26	4	-84.6
Denmark.....	13	24	+80.4	26	24	-3.8	3	4	+35.9	3	4	+14.1
Germany ¹	100	77	-23.0	107	47	-55.8	73	58	-29.2	65	52	-18.7
Hungary ¹	(423)	3	+541.4	3	3	-1.3	2	4	+66.5	4	4	+19.2
Ireland.....	7	18	+154.3	27	10	-64.8	(633)	1	+107.7	(958)	2	+74.5
Norway.....	12	27	+119.0	23	32	+42.3	17	19	+11.7	16	22	+38.2
Poland and Dan- zia ¹	22	20	-6.1	25	16	-35.2	8	12	+63.1	13	11	-14.3
Union of Soviet So- cialist Republics ³	20	63	+217.8	70	57	-18.7	15	25	+62.7	24	25	+4.1
Italy.....	68	59	-14.5	58	59	+1.0	37	22	-40.8	41	40	-3.2
Portugal.....	9	10	+11.8	11	10	-8.6	4	5	+34.2	4	6	+62.3
Spain.....	40	20	-60.8	12	27	+118.0	19	10	-50.2	9	10	+11.5
Greece.....	6	7	+28.0	6	6	-20.0	9	19	+103.7	15	22	+50.3
Rumania.....	3	6	+92.0	8	6	-1.3	(640)	2	+279.1	2	2	-3.9
Yugoslavia.....	(607)	3	+291.0	2	3	+20.5	3	5	+51.4	4	6	+42.9
Iran.....	4	7	+68.9	9	4	-51.4	3	4	+10.2	3	4	+35.0
Turkey ²	4	11	+200.0	13	8	-37.1	7	19	+159.6	19	20	+4.6
British India (in- cluding Burma).....	29	41	+40.4	36	47	+31.1	59	63	+7.1	59	67	+14.1
Philippine Islands.....	50	93	+86.9	86	100	+15.7	92	93	+7	94	92	-2.5
China.....	53	45	-15.3	35	56	+60.7	54	54	+7	47	62	+30.8
Kwantung.....	4	16	+300.6	17	16	-8.6	3	2	-54.0	2	2	-4.9
Japan.....	207	236	+13.8	240	231	-3.4	136	144	+5.8	127	161	+27.2
Australia.....	80	65	-30.1	69	62	-10.8	12	12	+1.8	9	15	+71.1
New Zealand.....	14	20	+39.8	23	17	-29.6	8	9	+11.4	7	11	+71.0
Egypt.....	9	14	+57.3	13	14	+4.9	9	6	-34.0	5	7	+47.2
Morocco.....	3	3	-4.9	3	3	-0.0	(736)	1	+90.2	1	1	+5.7
Union of South Af- rica.....	40	70	+41.7	70	69	-1.4	3	22	+666.3	16	29	+79.7
Other nonagree- ment countries.....	23	34	+50.6	33	35	+5.9	16	27	+73.6	23	31	+36.0

¹ For statistical purposes, trade with Austria beginning May 6, 1938, and trade with the Sudeban area beginning Nov. 16, 1938, as far as ascertainable, has been included with Germany, while trade with the other Czechoslovak Provinces occupied by Germany, Hungary, and Poland has been included with these countries since Mar. 18 or 19, 1939.

² Reciprocal trade agreements with Turkey and Venezuela, became effective on May 5 and Dec. 16, 1939, respectively.

³ Since Aug. 5, 1939, a commercial agreement has been in effect between the United States and the Soviet Union under which the latter country expressed its intention to purchase annually American goods to the value of at least \$40,000,000 and, on its part, the United States undertook to accord to the commerce of the Soviet Union unconditional most-favored-nation treatment.

GENERAL NOTE.—Percentage changes have been calculated upon fuller figures in thousands of dollars. Source: Latest records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce.

In the latter month exports of aircraft were valued at \$28,900,000, compared to only \$5,700,000 in the same month of 1938, the total increase for the year compared to 1938 having been \$48,700,000. Exports of iron and steel semi-manufactures, including scrap, and of advanced iron and steel manufactures also showed heavy increases in December, which brought the total increase shown by these groups for the year up to \$57,700,000 against an increase of \$39,800,000 for 11 months. For metalworking machinery, the increase in exports for the year was \$15,800,000, compared to the increase of \$12,700,000 for 11 months, and for lubricating oils \$22,100,000 compared to \$14,700,000. Exports of passenger cars and motor trucks and accessories continued to decline in December, showing a decrease of \$18,100,000 for the year, compared to the decrease of \$12,300,000 for 11 months.

In the case of agricultural products, exports of raw cotton for 11 months were \$9,800,000 below the corresponding period of 1938, but the exceptional increase of \$24,700,000 shown by December exports left a net increase of \$14,900,000 for the full year, compared to 1938. Also in the case of corn, December shipments were somewhat above the December 1938 level, thereby slightly reducing the decrease that had been shown for the 11 months' period.

On the side of imports, the only major products showing an appreciably greater rate of increase during December than appeared for the first 11 months of 1939 were crude rubber and tin. For the full year rubber imports increased \$48,500,000 over 1938, whereas for 11 months the increase was \$34,500,000, while tin imports increased \$25,700,000, against an increase of \$17,000,000 for 11 months.

[Reprint from Commerce Reports of January 20, 1940, issued by the Bureau of Foreign and Domestic Commerce, United States Department of Commerce]

RESULTS UNDER THE RECIPROCAL TRADE AGREEMENTS PROGRAM DURING THE FIRST 11 MONTHS OF 1939

In view of the special interest at this time in the reciprocal-trade-agreements program and its effect on the foreign trade of the United States, the following analysis has been prepared on the basis of the official export and import statistics in summary form for the first 11 months of 1939. When detailed data for the complete year are available, they will be made public promptly and attention will be called at that time to any material changes that occurred during the month of December. It does not, however, appear probable that such changes were of sufficient importance to modify the conclusions to which the 11 months, figures point.

COMPARISON OF 1939 WITH 1938

From January 1 to November 30, 1939, United States exports to the 18 countries with which trade agreements were in effect at the beginning of the year totaled \$1,695,000,000, against \$1,615,000,000 for the corresponding period of 1938, showing an increase of \$80,000,000, or 4.9 percent. Meanwhile, exports to nonagreement countries were \$1,114,000,000, against \$1,210,000,000 in 1938, a decrease of \$96,000,000, or 7.9 percent. Total exports to all countries were \$16,000,000, or 0.6 percent smaller than in 1938.

Imports from trade-agreement countries totaled \$1,241,000,000 for the first 11 months of 1939, an increase of \$185,000,000, or 17.5 percent, compared to the same period of the previous year, while imports from nonagreement countries were \$830,000,000, an increase of \$97,000,000, or 13.2 percent. In considering these increases, due account must, of course, be taken of the exceptionally low level of 1938 imports, which showed a decline of \$1,123,000,000 in comparison with 1937, and a decline of \$462,000,000 in comparison with 1936. The expansion of \$282,000,000 in total imports from January to November 1939 may therefore be characterized as a return to a more normal volume.

TABLE 1.—United States trade with trade-agreement countries and with all other countries, January–November 1939 compared with January–November 1938, and January–November 1938–39 compared with January–November 1934–35

[Values in millions of dollars]

Items	Comparison of January–November 1939 with January–November 1938			
	January–November 1938 value	January–November 1939 value	Change	
			Value	Percent
<i>Exports, including reexports</i>				
Total, trade-agreement countries.....	\$ 1,615	\$ 1,695	+80	+4.9
Total, nonagreement countries.....	1,210	1,114	-96	-7.9
Total, all countries.....	2,825	2,810	-16	-.6
<i>General imports</i>				
Total, trade-agreement countries.....	\$ 1,056	\$ 1,241	+185	+17.5
Total, nonagreement countries.....	733	830	+97	+13.2
Total, all countries.....	1,789	2,071	+282	+15.8

Items	Comparison of January–November 1938–39 with January–November 1934–35			
	January–November 1934–35 average value	January–November 1938–39 average value	Change	
			Value	Percent
<i>Exports, including reexports</i>				
Total, trade-agreement countries.....	\$ 694	\$ 1,114	+420	+60.5
Total, nonagreement countries.....	897	1,162	+265	+29.6
Total, all countries.....	2,011	2,818	+807	+40.1
<i>General imports</i>				
Total, trade-agreement countries.....	\$ 704	\$ 859	+155	+22.1
Total, nonagreement countries.....	707	782	+75	+10.6
Total, all countries.....	1,692	1,930	+238	+14.1

¹ Including the 18 countries (and colonies) with which agreements were in operation during the greater part of the last 11 months. Only 1 of the agreements was in operation throughout 1935, 6 throughout 1936, 14 by the end of 1936, 16 by the end of 1937, 17 by the end of 1938, and 18 by the end of 1939, including the agreement with the United Kingdom (covering also Newfoundland and the non-self-governing British colonies). The agreement concluded with Turkey became provisionally effective only on May 5, 1939, and the agreement with Venezuela only on Dec. 16, 1939. Statistics for these countries are therefore not included in the above calculations.

² These figures do not include Ecuador, the United Kingdom (including Newfoundland, and non-self-governing British colonies), Turkey, and Venezuela with which agreements have been concluded but where the period during which the agreement has been in effect is too short to justify inclusion for purposes of comparison.

³ The apparent discrepancy shown by these figures in comparison with the other totals is due to the noninclusion of trade with Ecuador and the United Kingdom and its Crown colonies.

GENERAL NOTE.—Percentage changes have been calculated upon fuller figures in thousands of dollars.

SOURCE.—Latest records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce.

COMPARISON OF 1938–39 WITH 1934–35

The fact that in 1939 exports to trade-agreement countries increased, whereas exports to nonagreement countries decreased, naturally widened the spread between the two groups that had been evident previously. Comparing the average of exports to agreement countries during 11 months of 1938 and 1939 with the average for the same period of the preagreement years 1934 and 1935, the increase is 60.5 percent, against the 61.2 percent increase which was shown when the average for 1937 and 1938 was compared with the preagreement period. As for

the nonagreement countries, the increase in average exports for 11 months of 1938 and 1939, compared to the same period of 1934 and 1935, was only 29.6 percent, whereas the comparison of the average for 1937 and 1938 with the pre-agreement years showed an increase of 37.9 percent.

As already noted, there was a general decrease in imports during 1938, but an appreciable increase in 1939. Comparing average imports during the first 11 months of those 2 years with the average for the same period of 1934 and 1935, the increase is 22.1 percent for the agreement countries against 10.6 percent for the nonagreement countries. The comparison of average imports for 1937 and 1938 with the preagreement years showed an increase of 35.2 percent for the agreement countries and an increase of 37 percent for the nonagreement countries.

As new trade agreements are concluded there are, of course, shifts in the allocation of the countries to the agreement or nonagreement groups. Since the agreement with Czechoslovakia became effective on April 16, 1938, it was included among the agreement countries when a comparison was made between our trade in 1938 and our trade in 1937. However, in view of the suspension of the agreement with Czechoslovakia on April 22, 1939, it no longer appears as an agreement country. It should also be noted that the United Kingdom, which occupies such a leading position in our foreign trade, has been entirely omitted in making the comparisons between our average trade in 1938 and 1939 and the average for 1934-35, since the trade agreement with that country was in effect only during 1939.

CHANGES IN EXPORTS OF LEADING COMMODITIES IN 1939

In previous analyses reference has been made to the influence exerted by armament programs in a number of important countries, particularly in the trade-agreement group, on exports of certain commodities. This influence was, of course, accentuated during 1939, not only during the latter months of the year after the beginning of hostilities but also during the months immediately preceding. This fact must be taken into account in arriving at conclusions as to the effect of trade agreements on our trade based merely on the statistics of total United States exports to the agreement countries and exports to the nonagreement group. However, the available data indicate that there has been a tendency to exaggerate the importance of the contribution that shipments of war materials and supplies which constitute an element in preparation for war, have been making to our total trade. Even when the fullest allowance is made because of this abnormal factor the extent to which the increase in exports to agreement countries exceeds the increase in exports to nonagreement countries is still impressive, and, while all of the difference between the two groups cannot, of course, be credited to the concessions obtained through trade agreements, the continuance without variation over a period of years of a showing decidedly favorable to the trade-agreement countries indicates that the benefits yielded by the concessions have been substantial.

The principal products of which the United States is an important supplier, and which there is an inclination on the part of the public to place in the category of war materials, are aircraft, machine tools, metals, petroleum products, cotton, wheat, and corn. For the first 11 months of 1939 in comparison with the same period of 1938 exports of aircraft, including parts, increased by \$25,486,000 and exports of metal-working machinery by \$12,707,000. In both cases a large part of the increase was in shipments to the United Kingdom and France, both trade-agreement countries. In the case of petroleum, exports of crude oil decreased by \$18,381,000 and exports of gasoline decreased by \$4,164,000 compared to 1938, while exports of lubricating oils increased by \$14,727,000. Taking the three categories of petroleum products together, the result is a net decrease, and, while complete data are not available, it is clear that there was no change in our trade of sufficient importance to exert a noticeable influence on the relation between exports to agreement countries and exports to nonagreement countries.

Among the metals, exports of aluminum semifinufactures rose from \$2,220,000 to \$18,543,000. This exceptional expansion was certainly due primarily to a demand for military purposes, principally from the United Kingdom and France. However, larger shipments were also made to Russia and other nonagreement countries. There was also a considerable growth in exports of iron and steel scrap, which increased by \$10,652,000, but in this instance the increase in shipments to Japan and Italy alone, which lie within the nonagreement group, was greater than the increase in total shipments. Exports of iron and steel semifinufactures rose by \$25,660,000 and exports of advanced iron and steel manufactures by \$14,142,000. These increases were divided between trade-agreement

countries and nonagreement countries. The belligerents do not figure prominently, the effect of war conditions having been reflected in larger exports to European neutrals and to countries outside of Europe, which were unable to obtain deliveries from the countries which have normally supplied their needs, such as the United Kingdom, France, and Belgium.

Exports of cotton, always one of the leading commodities marketed abroad, show a net decline of \$9,810,000 for the 11-month period, increased shipments during the latter months of 1939 having failed fully to compensate for the shrinkage during the first half. Of trade-agreement countries, shipments to the United Kingdom, France, Canada, and Belgium show only a slight net increase. Thus, it appears that the relationship between the agreement countries and the non-agreement countries was not materially affected. The decreases in exports of wheat and corn, compared to the first 11 months of 1938, \$38,861,000 and \$76,064,000, respectively, were particularly heavy. In fact, the loss in the value of exports of these two commodities alone was \$10,000,000 more than the combined increase in the value of exports of aircraft, machine tools, iron and steel, and aluminum.

In the case of wheat, the value declined much more than the quantity, this being due to a considerable extent to the effect of the export subsidy plan. In that of corn nearly the entire loss resulted from a decline in quantity. For both of these basic food products, the United Kingdom, a trade-agreement country, is the principal foreign market. Leaf tobacco is another leading agricultural commodity, exports of which showed a very sharp decrease during 1939. From a value of \$139,418,000 in the first 11 months of 1938, exports of unmanufactured tobacco fell to only \$72,429,000 in the same period of 1939, or by \$66,989,000. Most of the total decrease took place in shipments to the agreement group. Here again the United Kingdom, a trade-agreement country, is the most important foreign market and the one to which the value of shipments showed the largest decrease, this being due in large measure to a shift from higher grades to lower-priced tobacco. That tobacco exports fell off was largely due to conditions resulting from the war. Automobiles, including parts and accessories, have come to occupy a leading position among United States exports. Although it might have been expected that this group would have been favorably affected both by the preparations for war and by the outbreak of hostilities in Europe, the statistics show the contrary to have been the case. Due primarily to smaller shipments of passenger cars to nonagreement countries, total exports of automotive products declined by \$12,533,000 in the first 11 months of 1939 compared to the same period of 1938.

CHANGES IN IMPORTS OF LEADING COMMODITIES IN 1939

As has already been pointed out, imports of industrial raw materials decreased sharply during 1938, and with the improvement in business that took place in 1939 it was to be expected that imports of such materials would rise to a more normal level. Comparing the first 11 months of 1939 with the same period of the previous year, imports of crude rubber increased by \$34,490,000, of unmanufactured wool by \$24,290,000, of raw silk by \$27,148,000, of hides and skins by \$16,111,000, of nickel, by \$12,462,000, of tin by \$16,994,000, and of copper, chiefly for refining and reexport, \$6,073,000. These increases account for a very substantial part of the total increases shown by imports both from agreement countries and from nonagreement countries, and, with the single exception of nickel, they cannot be attributed to the effect of trade agreements, in which there has been no modification of the tariff treatment applicable to the other commodities listed. In the case of nickel, the United States is almost exclusively dependent on imports for its supplies, and the volume of imports is therefore determined to a much larger extent by the market demand than by the rate of duty.

Of important commodities on which duty reductions were made through trade agreements, imports of cattle (except for breeding), cotton and wool semi-manufactures and manufactures, sawed lumber and shingles, show increases. However the aggregate increase in imports of all these products combined was only \$30,322,000, and for both lumber and for cotton-goods imports were considerably smaller than exports, and exports also increased in comparison with 1938. In the case of cotton goods, the increase in exports amounted to \$8,574,000, whereas the increase in imports was \$4,368,000. Needless to say, the effect of better business conditions in the United States on imports extended to practically

all commodities. The portion of the increase in total imports, which is not accounted for by the products just mentioned, appears to have been widely distributed as to countries and as to commodities.

CHANGES IN EXPORTS AND IMPORTS BY COUNTRIES IN 1939

Of the 18 countries with which trade agreements were in effect during 1939, exports to 15 countries increased, while exports to 3 countries declined, during the first 11 months of that year in comparison with the same period of 1938. In the case of the Netherlands, increased exports to the Netherlands East Indies offset decreases in exports to the Netherlands proper and the Netherlands West Indies. The agreement countries showing decreases were the United Kingdom proper, Belgium, and Honduras. Considering exports to the United Kingdom, Newfoundland, and the British Crown Colonies together, since all these areas were covered by the trade agreement, the net decline of \$18,000,000, or 3.3 percent, is readily accounted for by the smaller shipments of cereals and tobacco alone. In the case of Belgium, smaller purchases of wheat and corn appear to account for the decline in total exports. Trade with Honduras is so small in relation to total exports that the decline of 7.8 percent has no real significance.

On the side of imports, trade with 14 of the agreement countries increased, while 4 agreement countries registered declines, namely, Cuba, Sweden, Colombia, and Costa Rica. In the case of Cuba smaller shipments of sugar were entirely responsible. A falling off in imports of wood pulp and paper accounts for the decrease in imports from Sweden.

The amount involved in trade with Colombia and Costa Rica was insignificant in relation to total imports.

Making the longer-range comparison of average trade for the 2 years 1938-39 with the average for the preagreement years 1934-35, increases are shown in both exports to and imports from all of the agreement countries, with the sole exception of average imports from Colombia and Honduras, which show relatively unimportant decreases.

It should be noted again that the United Kingdom, Newfoundland, and the British Crown Colonies are included as an agreement country for the first time in 1939, and that trade with those territories is not included in the figures for the 2-year periods 1938-39 and 1934-35, since the agreement with the United Kingdom entered in force only on January 1, 1939.

United States trade with individual trade-agreement countries—11-month period ended Nov. 30—1934-39

[Values in millions of dollars]

Trade-agreement countries (in order of effective dates)	Dates effective	Exports, including reexports						General imports					
		January-November 1934 and 1935 average value	January-November 1938 and 1939 average value	January-November 1938 value	January-November 1939 value	Percentage change		January-November 1934 and 1935 average value	January-November 1938 and 1939 average value	January-November 1938 value	January-November 1939 value	Percentage change	
						1938-39 over 1934-35	1939 over 1938					1938-39 over 1934-35	1939 over 1938
Total, trade-agreement countries		694	1,114	1,615	1,665	+60.5	+4.9	704	859	1,056	1,261	+22.1	+17.5
Cuba	Sept. 3, 1934	48	72	70	74	+49.8	+6.4	82	101	104	99	+22.8	-4.5
Belgium	May 1, 1935	49	65	71	59	+32.0	-17.1	30	48	38	58	+60.0	+54.0
Haiti	3	4	3	5	5	+27.7	+46.3	1	3	3	3	+153.8	+1.9
Sweden	Aug. 5, 1935	22	73	58	87	+125.3	+49.1	33	39	41	38	+18.2	-6.9
Brazil	Jan. 1, 1936	39	63	55	70	+61.5	+28.7	88	93	89	97	+5.9	+9.3
Canada	do	291	444	439	450	+52.5	+2.3	233	272	237	308	+16.9	+30.2
Netherlands (including overseas territories)		69	154	154	154	+125.0	-1	85	120	111	128	+40.4	+15.0
Netherlands proper	Feb. 1, 1936	46	88	89	87	+90.8	-2.6	32	28	29	27	-13.0	-5.6
Netherlands Indies		9	28	25	31	+209.7	+24.0	43	70	61	80	+65.1	+29.9
Netherlands West Indies		13	37	39	35	+189.8	-10.2	10	18	19	18	+90.0	-2.3
Switzerland ¹	Feb. 15, 1936	7	12	9	15	+64.6	+54.7	14	24	21	28	+68.7	+32.1
Honduras	Mar. 2, 1936	5	6	6	5	+6.0	-7.8	7	7	7	7	-9.8	+21.9
Colombia	May 20, 1936	20	41	36	45	+103.5	+25.4	45	44	45	43	-1.7	-4.5
Guatemala	June 15, 1936	4	7	6	8	+89.3	+19.8	5	9	8	10	+86.6	+19.1
France (including colonies) ²	do	114	149	136	161	+31.0	+18.8	62	69	64	74	+10.5	+16.2
France proper		104	124	123	145	+29.5	+18.5	55	53	48	57	-3.3	+17.8
Nicaragua	Oct. 1, 1936	2	3	2	4	+38.8	+64.2	2	3	2	3	+24.7	+19.0
Finland	Nov. 2, 1936	6	12	11	13	+108.6	+15.4	9	18	16	19	+84.7	+16.4
El Salvador	May 31, 1937	3	3	3	4	+23.7	+13.7	4	6	5	7	+68.6	+25.8
Costa Rica	Aug. 2, 1937	2	7	5	9	+172.9	+81.2	2	3	4	3	+40.1	-22.4
Ecuador	Oct. 23, 1938	(³)	(³)	3	5		+66.8	(³)	(³)	2	3		+36.1
United Kingdom	Jan. 1, 1939	(³)	(³)	474	455		-4.0	(³)	(³)	106	134		+26.3
Newfoundland	do	(³)	(³)	7	8		+17.7	(³)	(³)	6	7		+42.9
British colonies	do	(³)	(³)	65	65		-6	(³)	(³)	149	173		+16.0
Total, nonagreement countries		897	1,162	1,210	1,114	+29.6	-7.9	707	782	733	830	+18.6	+13.2
Total, all countries		2,011	2,818	2,825	2,810	+40.1	-6	1,692	1,930	1,789	2,071	+14.1	+15.8

¹ These figures include Surinam (Dutch Guiana), the trade with which is too small to warrant individual listing.

² United States statistics show only a small portion of the actual exports to Switzerland, most of which are transhipped through third countries and are shown as exports to those countries. Therefore, too much significance should not be attached to the statistics of exports to Switzerland.

³ These figures include all French colonies. Only France proper is listed separately.

⁴ Countries with which agreements have been concluded but where the period during which the agreements have been in effect is too short to justify inclusion for purposes of comparison.

⁵ The apparent discrepancy shown by these figures in comparison with other totals is due to the noninclusion of trade with Ecuador and the United Kingdom and its Crown colonies.

GENERAL NOTE.—Percentage changes have been calculated upon fuller figures in thousands of dollars.

SOURCE: Latest records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce.

Mr. GRADY. Exhibit II shows that our exports to the principal individual countries with which we have made trade agreements have in nearly all cases shown a substantially greater rate of increase than our exports as a whole; thus our exports to Canada between January 1936 and October 1939 reached an annual average value of 47 percent above that for 1934-35, as compared with 35 percent for our total exports in the same periods; as you will note from the table on the last page of this exhibit (see page 120), this was by no means the most striking example out of the ten countries covered by this analysis.

EXHIBIT II

PRE-AGREEMENT AND POST-AGREEMENT TRADE OF THE UNITED STATES WITH THE PRINCIPAL COUNTRIES WITH WHICH TRADE AGREEMENTS WERE MADE BEFORE 1937

[NOTE.-- Statistics in tables are preliminary and subject to revision.]

The following tables show the trade of the United States with 10 countries with which trade agreements were made prior to January 1, 1937, so that there has been an experience of 2 years or more in trade since the agreement. These 10 countries accounted in 1938 for 92 percent of the total exports to all countries with which trade agreements had been made before 1937, and for 90 percent of the total imports from all such countries. Similar compilations are in preparation for the other trade-agreement countries, the trade with which is very small, except in the case of Switzerland and the Netherlands West Indies. It may be noted that the export statistics of the United States show but a small fraction of the goods which actually go ultimately to Switzerland, the bulk of the export trade being conducted through third countries; and that, although the general provisions of the trade agreement with the Netherlands covered the Netherlands West Indies, it included no concessions, on either side, with respect to specific articles entering into the trade between those islands and the United States.

In each of these comparisons, the pre-agreement period is taken as beginning with January 1 of the second year prior to the agreement. The period therefore covers either precisely 2 years, or, in the case of those countries with which agreements went into effect some time after the 1st of January of a given year, 2 years plus the additional pre-agreement months of that year. For each country the post-agreement figures represent the entire period from the 1st of the month during which the agreement went into effect through October 1939.¹ Annual averages for the pre-agreement and post-agreement periods are computed by dividing the totals by the number of years, including fractional years. In each case the changes in the trade with the given country are compared with the changes in the trade with all countries for the same periods.

¹ Although the Swiss trade statistics show with approximate correctness the true value in Swiss francs of the imports from the United States, these statistics cannot be satisfactorily used for comparison between the pre-agreement and the post-agreement period because of the marked variation in the rate of exchange of the Swiss franc for the dollar.

² For convenience, a few minor exceptions to this method of determining the periods were made where an agreement was made either very early in a year or very late in a year; the entire year in such cases has been treated either as in the post-agreement period or in the pre-agreement period, as the case may be.

TRADE OF THE UNITED STATES WITH CUBA

The agreement went into effect September 3, 1934.

[Millions of dollars]

	Exports			Imports		
	To Cuba	To all countries	Percent to Cuba	From Cuba	From all countries	Percent from Cuba
Pre-agreement:						
1932.....	28.8	1,611.0	1.79	58.3	1,322.8	4.41
1933.....	25.1	1,675.0	1.50	58.5	1,449.0	4.03
January-August 1934.....	27.7	1,869.7	2.02	42.3	1,110.1	3.81
Annual average, 2 years, 8 months.....	30.0	1,745.9	1.75	59.7	1,455.9	4.10
Post-agreement:						
September-December 1934.....	17.6	763.1	2.31	36.6	545.0	6.71
1935.....	60.1	2,282.9	2.63	104.3	2,047.5	5.09
1936.....	67.4	2,466.0	2.74	127.5	2,422.6	5.26
1937.....	92.3	3,349.2	2.76	148.0	3,083.7	4.80
1938.....	76.3	3,094.1	2.46	195.8	1,960.5	5.40
January-October 1939.....	68.2	2,517.0	2.63	93.8	1,835.8	5.11
Annual average, 5 years, 2 months.....	73.5	2,799.2	2.03	119.2	2,302.3	5.13
Increase in annual average post-agreement over pre-agreement:						
Amount.....	42.0	1,053.3		59.5	846.4	
Percent.....	140.1	60.3		99.7	58.1	

TRADE OF THE UNITED STATES WITH BELGIUM

The trade agreement went into effect May 1, 1935.

[Millions of dollars]

	Exports (including reexports)			Imports (general)		
	To Belgium	To all countries	Percent to Belgium	From Belgium	From all countries	Percent from Belgium
Pre-agreement:						
1933.....	43.3	1,675.0	2.58	23.2	1,449.6	1.60
June.....	50.0	2,132.8	2.34	26.2	1,655.0	1.58
January-April 1935.....	17.1	688.2	2.48	11.5	667.3	1.72
Annual average, 2 years, 4 months.....	47.3	1,927.1	2.45	26.1	1,616.5	1.61
Post-agreement:						
May-December 1935.....	41.2	1,694.7	2.58	28.3	1,380.2	2.04
1936.....	58.8	2,455.0	2.39	58.9	2,422.6	2.43
1937.....	95.3	3,349.2	2.84	75.1	3,083.7	2.43
1938.....	76.9	3,094.0	2.48	41.7	1,960.5	2.13
January-October 1939.....	53.6	2,517.0	2.13	52.7	1,835.8	2.87
Annual average, 4 years, 6 months.....	72.4	2,891.3	2.50	57.0	2,373.9	2.40
Increase in annual average post-agreement over pre-agreement:						
Amount.....	25.1	964.2		30.9	757.4	
Percent.....	53.1	55.0		118.4	46.8	

RECIPROCAL TRADE AGREEMENTS ACT

TRADE OF THE UNITED STATES WITH SWEDEN

The trade agreement went into effect August 5, 1935.

[Millions of dollars]

	Exports (including reexports)			Imports (general) †		
	To Sweden	To all countries	Percent to Sweden	From Sweden	From all countries	Percent from Sweden
Preagreement:						
1933.....	18.6	1,075.0	1.11	31.0	1,449.6	2.14
1934.....	33.1	2,132.8	1.55	33.9	1,655.0	2.03
January-July 1935.....	20.1	1,197.5	1.68	19.5	1,172.8	1.66
Annual average, 2 years, 7 months.....	27.8	1,937.5	1.43	32.7	1,655.6	1.98
Postagreement:						
August-December 1935.....	18.1	1,085.4	1.66	21.8	875.2	2.49
1936.....	43.1	2,456.0	1.75	48.2	2,422.0	1.99
1937.....	64.6	3,849.2	1.92	58.7	3,083.7	1.90
1938.....	64.2	3,094.1	2.07	45.1	1,960.5	2.30
January-October 1939.....	70.4	2,517.0	3.03	31.8	1,835.8	1.73
Annual average, 4 years 3 months.....	62.7	2,941.6	2.13	48.4	2,394.8	2.02
Increase in annual average postagreement over preagreement:						
Amount.....	34.9	1,004.1	-----	15.7	739.2	-----
Percent.....	125.6	51.8	-----	48.0	44.0	-----

† The bulk of the imports consists of wood pulp and newsprint paper which are free of duty.

TRADE OF THE UNITED STATES WITH CANADA

The first trade agreement with Canada went into effect January 1, 1936; the second, which made greater and additional concessions on both sides, on January 1, 1939.

[United States statistics, millions of dollars]

	Exports (including reexports)			Imports (general)		
	To Canada	To all countries	Percent to Canada	From Canada	From all countries	Percent from Canada
Preagreement:						
1934.....	302.4	2,132.8	14.18	231.7	1,655.1	14.00
1935.....	323.2	2,282.9	14.16	286.4	2,047.5	13.99
Average, 2 years.....	312.8	2,207.8	14.17	259.0	1,851.3	13.99
Postagreement:						
1936.....	384.2	2,456.0	15.64	376.8	2,422.6	15.51
1937.....	509.3	3,349.2	15.21	398.3	3,083.7	12.91
1938.....	487.7	3,094.1	15.11	260.3	1,960.5	13.28
January-October, 1939.....	398.3	2,517.0	15.82	273.2	1,835.8	14.88
Annual average, 3 years 10 months.....	459.0	2,978.2	15.41	341.1	2,428.8	14.03
Increase in annual average post-agreement over preagreement:						
Amount.....	146.2	770.4	-----	82.1	575.5	-----
Percent.....	46.7	34.9	-----	31.7	31.1	-----

TRADE OF THE UNITED STATES WITH BRAZIL

The agreement went into effect January 1, 1936.

(Millions of dollars)

	Exports (including reexports)			Imports (general) ¹		
	To Brazil	To all countries	Percent to Brazil	From Brazil	From all countries	Percent from Brazil
Preagreement:						
1934.....	40.4	2,132.8	1.89	91.5	1,655.1	5.53
1935.....	43.6	2,282.9	1.91	99.7	2,047.5	4.87
Average 2 years.....	42.0	2,207.8	1.90	95.6	1,851.3	5.16
Postagreement:						
1936.....	49.0	2,456.0	2.00	102.0	2,422.6	4.21
1937.....	68.0	3,349.2	2.05	120.6	3,063.7	3.91
1938.....	62.0	3,094.1	2.00	97.9	1,960.5	4.90
January-October 1939.....	69.3	2,517.0	2.36	84.6	1,835.8	4.61
Annual average, 3 years 10 months.....	62.3	2,978.2	2.09	105.7	2,426.8	4.36
Increase in annual average, post-agreement over preagreement:						
Amount.....	20.3	770.4	-----	10.1	576.5	-----
Percent.....	48.3	34.9	-----	10.6	31.1	-----

¹ The bulk of the imports consists of coffee and other duty-free articles.

TRADE OF THE UNITED STATES WITH THE NETHERLANDS

The trade agreement went into effect February 1, 1936, and the total trade of 1936 is included in the post-agreement period.

(Millions of dollars)

	Exports (including reexports)			Imports (general)		
	To Netherlands	To all countries	Percent from Netherlands	From Netherlands	From all countries	Percent from Netherlands
Preagreement:						
1934.....	61.0	2,132.8	2.89	28.4	1,655.0	1.71
1935.....	49.1	2,282.9	2.15	40.6	2,047.6	1.98
Average 2 years.....	60.0	2,207.8	2.26	34.5	1,851.2	1.86
Postagreement:						
1936.....	53.3	2,456.0	2.17	60.0	2,422.6	2.06
1937.....	93.5	3,349.2	2.79	63.3	3,063.7	1.73
1938.....	96.8	3,094.1	3.13	31.4	1,960.5	1.60
January-October 1939.....	73.8	2,517.0	2.93	24.7	1,835.0	1.34
Annual average 3 years 10 months.....	82.8	2,978.4	2.78	41.6	2,427.0	1.71
Increase in annual average postagreement over preagreement:						
Amount.....	82.8	770.6	-----	7.1	576.6	-----
Percent.....	65.6	34.9	-----	20.6	31.1	-----

TRADE OF THE UNITED STATES WITH NETHERLAND INDIES

The trade agreement went into effect February 1, 1936. For convenience all of 1936 is included in the post-agreement period.

[Millions of dollars]

	Exports			Imports (general) ¹		
	To Netherlands Indies	To all countries	Percent to Netherlands Indies	From Netherlands Indies	From all countries	Percent from Netherlands Indies
Pre-agreement:						
1934.....	10.1	2,132.8	0.47	42.4	1,655.0	2.66
1935.....	10.9	2,282.9	.48	60.3	2,047.5	2.46
Average 2 years.....	10.5	2,207.8	.48	46.3	1,851.2	2.60
Post-agreement:						
1936.....	13.8	2,456.0	.56	69.8	2,422.6	2.88
1937.....	25.0	3,349.2	.75	115.2	3,083.7	3.73
1938.....	27.5	3,094.1	.89	68.7	1,960.5	3.30
January-October 1939.....	28.0	2,517.0	1.11	67.6	1,835.8	3.68
Annual average 3 years, 10 months.....	24.6	2,978.4	.82	83.8	2,427.0	3.45
Increase in annual average, post-agreement over pre-agreement:						
Amount.....	14.1	770.6	-----	37.5	575.8	-----
Percent.....	134.2	34.9	-----	81.0	31.1	-----

¹ The great bulk of the imports consist of rubber, tin, tapoca, sago, and other duty-free articles.

TRADE OF THE UNITED STATES WITH FRANCE

The trade agreement went into effect June 15, 1936.

[Millions of dollars]

	Exports (including re-exports)			Imports (general)		
	To France	To all countries	Percent to France	From France	From all countries	Percent from France
Preagreement:						
1934.....	115.7	2,132.8	5.42	61.0	1,655.0	3.66
1935.....	117.0	2,282.9	5.12	58.1	2,047.5	2.84
January-June 1936.....	55.3	1,154.1	4.79	28.9	1,163.2	2.45
Annual average, 2½ years.....	115.2	2,227.9	5.17	59.2	1,946.3	3.04
Postagreement:						
July-December 1936.....	74.1	1,301.9	5.69	36.3	1,259.4	2.88
1937.....	164.5	3,349.2	4.91	75.6	3,083.7	2.45
1938.....	133.8	3,094.1	4.32	54.1	1,960.5	2.76
January-October 1939.....	132.2	2,517.0	5.25	50.8	1,835.8	2.77
Annual average, 3 years 4 months.....	151.4	3,079.0	4.92	65.0	2,441.8	2.66
Increase in annual average, postagreement over preagreement:						
Amount.....	36.2	851.1	-----	5.8	495.5	-----
Percent.....	31.4	38.2	-----	0.9	25.5	-----

TRADE OF THE UNITED STATES WITH COLOMBIA

The agreement went into effect May 20, 1936.

[Millions of dollars]

	Exports (including reex-ports)			Imports (general) †		
	To Colombla	To all countries	Percent to Colombla	From Colombla	From all countries	Percent from Colombla
Pre-agreement:						
1934.....	21.9	2,132.8	1.03	47.1	1,656.1	2.84
1935.....	21.6	2,282.9	.94	50.4	2,047.5	2.46
January-May 1936.....	10.2	960.2	1.05	16.9	972.8	1.74
Annual average, 2 years, 5 months.....	22.2	2,228.3	.99	47.3	1,934.7	2.48
Post-agreement:						
June-December 1936.....	17.6	1,486.8	1.18	26.1	1,446.8	1.80
1937.....	39.2	3,349.2	1.17	52.3	3,083.7	1.69
1938.....	40.9	3,094.1	1.32	49.4	1,960.5	2.52
January-October 1939.....	40.6	2,517.0	1.61	38.7	1,835.8	2.11
Annual average, 3 years, 5 months.....	40.5	3,057.7	1.32	48.7	2,438.0	2.00
Increase in annual average post-agreement over pre-agreement:						
Amount.....	18.3	829.4	.....	1.4	503.3	.....
Percent.....	82.4	37.2	.....	2.96	26.0	.....

† The bulk of the imports consists of coffee, bananas, and other duty-free articles.

TRADE OF THE UNITED STATES WITH FINLAND

The agreement went into effect November 2, 1936. For convenience the entire year 1936 is included with the preagreement period.

[Millions of dollars]

	Exports (including reexports)			Imports (general) †		
	To Finland	To all countries	Percent to Finland	From Finland	From all countries	Percent from Finland
Preagreement:						
1934.....	6.0	2,132.8	0.28	9.0	1,656.0	0.54
1935.....	6.1	2,282.9	.27	12.2	2,047.5	.60
1936.....	7.5	2,456.0	.30	16.4	2,422.6	.63
Average, 3 years.....	6.5	2,290.6	.28	12.2	2,011.7	.60
Postagreement:						
1937.....	12.3	3,349.2	.37	17.6	3,083.7	.57
1938.....	12.0	3,094.1	.39	18.1	1,960.5	.92
January to October 1939.....	11.6	2,517.0	.47	17.5	1,835.8	.95
Annual average, 2 years 10 months.....	12.7	3,162.8	.40	18.8	2,428.5	.77
Increase in annual average postagreement over preagreement:						
Amount.....	6.2	872.2	.....	6.6	392.8	.....
Percent.....	95.4	38.1	.....	54.1	18.9	.....

† The great bulk of the imports consist of wood pulp and newsprint paper which are free of duty.

Preagreement and postagreement trade of United States with principal trade-agreement countries

(In millions of dollars)

Country	Periods compared		Annual average value of trade				Percent increase in United States trade with all countries	Country's share of our total trade	
	Preagreement	Postagreement	Preagreement	Postagreement	Increase			Preagreement	Postagreement
					Amount	Percent			
Cuba:									
Exports to	January 1932 to August 1934.	September 1934 to October 1939.	30.0	73.5	42.0	140	60	1.75	2.63
Imports from			69.7	110.2	59.5	100	58	4.10	5.18
Belgium:									
Exports to	January 1933 to April 1935.	May 1935 to October 1939.	47.8	72.4	25.1	53	50	2.45	2.50
Imports from			20.1	57.0	30.0	118	47	1.01	2.40
Sweden:									
Exports to	January 1933 to July 1935.	August 1935 to October 1939.	27.6	62.7	34.9	125	52	1.43	2.13
Imports from			32.7	48.4	15.7	48	45	1.08	2.02
Canada:									
Exports to	1934 and 1935.	January 1936 to October 1939.	312.8	450.0	140.2	47	35	14.17	15.41
Imports from			289.0	341.1	82.1	32	31	13.99	14.05
Brazil:									
Exports to	do.	do.	42.0	62.3	20.3	48	35	1.90	2.09
Imports from			95.0	105.7	10.1	11	31	5.10	4.36
Netherlands:									
Exports to	do.	do.	50.0	82.8	32.8	66	35	2.25	2.78
Imports from			34.5	41.0	7.1	21	31	1.80	1.71
Netherlands East Indies:									
Exports to	do.	do.	10.5	24.6	14.1	134	35	.48	.62
Imports from			40.3	83.8	37.5	81	31	2.50	3.45
France:									
Exports to	January 1934 to June 1939.	July 1939 to October 1939.	115.2	151.4	30.2	31	38	5.17	4.92
Imports from			59.2	65.0	5.8	10	25	3.04	2.95
Colombia:									
Exports to	January 1934 to May 1939.	June 1939 to October 1939.	22.2	40.5	18.3	82	37	.99	1.32
Imports from			47.3	48.7	1.4	3	26	2.48	2.00
Finland:									
Exports to	1934 to 1936.	January 1937 to October 1939.	6.5	12.7	6.2	95	38	.28	.40
Imports from			12.2	18.8	6.6	54	10	.60	.77

Mr. GRADY. Exhibit III shows that the share which we have supplied of the total imports of trade-agreement countries has shown a marked increase, both in the aggregate and for most of them taken separately, and that this share has increased in greater measure than the increase in our share of the imports of other countries. As pointed out in the second paragraph of the explanatory statement in this exhibit, the share which the United States supplied of the total imports of the 16 countries with which trade agreements were in effect before January 1, 1938, increased from 12.2 percent in 1933, to 19.7 percent in 1938, as compared with an increase from 12.1 to 14.5 percent in our share of the imports of the 20 most important countries with which trade agreements were not in effect by January 1, 1938. This is an increase of 61.5 percent for the 16 trade-agreement countries as compared with 19.8 percent for the 20 others.

EXHIBIT III

[Reprint from "Commerce Reports" of February 10, 1940, issued by the Bureau of Foreign and Domestic Commerce, United States Department of Commerce]

UNITED STATES INCREASES ITS SHARE IN TRADE OF TRADE-AGREEMENT COUNTRIES

Analysis of the foreign-trade returns of the 16 countries with which trade agreements became effective before January 1, 1938, reveals a marked increase in the percentage of total imports supplied by the United States. The statistics

show that the United States not only increased the value of its sales to those countries but also improved its competitive position with reference to other suppliers.

In 1933, the year before the approval of the Trade Agreements Act, the United States supplies 12.2 percent of total imports into the 16 trade-agreement countries in question. Each subsequent year shows an increase, and, by 1938, the latest for which statistics are available, the percentage supplied by the United States had risen to 19.7 percent, while the share supplied by other countries, which was 87.8 percent in 1933, had declined to 80.3 percent by 1938. For the 20 most important countries with which no trade agreements were in effect (including the United Kingdom, Turkey, and Venezuela, the trade agreements with which entered in force only in 1939), the share of the United States in total imports was 12.1 percent in 1933 and 14.5 percent in 1938. The comparison between the two groups is, therefore, decidedly favorable to the trade-agreement countries.

Turning to the other side of the picture, the 16 trade-agreement countries supplied 41 percent of total imports into the United States in 1933 and 44.1 percent in 1938, while during the same period the share of the 20 principal non-agreement countries declined from 40.8 percent to 36 percent, and the share of all nonagreement countries fell from 59 percent to 55.9 percent. In this connection it should be noted that imports into the United States showed an exceptional decline in 1938 compared to the previous year, this decline being particularly marked in the case of certain of the nonagreement countries which are leading sources of supply for basic raw materials normally imported in large volume.

Only 1 trade agreement became effective during 1934 (with Cuba, September 3, 1934), 3 agreements became effective during 1935, 10 agreements during 1936, and 2 agreements during 1937. Consequently 1933 and 1934 may be considered preagreement years, and 1937 and 1938 postagreement years. Comparing the averages for those 2 periods, the share of total imports into the 16 agreement countries supplied by the United States increased 43 percent, while the share of their total imports supplied by other countries decreased 6.5 percent. On the side of imports into the United States no appreciable change took place in the division of trade between the 16 agreement countries and the nonagreement countries as a whole.

AVERAGE IMPORTS INTO TRADE-AGREEMENT COUNTRIES

Considered from the standpoint of value of trade, average imports into the 16 trade-agreement countries from the United States showed an increase of 62 percent in 1937-38 compared to 1933-34, while average imports from other countries increased only 6.3 percent. Making the same comparison, for the 20 most important nonagreement countries the value of average imports from the United States increased 50 percent and that of average imports from other countries 34.4 percent. The value of average imports into the United States showed an increase of 60.7 percent in the case of both the agreement countries and the non-agreement countries, the relative shares supplied by the two groups remaining unchanged.

Detailed figures are given in the tables which follow. In order to make the statistics of the foreign countries comparable they have been converted into dollars at average rates of exchange. In making such conversions there is inevitably a certain margin of error, but this is believed to be too small to exert any noticeable influence on the results shown.

Value of imports into 16 agreement countries¹

(In millions of dollars. Based on foreign countries' statistics)

	From United States	From other countries	Total		From United States	From other countries	Total
1933	732.1	5,248.2	5,980.4	1936	915.7	4,838.2	5,753.9
1934	771.0	4,732.7	5,523.7	1937	1,238.9	5,770.5	6,989.7
1938	794.8	4,554.6	5,349.4	1938	1,196.4	4,876.9	6,073.4

¹ Includes only the 16 countries with which trade agreements became effective before Jan. 1, 1938.

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Percent of imports into 16 agreement countries

	From United States	From other countries	Total		From United States	From other countries	Total
	Percent	Percent	Percent		Percent	Percent	Percent
1933.....	12.21	87.79	100	1936.....	15.91	84.09	100
1934.....	13.96	86.04	100	1937.....	17.70	82.30	100
1935.....	14.86	85.14	100	1938.....	19.70	80.30	100

Value of imports into 20 nonagreement countries ¹

(In millions of dollars. Based on foreign countries, statistics)

	From United States	From other countries	Total		From United States	From other countries	Total
1933.....	1,078.5	7,816.3	8,894.8	1936.....	1,429.4	9,421.2	10,850.6
1934.....	1,321.9	8,085.3	10,007.2	1937.....	1,821.9	11,661.4	13,483.3
1935.....	1,323.4	8,818.6	10,142.0	1938.....	1,780.2	10,509.9	12,290.1

¹Includes the 20 most important countries (in order of importance from standpoint of 1938 exports from the United States) with which trade agreements were not effective before Jan. 1, 1938.

Percent of imports into 20 nonagreement countries

	From United States	From other countries	Total		From United States	From other countries	Total
	Percent	Percent	Percent		Percent	Percent	Percent
1933.....	12.1	87.9	100	1936.....	13.2	86.8	100
1934.....	13.2	87.8	100	1937.....	13.5	86.5	100
1935.....	13.0	87.0	100	1938.....	14.5	85.5	100

Value of imports into the United States

(In millions of dollars. Based on United States statistics)

	From 16 trade-agreement countries	From other countries	Total		From 16 trade-agreement countries	From other countries	Total
1933.....	594.3	855.2	1,449.5	1936.....	1,037.8	1,386.2	2,424.0
1934.....	692.0	944.0	1,636.0	1937.....	1,207.4	1,802.5	3,009.9
1935.....	852.4	1,186.5	2,038.9	1938.....	860.3	1,089.3	1,949.6

¹ Since imports for consumption by countries are not available for 1933, the figures for that year cover general imports, whereas, for the other years they cover imports for consumption. The difference, however, is too small to affect the comparison.

Percent of imports into the United States

	From 16 trade-agreement countries	From other countries	Total		From 16 trade-agreement countries	From other countries	Total
	Percent	Percent	Percent		Percent	Percent	Percent
1933.....	41.03	58.97	100	1936.....	42.81	57.19	100
1934.....	42.30	57.70	100	1937.....	40.11	59.89	100
1935.....	41.81	58.19	100	1938.....	44.12	55.88	100

Value of imports into the United States

(In millions of dollars: Based on United States statistics)

	From 10 trade-agreement countries	From 20 non-trade-agreement countries	From other countries	Total		From 16 trade-agreement countries	From 20 non-trade-agreement countries	From other countries	Total
1933.....	594.3	591.2	264.1	1,449.6	1936.....	1,037.8	917.7	468.5	2,424.0
1934.....	692.0	611.1	332.9	1,636.0	1937.....	1,207.4	1,161.1	641.4	3,009.9
1935.....	852.4	786.1	400.1	2,038.6	1938.....	860.3	701.7	387.0	1,949.0

¹ Since imports for consumption by countries are not available for 1933, the figures for that year cover general imports, whereas for the other years they cover imports for consumption. The difference, however, is too small to affect the comparison.

Percent of imports into the United States

	From 10 trade-agreement countries	From 20 non-trade-agreement countries	From other countries	Total		From 16 trade-agreement countries	From 20 non-trade-agreement countries	From other countries	Total
1933.....	Percent 41.03	Percent 40.76	Percent 18.21	Percent 100	1936.....	Percent 42.81	Percent 37.60	Percent 19.33	Percent 100
1934.....	Percent 42.30	Percent 37.35	Percent 20.35	Percent 100	1937.....	Percent 40.11	Percent 38.58	Percent 21.31	Percent 100
1935.....	Percent 41.81	Percent 38.35	Percent 19.64	Percent 100	1938.....	Percent 44.12	Percent 35.99	Percent 19.89	Percent 100

United States trade with trade-agreement countries

PERCENT OF TOTAL IMPORTS INTO TRADE-AGREEMENT COUNTRIES SUPPLIED BY THE UNITED STATES

(Based on foreign countries' statistics)

Agreement effective		1933	1934	1935	1936	1937	1938
		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Sept. 3, 1934	Cuba.....	53.52	56.16	58.33	64.42	68.57	70.89
May 1, 1935	Belgium (and Luxemburg).....	7.88	7.29	7.57	6.93	8.75	11.28
June 3, 1935	Haiti.....	62.19	48.39	48.38	56.46	59.98	54.34
Aug. 6, 1935	Sweden.....	10.28	11.77	12.79	12.92	13.99	16.26
Jan. 1, 1936	Brazil.....	21.01	23.61	23.28	22.15	23.12	24.21
Do	Canada.....	54.16	56.49	56.64	58.19	60.64	62.67
Feb. 1, 1936	Netherlands (including colonies).....	6.18	6.73	7.50	7.32	9.05	12.95
	Netherlands proper.....	6.43	6.67	6.92	7.18	8.80	10.84
	Netherlands Indies.....	4.89	7.78	6.93	7.71	10.19	12.58
	Netherlands West Indies (including Surinam).....	7.13	8.79	10.58	7.82	13.29	21.04
Feb. 15, 1936	Switzerland.....	5.82	5.37	5.53	5.68	7.02	7.89
Mar. 2, 1936	Honduras ¹	73.77	70.17	64.55	66.51	58.04	61.99
May 20, 1936	Colombia.....	36.83	43.90	41.40	41.29	48.33	61.25
June 15, 1936	Guatemala.....	40.68	40.84	32.02	33.91	36.26	44.69
June 15, 1936	France (including Colonies, etc.).....	8.32	7.47	6.91	8.09	8.11	9.52
	France proper.....	10.32	9.48	8.52	9.94	9.45	11.38
	French colonies, etc.....	1.84	2.11	2.64	2.72	3.40	3.62
Oct. 1, 1936	Nicaragua.....	62.73	68.79	50.10	46.24	54.27	59.77
Nov. 2, 1936	Finland.....	7.34	8.62	9.75	9.49	9.27	10.38
May 31, 1936	El Salvador.....	45.47	44.98	38.41	38.63	40.38	46.78
Aug. 2, 1937	Costa Rica.....	47.06	47.94	34.34	38.98	42.51	49.13

¹ Fiscal year Oct. 1-Sept. 30.

² Fiscal year ending Aug. 1 - July 31.

United States trade with trade-agreement countries—Continued

PERCENT OF TOTAL IMPORTS INTO THE UNITED STATES SUPPLIED BY TRADE-AGREEMENT COUNTRIES

[Based on United States statistics]

Agreement effective		1933	1934	1935	1936	1937	1938
		Percent	Percent	Percent	Percent	Percent	Percent
Sept. 3, 1934	Cuba.....	4.04	4.81	5.46	5.35	4.88	5.41
May 1, 1935	Belgium (and Luxemburg).....	1.60	1.62	1.93	2.42	2.46	2.16
June 3, 1935	Haiti ¹.....	.06	.07	.06	.08	.10	.15
Aug. 5, 1935	Sweden.....	2.14	2.08	2.02	1.99	1.95	2.31
Jan. 1, 1936	Brazil.....	5.70	5.62	4.87	4.24	3.97	5.01
Do.....	Canada.....	12.79	13.89	14.03	15.66	13.10	13.16
Feb. 1, 1936	Netherlands (including colonies).....	4.96	4.87	5.10	5.66	6.38	6.26
	Netherlands proper.....	2.14	1.71	1.93	2.08	1.77	1.54
	Netherlands Indies.....	2.28	2.68	2.46	2.88	3.84	3.53
	Netherlands West Indies (including Surinam).....	.54	.58	.71	.70	.78	1.19
Feb. 15, 1936	Switzerland.....	1.60	.93	.79	.86	.87	1.17
Mar. 2, 1936	Honduras ¹.....	.49	.48	.31	.25	.19	.29
May 20, 1936	Colombia.....	3.29	2.87	2.45	1.77	1.74	2.53
June 15, 1936	Guatemala.....	.24	.28	.30	.35	.32	.49
Do.....	France (including Colonies, etc.).....	3.53	3.85	3.87	3.22	3.04	3.62
	France proper.....	3.43	3.50	2.87	2.76	2.45	2.79
	French colonies, etc.....	.10	.35	.50	.46	.59	.83
Oct. 1, 1936	Nicaragua.....	.15	.10	.13	.08	.10	.13
Nov. 2, 1936	Finland.....	.62	.55	.60	.63	.68	.93
May 31, 1937	El Salvador.....	.15	.15	.24	.21	.28	.29
Aug. 2, 1937	Costa Rica.....	.27	.13	.16	.14	.15	.21

¹ Fiscal year Oct. 1-Sept. 30.² Fiscal year Aug. 1-July 31.

United States trade with principal non-trade-agreement countries

PERCENT OF TOTAL IMPORTS INTO NON-TRADE-AGREEMENT COUNTRIES SUPPLIED BY THE UNITED STATES

[Based on foreign country's statistics]

	1933	1934	1935	1936	1937	1938
	Percent	Percent	Percent	Percent	Percent	Percent
United Kingdom.....	11.2	11.2	11.6	11.0	11.1	12.8
Japan.....	33.0	34.2	33.0	30.7	33.6	34.4
Germany (Old Germany).....	11.5	8.4	5.8	5.5	5.2	7.4
Argentina.....	12.7	14.8	14.4	14.6	16.4	17.7
South Africa, Union of.....	12.6	16.9	17.8	19.7	20.6	19.0
Russia.....	4.8	7.7	12.2	15.5	18.2	28.9
Australia ¹	14.6	13.6	15.7	17.1	14.7	15.9
Mexico.....	59.9	60.6	68.6	59.5	62.7	57.7
Italy.....	15.0	12.5	11.3	14.8	11.0	11.8
Venezuela.....	48.5	45.1	44.3	47.4	52.8	56.1
China.....	21.9	26.2	19.0	19.6	19.8	17.0
India ²	6.2	6.7	6.6	6.7	6.4	7.4
Ireland.....	2.9	4.8	6.3	7.7	6.6	11.4
Denmark.....	6.0	6.1	5.3	5.3	5.2	8.0
Chile.....	22.5	28.6	27.1	25.4	29.1	27.7
New Zealand.....	11.7	12.0	12.5	12.7	12.4	12.4
Norway.....	6.9	8.6	8.2	8.4	8.5	10.0
Peru.....	27.1	26.9	32.9	32.0	35.3	34.3
Egypt.....	3.2	4.1	5.2	5.7	5.6	6.6
Turkey.....	3.1	4.3	7.0	9.7	15.1	10.5

¹ Fiscal year July 1-June 30.² Included Burma before 1938.

United States trade with principal non-trade-agreement countries—Continued

PERCENT OF TOTAL IMPORTS INTO THE UNITED STATES SUPPLIED BY NON-TRADE-AGREEMENT COUNTRIES

[Based on United States statistics]

	1933 †	1934	1935	1936	1937	1938
	Percent	Percent	Percent	Percent	Percent	Percent
United Kingdom.....	7.67	6.80	7.44	8.22	6.65	6.07
Japan.....	8.86	7.21	7.43	7.12	6.48	6.76
Germany (Old Germany).....	5.89	4.21	3.84	3.31	3.03	3.21
Argentina.....	2.33	1.60	3.13	2.09	4.53	2.14
South Africa, Union of.....	.27	.17	.19	.25	.47	.82
Russia.....	.83	.74	.87	.88	.90	1.21
Australia †.....	.53	.63	.71	.95	1.80	.46
Mexico.....	2.12	2.14	2.06	1.92	1.84	2.18
Italy.....	2.66	2.25	1.85	1.74	1.68	2.16
Venezuela.....	.93	1.32	1.05	1.08	.76	1.03
China.....	2.61	2.64	3.13	3.04	3.30	2.42
India †.....	3.02	3.35	3.04	2.92	3.14	2.97
Ireland.....	.03	.04	.03	.04	.06	.05
Denmark.....	.12	.11	.16	.12	.21	.18
Chile.....	.79	1.32	1.21	1.08	1.45	1.47
New Zealand.....	.33	.33	.49	.49	.70	.38
Norway.....	.91	1.01	.86	.90	.81	.85
Peru.....	.38	.35	.33	.35	.50	.63
Egypt.....	.42	.62	.43	.41	.44	.27
Turkey.....	.66	.61	.30	.35	.43	.76

† Fiscal year July 1-June 30.

‡ Included Burma before 1938.

Mr. GRADY. Exhibit IV is an analysis of our exports to Canada, which compares those that benefited by reduced Canadian import duties with those that did not. As pointed out in the first paragraph of this statement, in the 3 years during which the first trade agreement with Canada was in effect, Canada's imports of our products on which reductions in Canadian import duties resulted from the agreement averaged 58.2 percent higher than in the year before the agreement, as compared with an average of only 22.1 percent for products on which no such reductions were made.

EXHIBIT IV

DEPARTMENT OF STATE,
January 6, 1940.

For the Press.

No. 8.

TRADE AGREEMENT PRODUCTS SHOW THE LARGEST PERCENTAGE GAIN IN CANADIAN IMPORTS FROM THE UNITED STATES

The more rapid increase in Canadian imports from the United States of products on which Canadian duties were lowered in the first trade agreement between the United States and Canada, as compared with Canadian imports of other United States products, is evidence of the extent to which the reduction of excessive trade barriers tends to stimulate mutually advantageous trade. According to an analysis released today by the Department of State, Canadian imports of reduced-duty products from this country averaged 58.2 percent higher during the 3-year period 1936-38 as compared with 1935, the preagreement year, while Canadian imports from the United States of products on which no reductions were made in the Canadian duties increased by only 22.1 percent. Canada's total imports from the United States increased on the average by 33.5 percent during the 3-year period under the first agreement.

The first agreement with Canada, effective January 1, 1936, was superseded by a new agreement on January 1, 1939. In the new agreement, the reciprocal concessions contained in the first agreement were, with a few insignificant exceptions, continued and extended. Trade data available since the conclusion of the new agreement with Canada are not yet adequate for a general appraisal of the effects of that agreement.

In 1938 Canadian imports from the United States of \$424,000,000 were greater by \$115,000,000 than in 1935. Imports of reduced-duty products increased by \$77,000,000. The 1938 imports from the United States were lower than in 1937 but did not decline as much as Canadian imports from other countries. Other factors, such as general business activity in the United States and Canada, also influenced trade movements, according to the analysis.

Among the many reduced-duty products for which Canadian imports were substantially larger in 1938 than 1935 are: Fresh fruits and vegetables; wheat and other grains; salted pork, bacon, hams, shoulders, and other cured pork; printed or dyed cotton fabrics; newspapers, advertising pamphlets, and other printed matter; various petroleum products; automobiles and trucks; farm implements and machinery; metal working, printing, and mining machinery; electric motors, radio apparatus, and other electrical machinery.

In contrast to the general decline in total Canadian imports in 1938, imports from the United States of the following reduced-duty products were larger in 1938 than in any other of the 3 preceding years: Nuts, onions, and tomatoes; wheat and other grains; bacon, hams, and shoulders; boots, shoes, and slippers of leather; printed matter; farm implements and machinery; and gasoline.

Canada also increased its imports in 1938 as compared with 1935 of certain leading nonagreement products, such as books, iron and steel sheets and plates; well-drilling machinery of a kind not made in Canada; automotive parts for use by Canadian manufacturers of automobiles; coal, coke, and products; crude petroleum and certain petroleum products.

United States imports from Canada averaged 19.8 percent greater in 1936-38 than in 1935, although imports from Canada in 1938 were lower than in 1935, 1936, or 1937. More plentiful domestic agricultural supplies coupled with slack industrial demand and lowered consumer purchasing power accounted for most of the falling off in United States imports from Canada in 1938.

The leading imports from Canada which were lower in 1938 than in 1935 were: Whisky (on which the United States duty was reduced in the first agreement); byproduct feeds, shingles, and wood pulp (on which the existing United States tariff treatment was bound against increase); and, among products on which no action was taken in the first agreement, barley and barley malt, corn, and wheat both for processing and export and for domestic use. Although lower than in 1937, the value of imports of the following Canadian products in 1938 was about the same as in 1935: Cattle, except for breeding; fresh water fish and eels; boards and timber (on certain categories of which United States duties were reduced); and unmanufactured asbestos and calcium cyanamide (on which the existing duty-free entry was bound against change).

The annual values of Canadian imports from the United States and United States imports from Canada for the past 4 years are given in the following table:

	Canadian imports for consumption from the United States	United States imports for consumption from Canada
1935.....	\$368,509,000	\$286,112,000
1936.....	367,413,000	377,676,000
1937.....	489,997,000	394,241,000
1938 (preliminary).....	424,008,000	256,647,000

Further details regarding United States trade with Canada during the 3 years of the first trade agreement between the two countries are contained in the analysis released by the Department.

In addition to the reciprocal concessions contained in the first agreement, which were, with a few insignificant exceptions, continued and extended in the new agreement, the new agreement also incorporated an undertaking by the Canadian Government to exempt from its 3 percent excise tax, products on which the United States obtained scheduled concessions. Canadian legislation, effective April 26, 1939, removed this 3-percent tax not only on scheduled products but also on all products imported from the United States.

United States exports to Canada in the early months of 1939 were below the same months of 1938. Following the removal of the Canadian 3 percent excise tax, 1939 exports to Canada increased very rapidly and preliminary data show that for the 10 months of 1939 exports to Canada were practically equal to exports during the same period of 1938.

Reflecting in part increased business activity in the United States in 1939, imports from Canada this year have exceeded 1938 imports, both month by month and for the cumulated period to date. Complete detailed data are as yet not available to permit an estimate of the effect of the present agreement upon this movement of trade.

ANALYSIS OF UNITED STATES-CANADIAN TRADE DURING THE 3 YEARS, 1936-38, OF THE FIRST TRADE AGREEMENT BETWEEN THE UNITED STATES AND CANADA

In the 3 years 1936-38, during which the first trade agreement¹ between the United States and Canada was effective, Canadian imports for consumption from the United States averaged \$427,000,000 a year and were 38.5 percent greater than in 1935, the year before the agreement became effective.² Canadian imports of United States products in 1938, valued at \$424,000,000, were \$115,000,000 greater than in 1935. In 1936, Canadian imports from the United States amounted to \$367,000,000 and in 1937 to \$490,000,000. Although Canadian imports from countries other than the United States declined by 20.6 percent from 1937 to 1938, reflecting in part a decline in Canadian business activity, imports from the United States declined by only 13.5 percent.

The value of United States imports for consumption from Canada in the 3 years 1936-38, averaging \$343,000,000, were 19.8 percent greater than the value of such imports in 1935. During 1938, the United States imports from Canada, valued at \$257,000,000, were 10.3 percent less than in 1935 and were substantially below imports of \$376,000,000 in 1936 and \$394,000,000 in 1937. The decline of 34.9 percent in United States imports from Canada in 1938 as compared with 1937 paralleled the decrease of 35.2 percent in total United States imports during a period when United States industrial production averaged 22 percent lower.

In addition to the concessions exchanged in the agreement, various other factors, of course, contributed to the movement of trade between the United States and Canada during the 3 years 1936-38. Through their effect upon price levels and demand conditions, increases and decreases in the level of business activity in both countries caused corresponding changes in the volume and value of imports. Fluctuations in domestic agricultural production in the United States were also of major importance. As a result of the droughts of 1934 and 1936 in the United States, there was great pressure to import certain agricultural products into the United States in 1935, 1936, and part of 1937. During the same period, United States producers, with no exportable surplus of a number of agricultural products, were unable to take full advantage of the lower Canadian duties. Unfavorable growing conditions in the prairie Provinces of Canada also undoubtedly affected Canadian imports and exports of certain agricultural products during this period.

It is significant, however, that Canadian imports from the United States of products on which Canada lowered its tariffs, increased relatively more than total Canadian imports from the United States, both on the average for 1936-38 over 1935 and for 1938 over 1935. Also, Canadian imports of such products from the United States in 1938, as compared with 1937, declined relatively less than total imports from the United States.

CANADIAN IMPORTS FROM THE UNITED STATES

The lower trade barriers which the United States obtained from Canada applied to hundreds of products which that country imports from the United States. On the average for the 3-year period, 1936-38, Canadian imports of such products, totaling \$190,000,000, were 58.2 percent greater than in 1935. During 1938 such imports, valued at \$197,000,000, were 8.4 percent less than in 1937, but were materially above imports, valued at \$120,000,000, in 1935 and \$156,000,000 in 1936.

Canadian imports were substantially greater in 1938 than in 1935 for many of the United States products on which Canadian duties were lowered by the agreement.

¹ The first agreement with Canada signed on November 15, 1935, and effective on January 1, 1936, was superseded by a second agreement, signed on November 17, 1938, and effective on January 1, 1939. The concessions obtained in the first agreement, with a few insignificant exceptions, were continued and expanded in the second agreement.

² Because of transshipments and other technical difficulties, Canadian import data provide a better measurement of American goods going into Canada than do United States export data.

Among such products were certain fresh fruits and vegetables, such as grapefruit, lettuce, onions, and tomatoes; wheat and other grains and grain preparations; salted pork, bacon, hams, shoulders, and other cured pork; printed or dyed cotton fabrics; newspapers, advertising pamphlets, and other printed matter; automobiles and trucks; farm implements and machinery; metal working, printing, and mining machinery; electric motors, radio apparatus, and other electrical machinery; and various petroleum products.

Although Canada's 1938 imports of most items were smaller than in 1937, imports from the United States were greater in 1938 than in any of the 4 years under analysis for the following reduced-duty products: nuts, onions and tomatoes; wheat and other grains; bacon, hams, and shoulders; boots and shoes and slippers of leather; printed matter; farm implements and machinery; and gasoline.

Substantial benefit has been derived from a provision of the agreement under which the Canadian Government enacted legislation on May 1, 1936, permitting Canadian tourists to bring back, duty-free, merchandise purchased in the United States up to a value of \$100 per person. During 1938, such incidental purchases were valued at over \$8,000,000 (as compared with \$6,000,000 in 1937 and with about \$3,000,000 from May 1, 1936, to the end of the year) and consisted primarily of clothing, boots and shoes, furniture, and household appliances.

By main groups of products, the values of Canadian imports from the United States for the years 1935 through 1938 of commodities on which Canadian tariff barriers were lowered are shown in the following table:

Value of Canadian imports from the United States of commodities on which Canadian trade barriers were reduced in first United States-Canadian trade agreement, effective Jan. 1, 1936

(Thousands of dollars)

Commodity groups	1935	1936	1937	1938 ¹
Fresh, dried, and canned fruits.....	5,519	7,240	8,168	6,643
Fresh, canned, and preserved vegetables and vegetable preparations.....	3,375	4,257	5,211	5,090
Grains and preparations.....	592	910	4,105	10,084
Other edible and inedible vegetable products.....	2,053	3,596	3,967	3,420
Animal products.....	2,905	3,773	3,861	4,125
Textile products.....	6,476	8,202	10,010	9,273
Rubber products.....	1,294	1,506	2,172	1,814
Wood and manufactures.....	2,809	3,767	4,775	4,379
Paper, paper manufactures, and printed matter.....	8,056	10,595	13,192	13,470
Automotive products.....	24,062	27,418	38,154	26,575
Various machinery of iron and steel.....	30,966	42,657	64,798	54,372
Nonferrous metals and manufactures.....	11,648	14,567	19,649	15,920
Nonmetallic minerals and products.....	9,937	11,455	14,491	16,075
Chemical products.....	4,760	5,396	6,672	6,550
Miscellaneous products.....	5,404	7,695	10,215	11,455
Incidental purchases of returning Canadian tourists (\$100 exemption from duty began May 1, 1936).....		2,932	6,205	8,009
Total United States products on which Canada lowered its trade barriers.....	119,780	155,865	215,446	197,275

¹ Preliminary.

Source: Compiled from Trade of Canada, calendar year 1936-38, Dominion Bureau of Statistics, Ottawa.

Imports from the United States of products on which Canada bound its existing tariff treatment were 45.2 percent greater during 1936-38 than during 1935 and, despite the temporary recession in trade, were still 38 percent higher in 1938 than in 1935. Among such products, imports from the United States of traction engines, and Indian corn for the manufacture of starch or cereal products, were in each case over \$2,000,000 greater during 1938 than during 1935. Although actually greater by 23,000,000 pounds in 1938 than in 1935, the value of Canadian imports from the United States of cotton and linters was lower by \$2,500,000.

For the 8 years 1936-38, Canadian imports from the United States of products on which neither reduction, bindings, nor other types of concessions were obtained from Canada averaged 22.1 percent greater than in 1935, and the 1938 imports of such products were 16.8 percent above 1935. In the decline of total imports of United States products between 1937 and 1938, this group, in falling by 17.8 percent, showed the largest relative decrease.

Among the leading nonagreement products, Canadian imports from the United States of books were greater by \$700,000 during 1938 as compared with 1935;

iron and steel sheets and plates, by \$2,500,000; well-drilling machinery of a kind not made in Canada, by \$2,000,000; various automotive parts for use by Canadian manufacturers of automobiles by \$4,000,000; coal, coke and products, by \$1,500,000; and various crude and refined petroleum and petroleum products, by \$5,000,000. Various nonagreement products were imported from the United States by Canada in smaller value in 1938 than in 1935. Among these are resin; iron or steel hoops, bands or strips; bauxite ore and manufactures of aluminum; and aniline dyes.

A table showing the increases of Canadian imports from the United States of product groups classified according to agreement treatment follows:

Increase in Canadian imports from the United States average 1936-38 over 1935, and 1938 over 1935; products classified according to treatment under first agreement between the United States and Canada

[Values in millions of dollars]

	Yearly average, 1936-38, over 1935		1938 over 1935	
	Value	Percent	Value	Percent
Total.....	119	38.6	115	37.4
Products on which Canadian duties were lowered.....	70	58.2	77	64.7
Products on which existing Canadian tariff treatment was bound.....	14	45.2	12	38.0
Other products.....	35	22.1	26	16.6

Percentages are calculated on the basis of full figures.

Source: Compiled from Trade of Canada, calendar year 1936-38, Dominion Bureau of Statistics, Ottawa

Two other important benefits were obtained by the United States in the first agreement and continued under the new agreement with Canada. United States ports and transportation agencies are now able to handle in transit the products of non-Empire countries shipped to Canada through the United States on the same terms as if such shipments come directly into Canadian ports. This was not possible prior to the first agreement. Also United States commercial travelers are now permitted to take samples into Canada under bond instead of having to pay the full duty without possibility of refund as was the case prior to January 1, 1936.

UNITED STATES IMPORTS FROM CANADA

Almost all the leading products imported into the United States from Canada shared in the decline of total imports from Canada in 1938 over 1937. Also imports of major Canadian products were in most cases lower in 1938 than in 1935, as was the case with total imports from Canada. Among the products imported into the United States from Canada in smaller value in 1938 than in 1935 were barley and barley malt; corn; wheat both for processing and export and for domestic use; brans, shorts, and other byproduct feeds; whisky; shingles; wood pulp; and nickel ore, pigs, and oxide. Among leading products which were imported from Canada in smaller value in 1938 than in 1937 but of which the 1938 imports were equal to or somewhat greater than 1935 imports, include cattle (except for breeding); fresh-water fish and eels; sawed boards and timber; unmanufactured asbestos; and calcium cyanamide.

Among the above products, reductions in duty were granted by the United States in the first agreement with Canada on whisky more than 4 years old, on certain limited quantities of cattle of various weights, on sawed boards, and on fresh-water fish. The United States duty of 10 percent ad valorem was bound against increase on brans, shorts, and other byproduct feeds while the existing duty-free entry was bound against change for shingles (imports of which were under quota control in 1937 and 1938); wood pulp; unmanufactured asbestos; calcium cyanamide; and nickel ore and oxide.

As previously stated, various factors, in addition to the trade agreement, influenced the movement of these goods. The duty concessions to Canada were granted only after careful consideration had been given to the possible effect of increased imports upon United States producers of the same or substitute products. Experience has proved that the safeguards were adequate. Imports of most of

these products actually proved small as compared to domestic production and, where increases in imports occurred, such increases were generally accompanied by increases in the domestic prices of such products.

A table showing the total dollar value¹ of Canadian imports from the United States and of United States imports from Canada, for 1935 through 1938, follows:

	Canadian imports for consumption from the United States	United States imports for consumption from Canada
1935.....	\$308,509,000	\$286,112,000
1936.....	367,413,000	377,876,000
1937.....	489,997,000	394,241,000
1938 (preliminary).....	424,008,000	256,647,000

¹ The Canadian dollar was approximately equal to the United States dollar during the 4-year period.

Mr. GRADY. I hope that what I have said will serve to make clear to you how we have examined the subject from this side and from that, front and back, turned it upside down and looked inside of it, to see if we have been correct in believing what common sense tells us—that the effect of the concessions obtained in these trade agreements is to encourage our expert trade.

Nevertheless our critics have tried, by statistics, to prove that common sense is wrong. They have selected statistics to prove that white is not white but some shade or other of black. I should like to refer to one or two examples which are a matter of public record.

An attempt has been made to show, by an exclusion of certain countries from the calculations, that exports to trade-agreement countries increased no more rapidly between 1934 and 1938 than exports to other countries. This attempt is based on the exclusion from the nonagreement group of those very countries which have most actively followed commercial policies at variance with the principles on which the trade-agreements program is based, particularly Germany, Italy, and Japan. These are the very countries which it is most important to compare with the trade-agreement countries in order to evaluate the results of our policies. Yet our critics have excluded them on the ground that their foreign trade was interrupted by war during the period from 1934 to 1938. A few other countries, mostly of minor importance, have also been excluded, namely, Austria, Czechoslovakia, Ethiopia, Albania, China, and Spain.

Italy is excluded, partly on the ground of hostilities in Ethiopia in 1935 and 1936, although the comparison in question is between 1934 when these hostilities had not started, and 1938, after hostilities had ceased. So far as the Italian occupation of Albania is concerned, this did not occur until 1939. Germany is excluded, although the military occupation of Austria and Czechoslovakia caused no appreciable interruption of Germany's trade with us.

Another attempt to make it appear that the trade-agreements program has produced no significant results is made by those who emphasize the increase in our exports which took place between 1932 and 1934. Since this increase took place before the trade-agreements program could have been a contributing factor, these people argue that the increase of our exports in more recent years would have taken place in much the same manner even had there been no trade-agreements program at all.

This argument is entirely fallacious, since it fails to take into account the reasons for the increase in our export trade from 1932 to 1934 or the situation in subsequent years. The domestic policies instituted in 1933 to foster general economic recovery stimulated a sharp revival of our foreign trade from the extremely low point reached in 1932. This development was entirely natural in view of the close relation between our foreign and our domestic commerce. In addition, the period from 1932 to 1934 was one of recovery in foreign countries also, and world trade generally shared in the recovery. American exports in that period revived no more rapidly than world exports as a whole. In fact, they rose somewhat more slowly. The share of the United States in total world exports, which had dropped from 16 percent in 1929 to 12.8 percent in 1932, fell to 11.5 percent in 1934.

After 1934 the general situation was different. General world recovery proceeded less rapidly. Measures to restrict imports were intensified in many countries. In some countries such measures developed in their most extreme form after 1934. Clearly, during these latter years, there has been a most urgent need for direct and positive action to maintain the upward trend of our export trade—action of the very kind which the trade-agreements program has made possible.

Mr. Chairman, I would like to interpolate here a little more specific data in reference to this matter, because Senator Vandenberg took it up particularly yesterday with Secretary Hull.

The index of United States exports, taking 1932 as a basis of 100, increased in quantity to 107 in 1934. The unit price, however, increased from 100 in 1932 to 124 in 1934; consequently the value of our total trade increased from 100 in 1932 to an index of 134 in 1934.

So you see that that increase was due very largely to the increase in prices, and that after that period, the index, on 1934 as a basis of 100, shows a very definite increase in quantity, quantity rising up to an index of 149 in 1939, whereas the unit price was 102, and the total value was 149.

So this early year period to which Senator Vandenberg refers shows an increase which is almost entirely a price increase, whereas after that period the increase was very definitely quantitative.

The salient point is that during the years in which this program has been in active operation our export trade has increased more rapidly than that of the world as a whole. Our share of world exports, which stood at 11.5 percent in 1934, rose to 13.2 percent in 1937, and to 14 percent in 1938. This indicates that during the time that our trade-agreements program has been in operation, we have won back a larger share of the world market.

Furthermore, during the recession of 1938, our export trade declined less sharply than domestic business. While the national income decreased 10.9 percent as compared with 1937, exports fell only 7.6 percent. Our foreign trade thus helped to moderate the severity of that recession.

Another charge which is made against the trade-agreements program is a claim that agricultural exports have not increased, but have declined during the period in which the program has been in operation. This charge is based on a comparison between total agricultural exports in the fiscal year ending June 30, 1932, with total agricultural

exports in the fiscal year ending June 30, 1939. Those who make this charge fail to point out that the lowest point of agricultural exports occurred not in the fiscal year which ended June 30, 1932, but in the fiscal year ending June 30, 1933. In that year agricultural exports amounted to \$590,000,000. In the fiscal year ending June 30, 1939, they were \$683,000,000. Thus, between these 2 years, there was an increase of \$93,000,000 in our agricultural exports.

The fallacy of this charge, however, goes beyond the selection of the years to be compared. The figure for total agricultural exports is greatly influenced by the highly irregular fluctuations in our exports of cotton. Cotton exports, as is well known, underwent a temporary and entirely abnormal decline in the fiscal year 1938-39. More recently, they have made a substantial recovery. I may say, in this connection, that the trade-agreements program could, of course, have had nothing but a beneficial effect on cotton exports. And I may add that the trade agreements have protected a significant part of our cotton exports against such restrictions as have been raised against them in certain countries.

Because of the recent abnormal fluctuations in our cotton exports it is appropriate to consider our agricultural exports of commodities other than cotton. These increased from \$266,000,000 in 1932-1933 to \$505,000,000 in 1938-39.

During the years in which the trade-agreements program has been in active operation, our agricultural exports to trade-agreement countries have fared much better than our agricultural exports to other countries. Agricultural exports to 16 countries with which trade agreements were in effect throughout the year 1938 increased 55 percent between 1935-36 and 1937-38. The increase in the same period to other countries in the aggregate was only 3 percent. In 1938-1939, in spite of the sharp but temporary drop in our cotton exports and other unfavorable factors, total agricultural exports to the 16 trade-agreement countries showed an increase of 15 percent, as compared with 1935-36, while agricultural exports to other countries showed a decrease of 19 percent.

I have dwelt at some length on the attempts which have been made to suggest that our program has done little to help exports. On the subject of imports I shall be more brief. The committee is, of course, familiar with the oft-repeated statements by critics of the program who view with alarm an imaginary "flood of imports," which they sometimes claim, and sometimes merely insinuate, has been let into this country by tariff reductions.

The committee will remember how, in 1937, a rapid improvement in domestic business, combined with the effects of a serious drought, caused our so-called "agricultural" imports to increase, and immediately the country was deluged with outcries against the alleged "flood of farm imports," which forsooth was bringing ruin to the American farmer. The authors of these alarming statements, of course, failed to mention that the increasing "agricultural" imports consisted in large part of entirely noncompetitive articles, such as rubber, coffee, tea, bananas, silk, cocoa, and so forth, and that a substantial portion of the remainder was brought in to supplement our deficient supplies of animal-feeding stuffs following the drought of 1936. They failed to point out that the increase in these imports had practically nothing to do with trade agreements.

More recently, opponents of the trade-agreements program, while still continuing to use the phrase "flood of imports," have taken a different tack. They are now telling us that the flood is just around the corner. Only the war, they tell us, have saved the American market from a flood of imports, but this time, as soon as the war is over, they say the flood will really come.

All this sounds very much like the proverbial cry of "Wolf, wolf." Indeed, one of the most remarkable things with which I have been impressed during the whole period in which I have worked on this program, is that a very large proportion of the accusations of injury to American producers which have been leveled against this program, claim not that somebody has been injured, but that injury is just about to take place.

One of the main slogans of those who are opposed to any tariff reductions is "The American market for the American farmer." The fact is that the American farmer does have, and has for many years had, 90 percent or more of the American market. What the American farmer needs is not only a prosperous American market, but also a substantial share of a better foreign market. In 1929, according to a calculation recently made by the Department of Agriculture, the American farmer had 90 percent of the domestic market. In 1932, after 2 years of the Smoot-Hawley tariff, the share had risen from 90 to 93 percent, but at the same time, gross farm income had fallen from nearly 13 billion dollars to a little over 5½ billion dollars. Where was the gain from the additional 3 percent of the domestic market, when the foreign market had been almost completely ruined? I need hardly add that the 93 percent domestic market was anything but a prosperous market.

The true significance of a large share of the domestic market was well expressed by Judge Vinson, who, when he was a Member of the House of Representatives, asked which the critics of the trade agreements would rather have: 95 percent of something or 100 percent of nothing. For example, the producers of cheese, who complained about the tariff reduction on Cheddar cheese in the first Canadian agreement, had 99.8 percent of the domestic market for such cheese in 1932, but were getting only about 10 cents a pound for their cheese. In 1936, the first year after the Canadian agreement, they had only 97.8 percent of the domestic market, but they got 15.3 cents for their cheese. The income from cheese, to those producing cheese, increased from about \$37,000,000 in 1932 to \$79,000,000 in 1937, despite the reduction in the tariff.

In 1938 the American farmer had 95.8 percent of the domestic market for beef, 99.5 percent of the American dairy market, more than 99 percent of the American market for corn, and 99 percent of the American market for pork. These figures indicate beyond any possibility of doubt that improvement is to be sought not in any increase in the share, but rather in an improvement of the purchasing power of the American consumer and in an improved access to foreign markets for our surplus farm production.

So much for the contention that the trade agreements serve no useful purpose. With respect to the second general contention, that the present program is the wrong way to conduct our foreign trade relations, a number of different arguments are advanced. It is, of course, the responsibility of Congress to decide whether the procedure

followed is the right and most effective procedure, and it is my aim to supply you with any and all available information bearing upon this question, but it may be of assistance if I just endeavor briefly to set the matter before you in its general outline.

Much of the criticism of the present procedure rests upon arguments as to legality or constitutionality. This is essentially a legal question. Since I am not a lawyer and as your committee has gone into this question exhaustively on two previous occasions, I shall not attempt to discuss it. The Secretary of State has already referred to the very complete statement on this question by the Legal Adviser of the Department of State which is to be found in the record of the hearings of the House Ways and Means Committee. As the Secretary of State has pointed out, it is clear that court decisions support the present method.

From the aspect of policy, the question of tariff adjustment by Executive action within limits and conditions established by Congress is largely a matter of pursuing a practical procedure in harmony with the essentials of good government. The procedure laid down in the Trade Agreements Act conforms to these essentials, for it authorizes the President to exercise the authority conferred upon him only in accordance with policies and limitations prescribed by Congress and then only after public announcement and opportunity for all interested parties to be heard, and after obtaining information and advice from the interested Government agencies. Thus, Congress has prescribed a clear and intelligible policy, with definite limitations on the extent to which action is authorized, and the Executive is required, in carrying out the task thus assigned, to follow a procedure designed to combine a constant preoccupation with the public interest with due consideration for each individual interest which may be affected.

The detailed procedure developed in the administration of the Trade Agreements Act faithfully carries out these essentials of democratic procedure. The interdepartmental organization, which formulates the recommendations for the President before they become the subject matter of trade agreement negotiations, has been repeatedly described. This interdepartmental organization guarantees the maintenance of the public interest and a scrupulous regard for every legitimate private interest. The close collaboration of the long-established agencies associated in the interdepartmental trade agreements organization, with their extended experience and accumulated information, means that this foreign trade program is administered in intimate connection with the important domestic affairs with which our foreign trade and tariff problems are closely associated.

The arrangements for public announcement of intended negotiations and for the receipt, analysis, and incorporation into the general body of information, of the views presented by interested persons, have also been described many times. I can assure your committee that every care is taken to see that the information and views thus presented are thoroughly considered. Every reasonable method is adopted to facilitate the fullest presentation of information by interested persons. When your committee last reviewed this matter in 1937 the procedure had been adopted of definitely announcing the import products to which consideration would be limited in the proposed negotiations. This procedure has been carefully maintained. Likewise opportunity is constantly provided for consultation by interested parties with the trade-agreements organization through informal conferences.

Because of the effectiveness of this procedure, and the resulting care with which the facts are ascertained and weighed before action is taken, we have been able to conclude agreements which obtain effective benefits without injurious effect. It is significant that when claim of injury is made, in most instances it resolves itself into apprehension of injury to be suffered rather than actual injury experienced. In this connection, I may mention that among the various safeguards contained in these agreements there are a number of so-called "escape clauses," of varying form and character. These provide additional assurance against the contingency that completely unforeseen circumstances might so change the situation as to cause an engagement duly entered into to have serious consequences.

Finally, I would like just to mention the obvious fact that in the exigency which confronts us, a procedure which has worked, which has proven itself effective in practice, is certainly to be preferred above unknown and untried expedients.

It is a privilege to appear before your committee, and I shall be happy to provide any further information you may desire so far as it is in my power to do so.

The CHAIRMAN. Senator George, do you have any questions?

Senator GEORGE. No, I have no questions.

The CHAIRMAN. Senator Barkley?

Senator BARKLEY. No.

The CHAIRMAN. Senator Clark?

Senator CLARK. No.

The CHAIRMAN. Senator Guffey?

Senator GUFFEY. No.

The CHAIRMAN. Senator Johnson?

Senator JOHNSON. On page 4, Dr. Grady, where you show the rise in exports, I notice that you take into consideration the purchase of foreign gold and the exchange of our exports for foreign gold. Might that not be the explanation for the increase rather than attributing it to the reciprocal trade-agreements program? Wasn't that a factor and an important factor?

Mr. GRADY. Senator, the question of how imports are paid for is a somewhat different thing, I think, than the question of whether barriers to our trade in our export market are such that we cannot sell the products. The trade-agreements program gets an amelioration of these barriers standing in the way of trade so as to give our exporters a chance to sell our products. Gold enters into the picture as one of the items which supplements our imports to help pay for these exports. If we had had no gold imports, obviously we would have been able to sell less exports, but I do not feel that that justifies a commercial policy which tends to encourage gold as against a trade that is reasonably balanced. I do not feel that we have achieved any advantage in bringing in this eighteen-odd billion dollars of gold which we are storing out in Fort Knox for our children to go and look at. I think these imports are largely due to our short-sighted commercial policy.

Senator JOHNSON. But the gold we purchase certainly is being paid for in part by exports. Now, in the next paragraph, or the second one down, where you show an increase of 93 million in our agricultural exports in the year ending June 30, 1939, isn't that entire increase in our agricultural exports accounted for in the exports of agricultural

products upon which a subsidy was paid? On cotton and wheat we did pay subsidies during that time, which certainly accounted for more than the 93 million you show as an increase.

Mr. GRADY. I have these figures here. The decrease in 1939 over 1938 was largely in wheat, tobacco—

Senator JOHNSON (interposing). Will you pardon me? I notice that the estimate in this paragraph to which I referred is the year 1933. You say, "In that year agricultural exports amounted to \$590,000,000. In the fiscal year ending June 30, 1939, they were \$683,000,000. Thus, between these two years, there was an increase of \$93,000,000 in our agricultural exports."

My contention is that that increase is accounted for in whole, and more, than in whole by subsidies which we paid upon cotton and wheat in the year ending June 30, 1939.

Mr. GRADY. I have not the fiscal year figures.

Senator CLARK. The agricultural subsidy never went into effect until the present fiscal year.

Senator JOHNSON. We are talking about the year 1939.

Senator BARKLEY. We paid some briefly in 1934, and then it was suspended until 1939.

Senator GEORGE. There were wheat subsidies in 1934. No cotton subsidies were paid until July of last year.

Senator CLARK. That is the present fiscal year, then?

Senator GEORGE. Yes.

Mr. GRADY. As a matter of fact, the exports of cotton were less in both the calendar years 1938 and 1939 than they were in 1937. They were \$369,000,000 in 1937 and they were \$229,000,000 in 1938 and \$244,000,000 in 1939; so, while I have not got the fiscal years, I think that rather indicates that cotton had fallen off in those 2 years rather than increased. As far as wheat is concerned, our exports in 1938 increased over 1937, but in 1939—

Senator JOHNSON (interposing). We paid a subsidy during that time? That is the point that I am saying.

Mr. GRADY. But we paid it in 1939, and our exports in 1939 are somewhat less than in 1937 of wheat.

Senator JOHNSON. But you are talking of the calendar year, and we are likely to get our statistics all mixed up, because the Agricultural Department shows the crop year or the fiscal year.

Senator LA FOLLETTE. Mr. Secretary, might I interrupt there? I understand the comparison was between 1933 and 1939?

Senator JOHNSON. That is right.

Senator LA FOLLETTE. Just for the sake of the record.

Mr. GRADY. The Senator was referring to the export subsidy on cotton and wheat, and I was referring to the year immediately before that when there was no subsidy as indicating that the subsidy had not increased between those two periods. Now, as between 1933 and 1939, of course there are many factors.

Senator JOHNSON. But the subsidy was one of the factors?

Mr. GRADY. I suppose it was, Senator, but I think it would be very hard to sell our cotton and wheat under subsidies if the buyers of our cotton and wheat could not get dollars to pay for them.

Senator JOHNSON. Yes; but the subsidy plan is diametrically opposed to the trade agreements plan, and that is why I am bringing

Mr. GRADY. I would not say that it was diametrically opposed, Senator. I would agree with what Secretary Wallace said this morning, that it is a form of trade warfare which the Department has undertaken in an emergency, but which is not sound permanent policy.

I do not think that any form of trade warfare is consistent with the system and philosophy of the trade agreement problem, but I do not think, if you are setting these two opposite each other as different methods, I do not think that we can make very much of a case for export subsidies as a better method than trade-agreements, for the reason that the export subsidies of themselves provide the dollars with which to pay for these products, and that is the all important thing. No matter how much you may subsidize, if people have not got the dollars they cannot buy your product.

Senator JOHNSON. I have just one other point that I want to clear up.

The CHAIRMAN. Senator, in that connection, I will place in the record later data on the relation of the subsidized agricultural exports to the total of United States agricultural exports.

(The material referred to is as follows:)

Relation of subsidized agricultural exports to total United States agricultural exports in the fiscal year 1938-39

Total agricultural exports from the United States.....	\$683, 000, 000
Agricultural exports other than cotton.....	505, 000, 000
Total exports of commodities subsidized in part.....	86, 000, 000
Subsidized agricultural exports.....	64, 000, 000
Subsidy paid.....	27, 000, 000

United States exports of specified commodities, showing subsidized exports and amount of subsidy paid, for the fiscal year 1938-39

Commodity	Total exports			Subsidized exports		Subsidy paid	
	Quantity	Value	Unit value	Quantity	Value ¹	Total	Per unit, approximate
Wheat (bushels).....	84, 539, 000	\$54, 863, 000	\$0. 657	69, 280, 000	\$44, 824, 000	\$20, 784, 000	\$0. 30
Flour (barrels).....	6, 637, 000	22, 251, 000	3. 35	5, 245, 000	17, 571, 000	5, 318, 000	1. 01
Walnuts (pounds).....	12, 706, 000	1, 671, 000	. 13	8, 689, 000	1, 130, 000	484, 000	. 06
Pecans (pounds).....	3, 297, 000	521, 000	. 16	824, 000	138, 000	47, 000	. 06
Pears (boxes).....	3, 710, 000	5, 938, 000	1. 60	81, 000	130, 000	40, 000	. 50
Butter (pounds).....	2, 277, 000	367, 000	. 28	802, 000	225, 000	24, 000	. 03
Total values.....		\$5, 681, 000			\$4, 018, 000	\$6, 668, 000	

¹ Estimated.

² Includes sales of flour for export to the Philippine Islands under indemnity programs.

³ Average.

Senator JOHNSON. That is the very year that is in point here in the testimony?

The CHAIRMAN. Yes.

Senator GEORGE. As far as the cotton subsidy is concerned, that is a very important fact. The exports of cotton in the fiscal year 1938-39 fell to the lowest point for many years, but it was known to the trade and it is a fact that the American stocks of cotton abroad were practically exhausted or more nearly exhausted than they had ever been since we had become a great exporting country of cotton, so that while the subsidy and its effect on the crop of 1939 in the

present fiscal year has not gone back to its average export volume for the 10 years prior to 1933, that was the situation.

Mr. GRADY. That is correct. I have the figures here.

Senator GEORGE. It is probably one or one and a half million bales under the average now, so that I think it cannot be said with any very great degree of accuracy that the export subsidy on cotton really had very much to do with it. It might have induced some buying, of course, of cotton that might have been deferred, but American cotton had to move to fill up the gap that had been made in the stocks held abroad.

The CHAIRMAN. You may proceed, Senator Johnson.

Senator JOHNSON. The other point I had, Dr. Grady, is the point I brought up with the two previous witnesses, Secretary Hull and Secretary Wallace, and that is relative to the status of the existing agreements and the effect of the pending legislation upon those agreements. My contention is that the only matter that is before the Congress, the bill which is before the Congress has to do with the extension and has nothing whatever to do with the status or the termination of the 22 existing trade agreements. My further contention is that the President alone has the power to terminate these trade agreements in part or in whole, and I would like to read into the record at this point paragraph (b) of section 2, reading as follows:

Every foreign trade agreement completed pursuant to this act shall be subject to termination upon due notice to the foreign governments concerned at the end of not more than three years from the date on which the agreement comes into force, and if not then terminated, shall be subject to termination thereafter upon not more than six months notice.

And then the clause at the end of section 2 and section 350, reading:

The President may at any time terminate such proclamation in whole or in part.

My point is that the only matter before us now is whether we shall enter into more trade agreements, and the status of the present agreements is not a part of the matter now pending before this committee.

Mr. GRADY. It is true that the failure to renew the powers under the Trade Agreements Act would not directly affect the agreements now in existence. I think it would have a very far-reaching moral effect as far as the program is concerned. I think it would be interpreted as a change of American policy not only domestically but internationally. That is in the first instance.

And in the second instance, there is a phase of the question that does have a bearing on the agreements now in effect. If the President no longer has the power to make agreements, he has no longer the power to make adjustments in connection with the agreements, and it may be very important, especially at this time, to have that power. The exercise of this power was important, as pointed out here, in connection with the silver fox situation, also we had the situation which Secretary Wallace referred to with regard to fresh and frozen pork also. We did not take any steps with regard to our agreement, but the fact that we had powers in connection with the agreement certainly had a very beneficial effect on the Canadian Government officials in deciding what adjustment they would make with regard to this pork, in other words, questions may be constantly coming up.

The Secretary referred to a matter in connection with the Swiss agreement, which is being carefully considered at the moment, and

there may be other matters of more or less minor adjustments that we would not have the power to do if the act were not renewed.

Senator JOHNSON. What do these powers consist of?

The President may at any time terminate any such proclamation in whole or in part.

Does that not give him full power to change the policy by proclamation in whole or in part?

Mr. GRADY. Well, we cannot change an agreement by unilateral action.

Senator JOHNSON. The other countries would have to agree to it, certainly.

Mr. GRADY. Yes. It is like any contract. You cannot take unilateral action with regard to it, but you can make arrangements with the other party to the contract to make certain adjustments, but if you have not any power with regard to the contract, you are completely headed off.

Senator JOHNSON. That would be true; yet today when you make an agreement with any other country, it seems to me that the President has been given the same power over existing agreements that you had originally, and the only thing that you are asking for at the present time is the jurisdiction to cover agreements that may be entered into.

Mr. GRADY. New agreements or alteration of the existing agreements; you could not change existing agreements without the power.

Senator JOHNSON. Then it is your opinion that these agreements, unless they be terminated at the end of the 3-year period, they are indeterminate, they go on forever?

Mr. GRADY. They go on subject to the 6 months' notice indicated there in the act.

Senator JOHNSON. And subject to the President's action thereafter?

Mr. GRADY. The President, acting through his representatives, may decide to abrogate an agreement, and then take the matter up with the other country, and then when the formalities are taken care of, then the President by proclamation abrogates the agreement at the end of the 6 months' time.

Senator JOHNSON. But unless the President does take that action, the agreement continues on indefinitely?

Mr. GRADY. Unless he or the other parties to the agreement take action. They can also take action.

Senator LODGE. Mr. Secretary, I have listened to your statement with interest and admiration, and I hope that you can enlighten me on certain phases of this matter, particularly the assertions that are constantly made without any attempt to prove or verify them, that free trade tends to develop peace. If that is true, how is it that England, the greatest free-trade nation on earth, is always the first to get involved in every major war?

Mr. GRADY. Well, I do not know that that is exactly true that England is the first to get involved in every major war, but I think it is true that England has been in a great many wars in the last 50 years. I might say that England has not been a free-trade country for some years.

Senator CLARK. We succeeded in forcing Great Britain off of free trade.

Mr. GRADY. They felt they could not go it alone in a world raising tariff barriers everywhere, and I believe that it was a great tragedy that Great Britain did not hold out and continue her liberal trade policy as an example to the world, but as Senator Clark has said, our action in 1930 and the action of other countries left Great Britain in the position of being the only country with its markets substantially wide open in a world that was not only using tariff barriers of all sorts, but using various types of economic warfare such as export subsidies and things of that sort.

I think that what is involved in your question is the assumption that her trade has brought her into war, that it is a matter of trade, and consequently if you have a world-wide trade that you are apt to get entangled in wars. I do not think that is at all so; I think the contrary is true. I think wars are largely economic, but I do not think they are trade wars in the strict sense. I think the opposite happens, that where trade is stifled, you have a struggle for outlets and a place in the commercial sun outside. When countries are trading and if they are trading particularly on principles of this program of non-discrimination, you have the building up of a condition with regard to trade that tends to reduce to the minimum the conflicts growing out of trade. There is no inherent conflict between the trade of one country and another. They are mutually advantageous, and wars may come out of the desire for territory, the desire for imperialistic expansion, the desire for concessions, and things of that sort, but I do not think you can find in the history of the world in the last 50 years any evidence that trade itself has been a producer of wars.

Senator LODGE. Wasn't there any trade rivalry between Germany and Great Britain in 1914? Isn't there a trade dispute between Japan and China? Aren't the imperialistic ambitions and these concessions to which you refer, aren't they just an attempt to get foreign trade under another name?

Mr. GRADY. I do not think the conflict of trade between Great Britain and Germany in 1914 was the cause of the war. They were almost each other's best customers, as a matter of fact. The Germans were concerned about questions of colonies and questions of fencing off colonies against their trade, and the British had not done it to any particular extent, but Germany felt, as she feels now, that if she had colonies she could exploit them to her own advantage, and she has seen her rivals get territorial concessions in these rich oil deposits and things of that kind. It is a struggle of imperialism with the concept of getting part of the world's wealth under your control. The matter of trade is an antidote to conflicts between countries, because if trade is carried on on a basis of fairness and if you have liberal policies, then nobody has an excuse for complaining about the action of the other country and they get mutual benefits.

In China and Japan, it is not a question of trade at all, it seems to me. It is a question of domination for industrial development and for the getting of China's wealth through one form or another by exploitation.

Senator LODGE. Did not the Chinese boycott Japanese trade and annoy the Japanese?

Mr. GRADY. Certainly; that was a factor. But I think a lesser factor in the picture. I think that was a reaction. It came as the only protest that the Chinese felt that they could make to the policy

of Japan in China, which was a policy of complete political and economic domination.

Senator LODGE. Don't you think that if England were not dependent upon her shipping, she would not be so concerned over the interference with her shipping?

Mr. GRADY. Well, of course if she withdrew within the boundaries of her little island and had no relations whatsoever either through shipping or trade or finance with the rest of the world—

Senator LODGE (interposing). There would be fewer wars for England, wouldn't there?

Mr. GRADY. Possibly, but it is the kind of an existence you eliminate through death. She would practically be eliminated as a country of any importance.

Senator LODGE. But you certainly would agree with me, I hope, when I say that it would be a great mistake for this great continental nation to frame a trade policy for ourselves on the assumption that we were a little island that could not live for 7 days without shipping?

Mr. GRADY. I am not an extremist either way on this question. That is why I do not think it is a question of free trade versus isolationism, but some kind of sensible tariff policy that maintains a proper amount of foreign trade without going to the extreme of free trade, or of unlimited lending and extensive shipping operations. I would be very strongly opposed to any policy in this country that would tend to diminish our position in shipping, diminish our position in finance, and diminish our position in trade as long as we carry out those policies in the proper manner—a nonimperialistic manner—a friendly neighbor manner if you will. I see no conflict at all, but quite the contrary. If you go isolationist and you have to cut down your production of cotton, tobacco, and all of these products, and consequently have crop controls of a far more extensive sort than we have contemplated up to now, you move toward a regimentation that may change to quite an extent your whole political organization.

Senator LODGE. If that is the logical consequence of isolationism, then is it not a fact that the logical consequence of internationalism is war—if you are going to go to those two extremes?

Mr. GRADY. As I say, I do not take the extreme position. I do not know that even the extreme position would get one into war. I do not think that any of us nowadays believe in any kind of sentimental sloppy internationalism, in fact, our position in this trade program is largely one of having ourselves equipped with proper instrumentalities to take care of our interests in the world, because we have contracts which protect us now in 20 important markets.

Senator LODGE. You have made the best answer I have heard so far, in fact you have given me the only answer I have had so far, and I have asked this question of everybody.

Mr. GRADY. I would like to say one more thing about the British, and it seems to me that the British are somewhat like a neighborhood situation where the authorities are trying to cut down the hazards of fire. You might have one resident in that district who allowed none of the debris that is a fire hazard upon his place, but everybody else might have a great many inflammables. But one person might have his place burned up not as a result of his own policy but as the result of those around him. That is somewhat the position I think that the

British are in. They have gotten into difficulties, and wars, if you will, largely because of conditions in the world which led to that.

Senator LODGE. They live closer to the powder house than we do, and there is the tremendous difference, isn't it?

Mr. GRADY. Yes; and I think that is the trouble with the whole situation.

Senator LODGE. Now, I would like to ask you some questions on a different aspect of these reciprocal trade agreements. Do you think fishing conditions have been helped by this program?

Mr. GRADY. I think in a general way they have been helped. I do not think they have been hurt.

Senator LODGE. Can you give me any figures?

Mr. GRADY. This fillet situation regarding fish is a rather recent development. There has been an increase not only of imports but of domestic production. I have not the figures for 1939, but production of filleted fish, fresh or frozen, increased from 74,000,000 pounds in 1931 to 117,000,000 in 1938, and I understand that 1939 will show a further increase in production. Imports have increased also. Imports in 1931 were 3,000,000 pounds, and in 1938 were 9,000,000.

Senator LODGE. Could you furnish me figures to show that the cash income of the fisherman is bigger now, making allowance for the imports and the exports and all of those different factors, because that is what concerns them?

Mr. GRADY. I will be glad to furnish that. I think that the figures will show—

Senator LODGE (interposing). They do not think that they have been helped, at least the ones I have talked to.

Senator CLARK. Will you give us those figures again on fish?

Mr. GRADY. In 1931, the United States production of fillets, fresh and frozen, was 74,000,000 pounds. In 1938 they were 117,000,000—an increase from 74 to 117. Imports were 3,000,000 in 1931 and 9,000,000 in 1938.

Senator CLARK. So that the increase in the domestic production in those years was many times more than the total importation into the United States?

Mr. GRADY. That is correct. There has been apparently no displacement of production by imports.

Senator CLARK. In other words, you contend, if it has not done them any good, it has not done them any harm?

Mr. GRADY. I contend that the figures show it has not done them any harm. We find, of course, that industries—fish or others—will complain about a reduction in the tariff and assume that they would be still better off if there had not been any reduction in the tariff. There has been a great deal of complaint in the zinc industry of imports.

Senator CLARK. That same thing is true in the zinc industry, that the increase in the domestic production is greater than the total imports?

Mr. GRADY. Yes, sir; and the price went up today a quarter of a cent—and yet they have been making strenuous argument about being harmed.

Senator LODGE. You will provide facts on the prices?

Mr. GRADY. Yes.

Senator LODGE. Because those figures cannot be interpreted properly without the prices.

Mr. GRADY. I shall be glad, very glad to do that, and the total income.

(The information referred to follows:)

The quantity and value of all species of fish landed at each of the three principal New England fishing ports for the years 1929 through 1939 are given in table 1 below. The average price of important species of fish landed at these three ports for the same years is given in table 2. Also included below are excerpts from pages 8 and 9 of the February 1940 issue of the Bureau of Fisheries publication, Fishery Market News.

In general these tables and excerpts indicate that income from fishing (as indicated by value of fish landed) in this section was greater in 1939 than in 1938 and that for the 4 years 1936-39 income and prices averaged greater than in the 4 years 1932-35, before the first trade agreement with Canada became effective.

TABLE I.—Quantity and value¹ of fish landed at the 3 principal New England ports, total all species, 1929-39

Calendar year—	Landed at Gloucester		Landed at Boston		Landed at Portland	
	Pounds	Dollars	Pounds	Dollars	Pounds	Dollars
1929.....	53,880,000	1,709,000	255,722,000	10,737,000	17,494,000	607,000
1930.....	47,359,000	1,348,000	285,257,000	10,873,000	18,185,000	567,000
1931.....	24,850,000	776,000	219,945,000	7,907,000	18,890,000	567,000
1932.....	25,328,000	434,000	215,619,000	5,367,000	11,387,000	283,000
1933.....	21,737,000	442,000	232,583,000	6,094,000	12,837,000	315,000
1934.....	40,130,000	756,000	285,055,000	7,110,000	16,093,000	395,000
1935.....	51,264,000	935,000	307,372,000	7,733,000	14,482,000	337,000
1936.....	59,215,000	1,158,000	339,163,000	9,583,000	15,914,000	381,000
1937.....	46,230,000	918,000	324,600,000	8,468,000	17,121,000	404,000
1938.....	65,900,000	972,000	318,745,000	7,624,000	18,857,000	381,000
1939 ¹	75,766,000	1,205,000	295,353,000	8,067,000	17,702,000	335,000

¹ Value of the fish to the fishermen.

¹ Preliminary.

Source: Records of the Bureau of Fisheries, U. S. Department of Interior.

TABLE II.—Average price of fish (value per pound to the fishermen) landed in the 3 principal New England ports by fishing vessels, 1929 to 1939

(In cents per pound)

	Landed at Boston				Landed at Gloucester				Landed at Portland			
	Cod	Had-dock	Pol-lack	Mack-erel	Cod	Had-dock	Pol-lack	Mack-erel	Cod	Had-dock	Pol-lack	Mack-erel
	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound
1929.....	3.88	3.74	2.75	4.29	3.95	3.11	2.02	2.88	4.45	3.17	1.83	2.65
1930.....	3.22	3.59	2.29	3.69	3.69	2.77	1.69	2.82	3.56	3.16	1.63	3.85
1931.....	2.84	3.59	1.66	4.48	3.04	2.70	1.38	3.75	3.39	2.89	.89	2.60
1932.....	2.15	2.41	1.22	1.82	2.23	2.00	.82	1.26	2.01	3.08	.61	1.08
1933.....	2.22	2.51	1.28	2.32	2.20	2.07	1.40	2.05	2.33	2.03	.73	1.23
1934.....	2.59	2.81	1.72	2.01	2.43	2.09	1.44	1.41	2.57	2.79	1.04	1.07
1935.....	2.40	2.50	2.01	2.00	2.26	1.66	1.86	1.33	2.41	2.35	1.07	2.00
1936.....	2.80	3.13	2.37	2.85	2.75	2.74	1.63	2.48	2.57	2.59	1.69	4.09
1937.....	2.24	2.81	1.84	5.04	2.45	2.50	1.51	5.77	2.48	2.69	1.21	3.94
1938.....	2.16	2.47	1.42	2.95	2.10	2.14	1.09	2.41	2.30	2.56	.95	2.69
1939 ¹	2.47	2.73	1.82	2.90	2.66	2.37	1.65	1.93	2.18	3.19	1.62	2.90

¹ The unusually high price of mackerel in 1937 was due to the fact that the catch was extremely small in that year. The 1939 catch also was small but the catch consisted principally of abnormally small fish and the price did not rise in proportion to the scarcity of mackerel.

¹ Preliminary.

Source: Records of the Bureau of Fisheries, U. S. Department of Interior.

[Excerpts from Fishery Market News, February 1940, Bureau of Fisheries, U. S. Department of the Interior pp. 8-9]

Landings [of fishery products] at the three ports [Boston, Gloucester, Portland] during 1939 totaled 388,821,000 pounds, valued at \$9,547,000—a decline of 3 percent in quantity but an increase of 7 percent in value as compared with 1938. The principal items landed during the past year were haddock, 135,235,000 pounds, valued at \$3,693,000; cod, 80,749,000 pounds, valued at \$1,988,000; rosefish, 77,613,000 pounds, valued at \$1,091,000; and pollock, 30,453,000 pounds, valued at \$536,000. Receipts of these items accounted for 83 percent of the total quantity and 77 percent of the value of the landings at the three ports during the year.

* * * * *
 Less fish were landed in Boston in 1939 than in the preceding year; however, prices were higher, according to information tabulated by the Boston Fishery Market News office. For the 12 months ending December 31, 1939, a total of 6,856 fares, aggregating 275,000,000 pounds, of fish were landed at the Boston Fish Pier and sold over the New England Fish Exchange at an average price of 2.79 cents per pound. The 1938 landings were 25,000,000 pounds more but the average price was 0.35 cent per pound less.

Large haddock was the predominating species during 1939, 73,300,000 pounds being landed and sold for an average price of 3.09 cents per pound. Large haddock prices this year were 0.21 cent higher and total landings were almost 5,000,000 pounds less. Scrod-haddock landings and prices were up 6,000,000 pounds and 0.58 cent per pound this year. The 1939 landings for this species amounted to more than 43,000,000 pounds for an average selling price of 2.23 cents per pound. Landings of large cod, 23,700,000 pounds, were 3,000,000 pounds less in 1939 than in the preceding year but prices were 0.41 cent per pound higher. Market-cod landings amounted to 35,900,000 pounds, the average price paid the fishermen being 2.38 cents per pound as compared with 41,400,000 pounds and 1.96 cents in 1938.

Senator LODGE. May I ask you one more question, and then many thanks for your courtesy. Boots and shoes—have they been helped by this policy?

Mr. GRADY. Well, they have not been hurt by it, Senator, and I think they have been helped very much indirectly. The shoe industry made a very vigorous protest in 1937 when we were having the hearings on the Czech agreement. That was in August or September of 1937. The position of the shoe industry was that imports were increasing at an alarming rate. Well, imports at that time were less than 1 percent of our total shoe production, but they were increasing rather rapidly. There had been in the 8-month period of 1937 as against the 8-month period of the year before, an increase of about 1,000,000 pairs of shoes—imports of 1,000,000 pairs of shoes. During the same period there was an increase of 35,000,000 pairs in domestic production. The imports increased very largely for the same reason that the production increased, that the first 8 months of 1937 were very active as far as business was concerned, manufacturers were producing all things on a larger scale and anticipating higher prices and greater demand, and the result was there was a sort of general boom, and shoes shared in it. We took into account the fact that there was no harm to the industry with those imports at that time, which, as I say, were less than 1 percent. But in order to reassure them that there would not be a continued increase at the same rate that had been taking place, we put a provision in the agreement that if imports in any year of the types of shoes included in the agreement exceeded 1¼ percent of the average annual domestic production for the 5 preceding years, that there would be no violation of the agreement if Congress increased the rates of duty on all such imports which exceeded 1¼ percent of the domestic production.

That agreement went into effect in April 1938, I believe, and was in effect until April 1939, just a year, and I can assure you that some of the representatives from New England were watching this situation very closely in order to get action by Congress—of course, at the end of that time or about then Czechoslovakia ceased to exist and the reduction which we had given no longer applied, but the imports during that year did not reach 1 percent, to say nothing of 1½ percent.

I just read this morning a statement of the very excellent position that the shoe industry is in. I think its production is quite a few percent higher for this year than for the year 1938. I had the pleasure of sitting in with a group of manufacturers, the Associated Manufacturers of Massachusetts, about 2 weeks ago. It was an off-the-record meeting and I understood that they represented about 80 percent of the manufacturers of the State, and we had an extremely interesting discussion. I found the attitude of these men not at all antagonistic to this program. A number of them said that in some item or other they had lost some business through imports, but they seemed to feel that the program did not call for serious complaint, and the shoe question came up and the head of one of the largest shoe-manufacturing establishments in this country was asked about it, asked whether the shoe industry had been hurt, and he got to his feet and he said it had not in the least been hurt by the Czechoslovakian concession.

Senator CLARK. Our former competitors from Czechoslovakia have moved in behind the tariff wall and have now come over here and are beginning to manufacture their shoes in this country.

Senator KING. To make the record complete, this manufacturer, Bata, brought \$2,000,000 in cash here and is giving employment to 700 people in Maryland and making shoes.

Mr. GRADY. Yes. Not only that, but he plans to conduct all of his foreign business from the United States.

Senator GEORGE. He is not hurting our general economy.

Mr. GRADY. I do not believe so.

The CHAIRMAN. Are there any exports of fish?

Mr. GRADY. Yes; there are some.

The CHAIRMAN. I see here in 1938 we exported \$14,154,000 in value.

Mr. GRADY. Yes. This new process is extremely promising from the standpoint of the fish industry, because they are building a market all over the country. With this new process they are getting out into the Middle West with their fish in a way that they never did in the past, so I do not think that any case can be made for their being hurt, and I do not think there is any reason why the industry should not make very great progress.

Senator CLARK. Let me ask you this about the question of fish: If it be assumed in accordance with the implication of the Senator from Massachusetts that there has been some injury to the fishing industry—

Senator LODGE (interposing). I have not implied anything. I am just a seeker after truth.

Senator CLARK. I understood from your question that the fish people thought there had been some injury.

Senator LODGE. That is their interpretation.

Senator CLARK. Wouldn't you consider that it was much more likely that that damage had been suffered by an increase in 42,000,000 pounds in the domestic production rather than an increase of 3,000,000

pounds in foreign importations? It seems the price would be more affected in that way due to the domestic increase rather than to the importations.

Mr. GRADY. Yes.

Senator LODGE. You do not contend that the industry was adversely affected by reason of an increase in the domestic production?

Mr. GRADY. The Senator's point was that if you are talking about increased competition, you can get it from increased domestic production as well as foreign. A good deal of that competition is coming from the Lakes region.

Senator BARKLEY. There may be more people eating fish.

Senator GUFFEY. What process did you refer to?

Mr. GRADY. They take the fish and eliminate all of the surplus and cut into fillets, into a sort of fish steaks, and then it is shipped under the freezing process and it is sold in the domestic trade in a very simple way, a good deal like this new processing of vegetables. It is a matter that gives very great promise to the fishing industry.

The CHAIRMAN. Is that the same thing that those people who want to talk French call "filet"?

Mr. GRADY. What is that, Senator?

The CHAIRMAN. Is that the same as they call "filet" in French?

Mr. GRADY. Yes. There are different types of fish used for this purpose, Senator.

Senator CAPPER. Dr. Grady, you say that this reciprocal trade program has been running about 6 years, hasn't it?

Mr. GRADY. Yes.

Senator CAPPER. Do you think that the wheat grower has been helped by the operation of this program throughout that time?

Mr. GRADY. Very definitely he has, Senator, because a number of concessions have been obtained for wheat in the agreements which we have made. In four agreements we got lower duties, particularly in the United Kingdom agreement that Mr. Wallace referred to this morning, which was extremely important, because that is normally our largest wheat market. Two other agreements give us a binding of the present treatment, so that the wheat farmer is certainly better off as a result of the program than he would be without it.

Senator CAPPER. Have you the figures showing the amount of exports of wheat during that period?

Mr. GRADY. I thought I had those wheat figures in front of me, but I can supply them later.

Senator CAPPER. Well, you are claiming that the trade agreements have helped the farmer?

Mr. GRADY. Yes; I do not suppose you are arguing, are you, Senator, that because of the trade-agreement program, they are not selling as much wheat as they did before?

Senator CAPPER. The best evidence to him is whether he has increased his sales of wheat in the foreign market.

Mr. GRADY. Certainly his sales are larger than they would otherwise be.

Senator CAPPER. Have they increased?

Mr. GRADY. Certainly they have increased over what they otherwise would be if you did not have these concessions.

Senator CAPPER. We want to know whether the trade agreements—the general impression out in the wheat country is that they have not

had conditions as favorable under the trade-agreement program as they had previous to that time.

Mr. GRADY. How could they possibly reason that way, Senator, because the trade-agreement program has done nothing adverse to them. There has not been any lowering of the duty on wheat. On the other hand, concessions have been obtained for them. How can they say that the trade-agreement program has been adverse to their interests? All they can say is that they have not gotten as much out of it as they would like to have gotten. As far as that is concerned, we feel the same way; we would like to get much more, but we have not been able to.

Senator CAPPER. It was necessary to resort to subsidies to overcome the lack of market that had not been developed under the reciprocal trade agreements.

Mr. GRADY. The reciprocal trade agreements, Senator, are certainly not a panacea for all of the ills of the world, and if the world has been going nationalistic and particularly in the matter of wheat—for example, the price of wheat in Switzerland is three times the world price, because they are producing wheat on land that they should not, and the price of wheat in France is very much higher than the world price. Those are the conditions in the world due to this developing nationalism and preparation for war and so on. The trade-agreements program has not been able to change that whole situation and we do not claim that it has. We claim that it has ameliorated a situation which would otherwise have been very much worse, and that is true of wheat and cotton, or any other of our agricultural products.

Senator CAPPER. Would you be good enough to give us the figures of the exports of say that last 5 years of the reciprocal trade program as compared to the 5 years before that?

Mr. GRADY. Yes; I will have those.

(The information referred to follows:)

WHEAT EXPORTS INCREASED BY TRADE AGREEMENTS

Wheat producers in the United States are heavily dependent upon the export market in years of normal production. During the 5-year period from 1924 through 1929, 30 percent of the United States wheat production was sold abroad.

During the years which followed the enactment of the Smoot-Hawley Tariff Act of 1930, wheat exports fell to disastrously low levels. The widespread adoption of unprecedentedly severe trade barriers affecting wheat by several important European countries during the early thirties severely curtailed the opportunities for the sale of American wheat abroad. Large surpluses were accumulated in the United States which would normally have been shipped to Europe.

It was largely in consequence of the curtailment of export demand that the average farm price of wheat fell from 103.6 cents a bushel in the crop year 1929-30 to 38.2 cents a bushel in the crop year 1932-33. The revival of domestic business in 1933, the devaluation of the dollar, the adjustment of production under the program of the Agricultural Adjustment Administration, and the severe droughts of 1934 and 1936 brought about a considerable improvement in wheat prices. Nevertheless, no permanent and satisfactory solution of the

wheat surplus problem was possible without reopening foreign markets.

During the 5 years which followed the passage of the Trade Agreements Act (June 12, 1934) a very considerable revival of wheat exports has taken place. Reciprocal trade agreements negotiated in accordance with that act have improved the markets for American wheat in six foreign countries and the market for flour made from American wheat in 10 foreign countries.

The table below shows the decline of wheat exports in the years which followed the passage of the Tariff Act of 1930 and their very significant revival during the 5 years which followed the passage of the Trade Agreements Act.

United States exports of wheat, 1930-39 (including flour in terms of wheat)

Calendar year—	Quantity	Value	Calendar year—	Quantity	Value
	<i>Bushels</i>			<i>Bushels</i>	
1930.....	130,000,000	\$157,000,000	1935.....	11,000,000	\$15,000,000
1931.....	112,000,000	84,000,000	1936.....	14,000,000	19,000,000
1932.....	74,000,000	51,000,000	1937.....	49,000,000	64,000,000
1933.....	21,000,000	19,000,000	1938.....	104,000,000	101,000,000
1934.....	31,000,000	27,000,000	1939.....	88,000,000	61,000,000

The revival during the latter 5-year period was small at first, partly because many of the more important agreements were not made until 1936 or later, and partly because the severe drought in 1936 temporarily eliminated our export surplus.

After 1936, however, with the large crops of 1937 and 1938, and substantial progress in reopening foreign markets through trade agreements, exports once more reached a substantial figure. In 1938, exports were also aided by short crops in other exporting countries, but in 1939 large supplies abroad and the interruption of trade following the outbreak of war in Europe made our exports somewhat smaller than they had been in 1938.

In September 1939 a general export subsidy was applied to wheat. This measure was made necessary not only by the existence of unusually large supplies of wheat both in the United States and abroad, but also by the previous adoption of an export subsidy by Canada. The subsidy was terminated in December 1939.

The benefits of the trade agreements to wheat producers include not only the specific concessions on wheat and wheat flour obtained in a number of agreements, but also the protection from discriminations against American wheat and flour which is contained in the general provisions of all the trade agreements. The effectiveness of these agreements in facilitating a revival of our wheat exports is shown by the following comparison: Wheat exports to the 16 countries with which trade agreements were in effect on January 1, 1938, amounted, in the aggregate, to an annual average of 12,000,000 bushels in the 2 calendar years 1934-35, and an annual average of 42,700,000 bushels in the 3 years 1936-38, an increase of 255 percent; while the corresponding figures for all other countries were 14,100,000 bushels in the earlier period and 19,400,000 bushels for the later period, an increase of only 38 percent. Most of the agreements with the 16 countries entered into effect early in 1936 or before.

The above comparison does not, however, reflect the results of the wheat concession obtained in the trade agreement with the United Kingdom which became effective on January 1, 1939. In that agreement, the United States secured the removal of the duty of approximately 6 cents a bushel affecting American wheat. This duty had been imposed following the conclusion of the Ottawa agreements between the United Kingdom and the British Dominions in 1932. The duty applied only to wheat imported from countries not included in the British Empire and hence gave to Canadian and Australian wheat an advantage in the United Kingdom market of 6 cents a bushel over wheat produced in the United States. Through the removal of this duty American wheat producers again obtained access to the most important wheat market of the world on a basis of equality with Canada and Australia. During the period from January through July 1939 the United Kingdom imported 22,500,000 bushels of wheat from the United States (United Kingdom figures for more recent months than July 1939 are not available.) While this is slightly less than the imports in the corresponding months of 1938, it greatly exceeds the imports in the same months of any other year since the 6-cent tariff was imposed by the United Kingdom.

The concessions obtained for American wheat and wheat flour in various trade agreements are discussed below.

The trade agreement with Cuba, effective September 3, 1934, increased the preference in the Cuban tariff in favor of flour made wholly of United States wheat and bound the existing tariff treatment on other wheat flour milled in the United States. Since the agreement went into effect Cuban imports of American wheat flour has shown a significant increase as is indicated by the figures given below.

Wheat flour imports into Cuba from the United States

Year:	Barrels
1933.....	747, 000
1934.....	901, 000
1935.....	1, 011, 000
1936.....	999, 000
1937.....	1, 056, 000
1938.....	1, 025, 000

In the trade agreement with Canada, effective January 1, 1936, the Canadian duty on United States wheat was reduced by virtue of the most-favored-nation provision from 30 cents a bushel to 12 cents a bushel, and the Canadian duty on United States flour was reduced from \$1.35 a barrel to 50 cents a barrel. Although Canada exports large amounts of wheat, Canadian imports of wheat from the United States are significant. These imports were greatly increased following the agreement of 1936 as is shown by the figures given below.

Wheat and wheat flour imports into Canada from the United States

Year	Wheat	Wheat flour
	Bushels	Barrels
1935.....	8, 000	3, 000
1936.....	98, 000	13, 000
1937.....	1, 077, 000	43, 000
1938.....	5, 638, 000	79, 000

In the trade agreement with the Netherlands, effective February 1, 1936, the Netherlands undertook to purchase from the United States, subject to certain conditions, 5 percent of its annual consumption of milling wheat. Following the agreement the Netherlands imports of wheat from the United States greatly increased as is indicated below.

Wheat imports into the Netherlands from the United States

Year:	Bushels
1934.....	1, 285, 000
1935.....	1, 266, 000
1936.....	1, 797, 000
1937.....	4, 962, 000
1938.....	10, 489, 000

The trade agreement with the Netherlands also provides that the Netherlands purchase from the United States, subject to certain conditions, 5 percent of its consumption of wheat flour. The increase in Netherlands imports of wheat flour from the United States following the agreement is indicated by the figures given below.

Wheat flour imports into the Netherlands from the United States

Year:	Barrels
1934.....	81, 000
1935.....	101, 000
1936.....	287, 000
1937.....	439, 000
1938.....	492, 000

The trade agreement with Switzerland, effective February 15, 1936, established a quota of 118,000 metric tons for Swiss imports of United States wheat. During the 2 years which preceded the agreement, Swiss imports of American wheat had been negligible. In 1936 the Swiss concession on wheat was rendered ineffective as a result of the drought in this country which made American wheat unavailable at world prices. In 1937, however, Switzerland imported about a million bushels of United States wheat and in 1938 nearly 2,500,000 bushels.

Reference has already been made to the trade agreement with the United Kingdom which eliminated the duty of approximately 6 cents a bushel on American wheat. The trade agreement with the United Kingdom also contains concessions on American wheat and wheat flour imports into various British colonies. In Bermuda the margin of Empire preference on wheat flour was reduced from 12.5 percent to 5 percent ad valorem. Margins of preference in favor of imports to British Empire countries were removed in British colonies in Africa. Wheat from the United States now pays the same rate of duty when imported into these colonies as wheat imported from British Empire countries.

The trade agreement with Ecuador, effective October 23, 1938, provides for a 50-percent reduction in duty on United States wheat flour and the agreement with Venezuela, effective December 16, 1939, provides for a 40-percent reduction on American wheat flour. Duty bindings on American wheat and wheat flour have also been secured in several Central American countries.

Senator CAPPER. In the number of bushels.

Mr. GRADY. I have the figures here in terms of dollars, and as I pointed out—

Senator CLARK (interposing). In 1932, if you will just multiply the number of dollars by four, you will get the number of bushels.

Mr. GRADY. Yes.

Senator CAPPER. That is not the record for 10 years.

Senator BARKLEY. Have you any figures there on other products than wheat?

Mr. GRADY. I find, Mr. Chairman, that I was looking at the corn figures. Those are the ones that I was referring to. The wheat figures will show naturally a larger export before 1934 for the 5 years than since, but I do not think that any particular conclusion can be drawn from that from the standpoint of the trade-agreements program. It is something like a person that is very ill and the doctor gives him some medicine and the medicine helps him; it does not cure him, but he is not going to blame the medicine because perhaps he has pursued policies with regard to his health that have gotten him into rather bad shape, but if he gets something that helps him, it seems to me it is worth sticking to, and that is the point of this program.

Senator CAPPER. The point we had in mind out there was that they had great hopes under this reciprocal-trade program for wheat. It had been a terrible problem for many years, the surplus of wheat. Now, then, the figures as to sales of export wheat under the reciprocal-trade program do not give the farmer much reason for encouragement over that new program as he sees it.

Mr. GRADY. But he is not against the program on that account, is he, Senator?

Senator KING. May I ask a question, Senator? Did we expect that any of our legislation, particularly the trade agreements, that that per se would increase the production of wheat?

Senator CAPPER. We were promised that it would increase the market and the demand in the foreign markets for our surplus. We have had for years a great surplus of wheat out in the wheat country, and it has been the biggest problem of any in the country. They were grasping for something that would open new markets, and they had reason to believe under the representations that were made about 6 years ago that this reciprocal trade program would open the markets of Europe and other countries to great quantities of that surplus wheat that we had on our hands, but it has not worked out that way.

Senator KING. Will you pardon me for asking another question? How could you expect to find a market for our surplus wheat abroad unless in return, because trade is not a one-lane road, unless we took in return their commodities, and have we not done all that we could—perhaps that is too strong a term—have we not tried to prevent the importation of commodities which would come into competition with our domestic production, whether agriculture or manufactures?

Senator CAPPER. Well, all I know is that the Kansas farmer was promised that this was going to save him.

Senator KING. May I say to the Senator, if he will pardon me, that politicians frequently make promises which statesmen cannot redeem.

Senator BARKLEY. Senator Capper, you do not contend, and your Kansas wheat growers do not contend, that this program has reduced foreign markets for wheat, do you?

Senator CAPPER. What is your question?

Senator BARKLEY. You do not contend that the trade-agreement program reduced foreign markets for our wheat, do you?

Senator CAPPER. I don't know of any new market it has opened in the last 3 or 4 years for that surplus.

Senator BARKLEY. That is not the question I asked you.

Senator CAPPER. That is the important question in our country.

Senator KING. May I ask you a question, Doctor?

Senator BARKLEY. I do not seem to get an answer to my question.

Senator LODGE. That is the problem that I have had here.

Senator KING. I think the doctor has been pretty frank.

Mr. GRADY. The question was directed to Senator Capper and not to me. However, I should say that I am not aware that any responsible person ever promised that the trade-agreements program would of itself solve all the wheat farmer's problems or that it would "save" anyone. It's an important step in the right direction and I'm sure it has helped and certainly not hurt the wheat farmer.

Senator KING. I beg your pardon. The Senator from Massachusetts, I think, in your very enlightened discussion used the word "imperialism." I hope that you did not import to it a connotation that because the United States vigorously sought trade, that we were imperialistic?

Mr. GRADY. Not at all.

Senator KING. I recall being in Europe a number of times during the last 15 years, and we had in every little town and hamlet—that is an exaggeration—we had hundreds of representatives of the State Department, the Commerce Department, the Labor Department, and all other agencies of the Government, we had hundreds of representatives pushing trade, pushing the sale of our commodities, agricultural and manufactured, and we were proud when we learned that in 1923, 1924, 1925, and 1926 our exports were approximately \$5,000,000,000, and imports approximately \$4,000,000,000, with a balance of exports of something less than one billion dollars. We were not imperialistic, were we, in trying to get the markets of the world for our commodities?

Mr. GRADY. Not at all. I think the criterion of imperialism is aggression of some form or another.

Senator KING. Can it be said, in the light of the questions I have just propounded, that because Great Britain and France, and particularly Italy and Belgium, especially up to that time, did all they could—and Holland—to increase their exports and to find markets throughout the world, that they are to be charged with imperialism?

Mr. GRADY. No, sir.

Senator KING. They gave a quid pro quo.

Senator LODGE. Nobody is charging them with imperialism here today, that I know of.

Senator KING. I may be wrong, but I got the impression from the questions which were propounded that it was rather imperialistic for Great Britain to get trade and commerce.

Senator LODGE. No; I said Great Britain, being an island and being dependent on foreign trade, naturally got involved in wars; that if you did not have the foreign trade you would get involved in wars just that much less.

Senator BARKLEY. You would just abolish foreign trade, then? You would just live on an island?

Senator LODGE. If you were single-minded about peace above everything else, that is what you would do.

Senator BARKLEY. If you were single-minded about peace and nothing else, all that you would have would be peace.

Senator LODGE. That is right. And it is better to be alive on a low living standard than to be rich and then get killed.

Senator BARKLEY. I would rather take a chance to keep alive by trade than to starve to death without it.

Senator KING. The Senator will recall from his reading of history of the tribe that hid in caves in the mountain fastnesses. They traded only with themselves and lived entirely to themselves. But is this an expanding world, and it seems to me that a great democratic nation should seek by its influence, by its trade and commerce, to advance the cause of democracy, and there is not among all of the nations of the world any one which pursued the policies which we pursued following the war. They may have been unwise in many ways. In order to extend our trade and commerce, we loaned over \$2,000,000,000 to European nations. Perhaps that was a great mistake, but at any rate we exported several billions of dollars of American commodities. The point I am trying to make is that trade and commerce are essential to life and essential to the development of the community and the nations of the world.

Senator LODGE. But you would be just as pleased if I in Massachusetts traded with you in Utah, instead of trading with somebody abroad? Trade between Americans is just as good, is it not?

Senator KING. It is preferable. If you will send to us in Utah and the West the commodities which we need, we would prefer those to the commodities that comes from other countries, if we could have just as great advantages. In fact, we will give you perhaps 10 or 15 or 20 percent advantage.

Senator LODGE. While you want to spread civilization and democracy throughout the world, certainly we all have a primary responsibility to this country ahead of the world.

Senator KING. Yes; but I think trade and commerce is one of the educating and democratic policies and forces in all of the world which will make for a higher stage of civilization.

Senator LODGE. Won't you agree that while all trade is not imperialistic, that all imperialism has got a lot of trade and materialism in it?

Senator KING. I would not concede that.

Senator LODGE. Imperialism is never undertaken for a noble objective; it is always for some imperialistic commercial objective.

Senator KING. It depends on what you define as "imperialism."

THE CHAIRMAN. Senator Wiley is not a member of this committee, but he is interested in these hearings, and he would like to ask a question.

Senator WILEY. I am not a member of this committee but I want to express my appreciation of the very lucid statement of Dr. Grady. I am interested a little bit in the mechanics of this bill. For instance, we have what has been termed "the escape clauses," and it occurs to me that I have heard criticism, or I have read criticism, about the Department in that respect. I don't know whether it is correct or incorrect. My understanding is that under the escape clause, that it is the right of any citizen or any industry to complain to the Department, and you have held a number of hearings and there has been no action, it is claimed, by the Department in relation to those hearings modifying the treaty or modifying these agreements. Would you

mind telling us something about what has occurred and explain that situation.

Mr. GRADY. We have had, as you say, a number of conferences with interested industries who claimed that they were injured by certain tariff reductions. A number of those conferences demonstrated to the industry concerned that they had no case. In the first place, the concessions are made with such great care and with such conservatism that there is not apt to be a mistake so serious as to jeopardize a particular American industry. We have heard every case where anybody has felt that they had any injury, and in some instances we have had men go out into the field and check on the facts for a report, which the committee finally made on the matter to the trade-agreements organization.

There was one particular instance where an industry came to us—an industry that I think you may be somewhat interested in—that was fox fur. The fox-fur situation was due entirely to the war and not to the trade agreements, and I make that statement based on the statements of representatives of the industry.

Senator WILEY. You mean the added importations into this country?

Mr. GRADY. Yes; there was a danger of large and abnormal imports from Canada, Norway, and Sweden as the result of the absence of their market in Great Britain and on the Continent. We had hearings on the matter, and we decided that the matter was serious and that there was danger of such an influx of fox furs as to break the price, and this is a rather special industry where once the price is broken it is not apt to recover. It is not like wheat and cotton, where low prices may prevail at one time, and then they fluctuate, and fluctuations in prices are well understood and do not have a permanent effect upon prices generally.

Senator WILEY. I did not intend to get into this, but let me ask you: How did you determine the ceiling of 100,000 when the former imports had never been over 60,000 a year?

Mr. GRADY. As a matter of fact, the detailed information obtained from the industry indicated clearly that if imports were limited to 100,000 units the threatened disaster to the industry would be avoided. Also, the figure had to be somewhat liberal, because we had to get the consent of the Canadians to the imposition of this quota. It had to be done by mutual consent. It was an amendment to a contract, and it was put on a monthly basis to prevent the incidence of very large imports on the prices, and we have had very enthusiastic letters from the industry with reference to our action. They appear to be very well pleased and relieved, so I think the action was 100 percent successful, and I think the representative of the trade association concerned will bear me out on that. I have some letters on that which I will be glad to send to you.

Senator WILEY. How many of these so-called agreements have been modified in the last 6 years pursuant to the escape clause?

Mr. GRADY. There have not been very many. There is another matter concerning which the Secretary referred to yesterday in connection with the Swiss agreement; and there is another matter that has been under very serious consideration also, and that is the zinc situation, and today, as I said a moment ago, the price went up a quarter of a cent.

Senator WILEY. You would not attribute that to the trade agreement?

Mr. GRADY. No; but on the other hand I make the point that the imports have been accompanied by an increase in domestic output and domestic price.

Senator WILEY. The hurt that was done was done some time ago in the zinc industry. They closed down some mines.

Mr. GRADY. No; mines have closed and reopened both before and after the trade agreement and as I have pointed out, the price is higher today than it was before we made the agreement.

Senator WILEY. That is something new. That is just recently, on account of the war.

Mr. GRADY. It went up 6 months after the agreement went into effect, it began to go up about in June—the price began to go up. It went up about a cent as the result of the war. The point is it does not matter why it goes up, but if it is up, it is pretty hard to demonstrate injury.

Senator WILEY. The point that I am really interested in is, as a matter of fact, the escape clause in the agreements which are really operative. They are being used, and the Department is really working under them?

Mr. GRADY. Oh, yes, we have investigations right along. We never have a complaint that we do not make a thorough investigation. The fact that we have not made many modifications, as I say, is proof of the care with which we make concessions in the first place.

Senator VANDENBERG. What is the situation abroad, Dr. Grady, in respect to the use of the escape clause?

Mr. GRADY. We have had no modification of any of the agreements under the escape clauses. We have had a modification of the Canada agreement, or rather the Canadians have availed themselves of the war emergency clause in their agreement to put a quota on fresh and frozen pork, that was an extremely liberal quota. Our exports to Canada were 320,000 pounds in 1938, the year before the present Canadian agreement, in which we got this concession, became effective. The quota is for 19,500,000 pounds annually. In other words, we have got a quota of 19,500,000 pounds as against imports by Canada before the agreement went into effect of 320,000 pounds. The reason that we get that quota is because the Canadians are trying to be fair in the matter and are giving us a quota based on what our increased trade was up to the time the war broke out. The quota is based on the average monthly imports during the first 9 months of 1939.

They are facing a war situation. The British have stopped for the moment buying their pork to the same extent that they were, and consequently the Canadians, who had been buying our fresh and frozen pork for the purpose of processing it and making it into hams, and so forth, and shipping it into the United Kingdom, are overstocked, and the Canadian Government wanted to slow down the purchases so as not to break the market until the British begin to buy again. That quota is on only on account of the war, but without the agreement, they could have done anything they wanted.

Senator VANDENBERG. I am curious to know what happens under the impact of the war and of the prospective impact of the post-war readjustment. Certainly there are almost constant agreements being made between the belligerents among themselves in respect to trade,

which collide with the unconditional most-favored-nation policy of ours, are there not?

Mr. GRADY. Not necessarily, Senator. There have been a great many clearing agreements made; there have been a great many of various types of agreements. I suppose in the last few years there have been 1,400 or 1,500 of these agreements made. They are not in themselves discriminatory against our trade. As a matter of fact, in all of those clearing agreements of various sorts, bilateral arrangements have been made, but it does not appear that these involve any extensive discrimination against the United States. While the idea of bilateral balancing and clearing agreements and that sort of thing runs counter to the concept of our program, they do not necessarily carry with them discriminations against us. We are protected in our agreements against discrimination, not only on tariff rates, but on quotas and on exchange allocations and all Government purchasing organizations.

So I do not believe there is discrimination against our trade to anything like the extent sometimes alleged.

There are three countries that are at war now that we have trade agreements with—Great Britain, France, and Canada, and those three countries are exercising their emergency powers and doing certain things that we would not tolerate under normal peace conditions, because if they did not violate the letter of the agreement they would be violating the spirit.

Take the matter of tobacco that Senator La Follette was speaking about this morning. We have a provision in the British agreement that when their commitments regarding tobacco under the Empire preference arrangements expire in 1942, they will consider sympathetically the matter of giving us more favorable treatment in the British market. There is no formal violation of that agreement in their provision for the buying of Turkish tobacco in view of the "war escape" provision. There would, however, clearly be under normal conditions a violation of the general purpose and spirit of the agreement. Just as there is in the case of apples. I think apples and tobacco are the outstanding cases that indicate actual discrimination as against legal or formal discrimination.

In the case of apples, we got a concession, but that does not carry with it an obligation to buy, but we feel that diverting purchases from our market to any of the dominions—in this case it happens to be primarily Canada—is a kind of new form of empire preference exercised under war conditions, and that that defeats the purpose of the agreement, and we are, as I say, doing everything in our power to have methods of this type stopped. I want to emphasize that the fact that we have a trade agreement with the United Kingdom gives great additional weight to our representations to the British on these matters.

We cannot, of course, control the trade policy of a country in relation to a third country. All that we can protect ourselves on is their relations with us, and our agreements are very definite in that regard, and we are fully protected, and we have enforcement powers because if they violate, we can use these escape clauses, and in the final analysis we can serve notice of the abrogation of the whole agreement, which I think none of these countries would particularly wish. In that way we have a power to prevent discrimination which we would not have if we had no trade agreement. We would be completely defenseless. They could do anything they wanted to.

Senator VANDENBERG. I noticed that it was reported in the press in the last week that England and France had made some sort of a new inclusive agreement for pooling of purchases or preferring their own resources.

Mr. GRADY. Yes.

Senator VANDENBERG. Does that not produce a definite discrimination against us in net result?

Mr. GRADY. It does not necessarily. It may. We are studying it. We have not got a full report on this new agreement. We get a situation where two countries can increase their buying from each other if they wish to, especially under war conditions, where all the buying is in the hands of the government. It may violate the spirit of the agreements we have made with both of those countries, but I doubt very much if there is any technical violation of the agreement. However, we will know when we can get the agreements and study them. You may be sure that we will protect our interests as vigorously as possible.

Senator VANDENBERG. I do not see how it is possible for allies at war to operate under the unconditional most-favored-nation policy.

Mr. GRADY. They can. I think you are right in assuming that the tendency for them is to move into a type of trade policy that is somewhat along the lines of Germany and Italy before the war started. I mean, they are trying to conserve their exchange, they are going to buy as much as they can in the dominions, they are going to buy where it will help their efforts to win the war, and in doing that, if it were a peace situation, it would be a violation if not of the agreement technically, at least of the spirit of the agreement, but under the war conditions, they do that; and personally, while it is unfortunate, I do not think it is any reason why we should say that we will cancel all of these agreements. I do not see how we ourselves would be in better position.

Senator VANDENBERG. I am not arguing that point with you, Dr. Grady.

Mr. GRADY. I think that is the logic of most of the people who take this view, that there is discrimination against us and consequently we should stop the program.

Senator VANDENBERG. I am so completely sympathetic to Senator La Follette's premise this morning that our problem now has expanded so far beyond the mere consideration of reciprocal tariffs that we really ought to be exploring the question of whether or not we do not require an infinity of other devices to meet hostile devices that are used against us.

Mr. GRADY. I see no objection to greater powers being given to the administrative departments, where appropriate, but I do not think you have to abrogate what you have in order to give additional powers.

Senator VANDENBERG. Unless we are fooling ourselves by the unconditional most-favored-nation policy. I think we must be realistic about it, and I do not see how that policy can be pursued in a world at war, and I am asking you whether it is not a cold-blooded fact that the trade conditions about the world today are hampered by embargoes and quotas and blocked currency and preferential arrangements of one sort or another that you cannot reach

on a basis of nondiscrimination and protect us against discrimination through reciprocal trade treaties?

Mr. GRADY. Well, I would put the matter this way, Senator. As I said a moment ago, if we need more powers, and I have had the feeling for some time that the administrative departments should have their powers expanded with regard to trade and tariff matters, but if you are going to give more, I do not see how one could object to giving less. I mean, if there is a case for more, there certainly is not a case against less, and I would favor any additional powers. I have felt for some time that the Tariff Commission should have greater powers. Some of the restrictions put on by the Trade Agreements Act might be liberalized in order to perhaps meet some of the special difficulties, the emergency difficulties that may come up.

Now, as to the powers in the act itself, they do give us a good deal of a weapon to protect our interests. As I said, as far as these complex controls are concerned, they cannot be applied against us discriminately under the terms of the agreement; otherwise the agreement is violated.

Now, your recourse there would be to cancel the agreement in the final analysis, and that power is considerable, I think, because I do not think very many countries would want to have these agreements canceled, but if you want to give further powers, I can see some reason for that. But if you want to change the course of our policy entirely and get it over into the type of thing that Germany and the other totalitarian countries are committed to, I think it would be a tremendous mistake from the standpoint of our interests. The most-favored-nation concept is the concept of nondiscrimination. It is the concept of nonwarfare in international trade matters. We are committed to that. If this policy is completely outdated, or outmoded, as some people say, and as I rather gather from your remarks you feel, and we want to put something in its place, the only alternative as far as I can see is the type of policy that the totalitarian countries have.

Some people think that democracy is finished, and that democracy cannot survive in a world of totalitarianism, and that consequently democracy is a bit outmoded. I think that those two lines run rather parallel.

Senator KING. We have many Stalins in these United States who belabor that point.

Mr. GRADY. I would like to say to you, Senator, that if you contemplate, even aside from this question of increased regimentation involved in this other type of policy, if you contemplate that you want it, it should be studied first how it would work as far as our trade is concerned. Let us take the British. When we made the British agreement, we were selling to them three times as much as we were buying, and there were people in Great Britain that said that the British were foolish to make an agreement with us under those conditions, that what they ought to do was to make an agreement by which we would undertake to agree to the continuance of their present treatment of our trade and we would agree to buy as much from them as we sell to them. See what that would involve. How could we balance our trade with Great Britain? You would either have to do it somehow or other through Government control and limit your exports to bring them down to the amount of the British exports to us, or you would have to increase our imports from Great

Britain. We do that under the trade-agreements program by moderating our tariff rates. You do it under this other technique by a clearing system in which the countries undertake to buy increased quantities.

We could not enter into a commitment to buy more British goods unless we had a Government purchasing department to buy imports, and have the Government distribute them. That is the trouble with the whole philosophy. It assumes a soviet of foreign trade—as Mr. Peck used to say—selective imports and exports with he himself doing the selecting. That is a high degree of centralization in a very vital aspect of our economic affairs.

Senator VANDENBERG. I think you were quite a way afield from the thing that I was trying to determine. I do not want to be the only nation in the world that practices the unconditional most-favored-nation policy in fact, because we are bound to get the worst of it under those circumstances, and I am trying to determine to what extent, in view of the war dislocations, and the prospective post-war readjustments, make it in fact impossible to operate equitably under the unconditional most-favored-nation policy.

Mr. GRADY. I see your point, Senator, and I want to be perfectly fair in approaching a discussion of it, but if you do not follow the most-favored-nation policy, you enter into a policy of discrimination.

Let me make this clear by illustration. In the first place, when we make an agreement with a country, we want assurances that the country is not going to reduce the rate it has given to us still further to a third country. Let us say that we get a concession from Belgium which increases our trade in the Belgian market, and 2 weeks later the Belgians make an agreement with France and lower that same rate further to France and not make it applicable to us. The result is that this concession is entirely wiped out as far as we are concerned. Let us say they drop their duty on some product from 60 to 40 for us, and then later drop it to 25 cents for the others. Unless we get the benefit of this last reduction the value of our concession is lost. In other words, it is a straight business proposition to protect your concessions by requiring them to give us the benefit of any subsequent reductions which they may give to other countries on this very product, or any other items. That is the first way in which the most-favored-nation policy protects and benefits us. You see, you have to protect yourself in that way.

The second is that if you make a concession to some country—let us say in the Belgian agreement we lower the duty on some item from 60 to 40. Of course we only lower the duty to the principal supplier, the principal or important supplier. Denmark, let us say, is a supplier of that same article to a considerably lesser degree, but our market is important to the Danes. You can imagine that they would not take very happily a situation in which Belgium was now getting a 40-cent rate and they were paying 60. Belgium would be getting preferential treatment and Denmark would be discriminated against and they would retaliate. So we would be in a position of building up our trade with Belgium and having that offset by a loss of trade to Denmark. If you say, "Well, why don't you get some concession from Denmark for that item?" That is somewhat impracticable from the negotiating standpoint. What is the exact quid pro quo of one item as against another? It is very difficult to determine. Consequently, you do the thing on a sort of a wholesale basis. You say to the Danes,

"We will give you most-favored-nation treatment, that is, we will give you the benefit of any lowering of tariffs if you will always give it to us." We say that to every country that we deal with, and that protects our traders, because if Argentina lowers a tariff, say on some type of textile to the British, and we have a small sale of that textile down in Argentina, we will very quickly hear from those textile producers in this country if they find that there is a very much higher rate for them than for the British, so we would have to approach the Argentines and the Argentines would say "All right, we will give you this lower rate, but you have to give us something for it." We would have to negotiate on that one item, and it is extremely difficult, because if we lower one item for Argentina, the particular industry concerned will say, "Well, you are doing something against us on behalf of this other industry." So you do it on a wholesale basis.

Let us look at the situation as far as the British are concerned. In our British agreement, we had adjustments of about 500 of our rates. If we had had to go around the world and negotiate with every country that had any interest in any of those reductions, and of course they are all minor suppliers, because we make the reduction with the principal supplier, and we did not give the British any concessions on any items except those where they were the principal suppliers or very important suppliers—we would have to go around the world and negotiate on 500 items, and from a practical standpoint, you could not complete the agreement.

Senator VANDENBERG. Of course, you will develop extreme difficulties for what you conceive to be the alternative system. Still, there remains the question where we started. That would not answer our complaint if it is true that after we have faithfully generalized every benefit to everybody else, and we certainly do faithfully generalize every benefit to everybody else, we find in return, however, that all of our good neighbors to whom we have generalized all of our benefits, have discovered these numerous cute devices to get the best of us.

Mr. GRADY. I do not think that is true, Senator.

Senator VANDENBERG. The Tariff Commission tells me that there have been 1,426¹ bilateral commercial agreements since January 1, 1935. Of course, a great majority of them are technically, or, let us say, inconsequential, in their effect.

Mr. GRADY. Yes.

Senator VANDENBERG. A great many of them involve these 20 or 22 countries with whom we have trade agreements. Is it possible that in these 1,400 bilateral agreements that they have not discriminated against us at all?

Mr. GRADY. I said awhile ago that there may be some discrimination here and there, but it is not as important as is often charged. As I also said a moment ago, it does not necessarily follow that one of the countries with whom we have an agreement discriminates against us by making a clearing agreement with some other country, or any kind of a bilateral agreement. We could have made an agreement with Germany if they had not gone as far along the line of bilateralism as they had, and still they would have maintained a number of these bilateral agreements which would not have been discriminatory against us.

You see, we are not necessarily concerned with what their relation is to some third country—and let me take an illustration. The

¹ Revised figures (as of Mar. 1, 1940), 1,584.

Swiss enlarged the quota on lumber. We have insisted that our quota be based on what we call a representative period, and if we get that increase in the quota based on a representative period, which we agree to with them, it does not concern us immediately what their quotas are with other countries. They can give some other country that is entitled to 10 percent, only 5 percent, or they can give them none as long as they give us the quota we are entitled to, and that takes care of the matter of discrimination as far as we are concerned.

We are interested in the broader phases of the question, and we have found, and the League of Nations Economic Committee has pointed out, that this policy of ours of insisting on most-favored-nation treatment with regard to these devices like exchange control and quotas and government purchasing, has done a good deal to reduce discrimination in the world, and there was a very definite movement away from these types of control up to even a few months of the time that the war broke out. They were finding that they were not good for them, and that they are not a good policy to use in regard to trade, and were moving away from them, and our standard provisions have gone a great ways in improving the policies of a good many countries, especially those we have agreements with.

Senator VANDENBERG. Take some of the conditions in South America where we collided with blocked exchange. Do not some of the blocked exchange conditions distinctly discriminate against us in net effect?

Mr. GRADY. We do not allow them to if we have agreements with them. The British and the Argentines have an arrangement, the Runciman-Roca agreement, which guarantees the British a large percentage of the exchange. That is a form of discrimination against other countries, and I think to some degree a discrimination against us, but that is a matter that we have considered.

Senator VANDENBERG. In the development of your international balance sheets, you have no means, have you, of acquiring authentic information regarding the international ownership of American securities?

Mr. GRADY. I think the Department of Commerce, which gets out that balance of payments, has very comprehensive data on security movements. They may not have information on ownership. They get their information from banks and traveling agencies and various other sources, and have been getting it since 1923. I don't know whether the banks give that information on ownership, but I think it can be obtained if there is any particular reason for it.

Senator VANDENBERG. Let me ask you this, and I am very much obliged to you for your discussion. Is it fair for me to inquire when the Chilean agreement is calculated to be announced?

Mr. GRADY. It has not been completed. It is very hard to say when an agreement will be completed, because sometimes negotiations move along quite fast and sometimes they do not move so fast, but I should think in the reasonable future that the agreement will be consummated unless something comes up that makes it impossible to consummate it.

Senator VANDENBERG. Why was the unusual practice followed of announcing ahead of time that there would be no reduction in the excise copper tax in connection with the Chilean agreement?

Mr. GRADY. For this reason, Senator. We had studied that matter along with the other items listed. First let me point out that, when

we announce an agreement, we put on the list of commodities all of the important items in the trade. That is an all-inclusive list. It does not mean, of course, that every item is going to be subject to action. As a matter of fact, there were 138 items on the British list at the time we published the announcement of an intention to negotiate with Great Britain, on which no action was subsequently taken. Consequently, there was no indication of intention with regard to copper or any other item on the Chilean list at the time we announced the intention to negotiate. When we first started the program, we used to issue the whole trade list, and we found some objection to that because the people did not know whether they should write briefs, and in order to help the industries concerned, we adopted this other policy of announcing a list, which covered only those items on which we would consider taking action. The items in the list had been carefully studied, and the copper item—

The CHAIRMAN (interposing). You are talking about the Chilean negotiations now?

Mr. GRADY. Yes. Copper was among them. We have a special metals committee, and then we have a trade agreements committee. Those committees all studied the matter, and they had come to the conclusion that there was no reason for the reduction of the copper tax from the standpoint of increased trade, which is always our approach to any tariff matter. We are not only concerned with the question of the tariff per se—whether it is theoretically a proper tariff or whether it is not, but we are also concerned with the question of whether an appropriate reduction could be made which would increase the flow of trade.

It was the consensus of everybody concerned that a reduction in the copper tax would not have any effect on the trade, or any appreciable effect. As far as we could see, it would have none. And as soon as that decision had been reached, and since there was a great deal of concern in some of the copper areas, which I think was somewhat stimulated, we thought that it was only fair, since we did not know when the agreement would be finally consummated, and since the Chileans were willing, that we should announce there would be no action on copper; accordingly, we departed from our usual procedure and made this announcement.

Senator VANDENBERG. That is the only time it has been done?

Mr. GRADY. That is the only time it has been done.

Senator VANDENBERG. Do you think that the general unsettled condition of the copper trade, which was nervous over the sword of Damocles that you held over their heads, might be a type of nervousness which applies to other lines of business which are awaiting the ultimatum from your final secret conferences?

Mr. GRADY. We have not been aware of any such condition of nervousness in any particular quarters.

Senator VANDENBERG. I am sure that you have not been nervous, but I can assure you that many others have been.

Senator CLARK. You have not had any intimations of the Connecticut Tariff Association in secret conferences as they had in the Smoot-Hawley days, have you?

Mr. GRADY. No; we have not.

Senator LA FOLLETTE. Mr. Secretary, would you be willing to furnish, in connection with your testimony, a memorandum outlining

the supplemental legislation which you think would be effective in regard to the present disturbed situation in the world?

Mr. GRADY. I was not thinking of it, Senator, particularly with regard to the present disturbed situation in the world.

Senator LA FOLLETTE. Pardon me; I thought you were.

Mr. GRADY. I have felt for some time—for the last several years—that the Tariff Commission's power might well be increased. I do not see any particular necessity—I do not see as yet any particular necessity for such special legislation. I am the chairman of the executive committee on commercial policy, an interdepartmental committee which follows very closely all of the problems of our trade and commercial policy in this particular period, as well as in normal times, and the committee has not felt that there was any reason as yet to suggest any special legislation. I would personally not like to be put in the the position of making any such suggestions. My views with regard to the Tariff Commission have been that section 336 should be amended to broaden out the criteria of the determination of tariff changes and get away from the narrow cost of production formula and broaden it out to those conditions that we take into account in the adjustment of our tariff rates in the trade-agreements program.

Senator VANDENBERG. To what extent do you consult the difference in the cost of production?

Mr. GRADY. It is one of the factors. We do not send people abroad—it would not be practicable to send abroad to get all of these factors, but we get testimony at the hearings from the domestic industries which we take into account.

I must say that we have to discount it once in a while. We happened to have a man on our hearing board who knew a little about the British woolen industry, and when the domestic woolen industry was testifying with regard to wages, he caught them up quoting the highest wages of the most skilled worker in the American woolen industry as against the lowest in one of the Scotch industries—the lowest-paid woman worker in one of the country districts. But we have a good deal of information on the general question of costs, and I may say that it is the impression of most of us watching the trade situation that our costs are going up less rapidly than the costs of most of our competitors. The conditions of our competitors as a result of the war and the much greater taxes and other factors are raising costs more rapidly there than here. The general costs are rising more rapidly there than here.

The CHAIRMAN. Doctor, may I ask you, does the Department of Agriculture and the Department of Commerce have their representatives on these interdepartmental committees?

Mr. GRADY. Yes; not only on the trade agreements committee but on all of the subcommittees, and on the committee on commercial policy.

The CHAIRMAN. And the Secretary of Agriculture and those various committees are kept in close touch with the situation?

Mr. GRADY. Yes.

Senator CLARK. And the Treasury, too?

Mr. GRADY. Yes; the Treasury also. They are kept in very close touch and consulted in the case of the important decisions, and they are always in contact through their representatives on the committees.

Senator BARKLEY. Has your testimony today and so far as you have put into the hearings or into the tables in the House hearings,

briefly epitomized by comparison in the two representative periods before and since the trade-agreements program and the volume of imports and exports of representative agricultural and representative industrial products, together with the price per unit and the total values?

Mr. GRADY. I don't know that that has been put in the record, but, if it has not been, I will be glad to put it in.

Senator BARKLEY. I think it would be helpful if you could put it in without too much trouble.

Mr. GRADY. I will be very happy to.

Senator BARKLEY. Otherwise it is necessary for the members of the committee and the Senate to search everywhere to find those things.

Mr. GRADY. Precisely.

Senator BARKLEY. If you have it available, I would like to put it into the record.

Mr. GRADY. I will.

(The information referred to follows:)

Exports of leading commodities, 1926-39

[Value in millions and tenths of millions of dollars. Reexports not included. Items included in this table represented 84 percent of United States merchandise exports in 1939]

Commodity	1926-30 aver- age	1931-35 aver- age	Value			
			1936	1937	1938	1939
Machinery ¹	488.0	212.5	334.9	479.1	486.3	502.2
Electrical, and apparatus.....	102.7	62.6	91.4	112.6	102.1	105.3
Industrial.....	214.4	94.7	168.5	240.5	269.9	289.9
Metalworking machinery.....	30.4	23.0	46.1	64.3	101.7	117.5
Agricultural, and implements.....	109.9	26.8	44.0	75.3	75.4	68.5
Petroleum and products.....	524.4	231.4	203.5	376.4	388.0	383.7
Crude petroleum.....	30.2	38.2	66.1	96.4	111.6	92.8
Gasoline and other motor fuel ²	244.6	72.3	57.1	84.9	103.5	97.0
Lubricating oil.....	93.3	58.0	65.4	86.5	68.9	91.0
Automobiles, parts, and accessories.....	406.2	146.5	240.2	346.0	270.4	253.7
Passenger cars.....	³ 197.6	55.3	103.0	134.8	100.1	84.7
Motortrucks.....	⁴ 75.2	30.2	54.8	100.2	72.2	69.6
Cotton, unmanufactured.....	765.7	366.5	361.0	368.7	228.6	243.5
Iron and steel-mill products.....	170.7	62.9	111.9	300.1	184.2	235.5
Iron and steel scrap ⁴	5.1	11.6	24.7	70.4	45.8	55.8
Chemicals and related products.....	137.4	91.8	116.7	139.3	128.9	164.7
Chemicals (coal-tar, industrial, medicinal).....	76.8	57.7	70.4	87.7	81.1	109.5
Pigments, paints, and varnishes.....	23.4	13.6	17.8	21.6	18.7	22.8
Aircraft, including parts and accessories.....	4.9	10.8	23.1	39.4	68.2	116.9
Copper, including ore and manufactures.....	150.0	39.9	50.7	93.6	86.8	97.2
Fruits and nuts.....	122.2	84.8	80.6	82.2	90.1	83.2
Apples, fresh.....	29.8	19.2	13.1	11.6	14.7	10.6
Dried and evaporated fruits.....	33.3	23.2	20.1	24.9	25.6	21.9
Canned fruits.....	25.6	19.6	19.0	21.1	23.2	25.1
Tobacco, unmanufactured.....	144.5	103.7	137.3	134.6	155.7	77.4
Cotton manufactures, including yarns.....	124.1	45.4	43.7	59.7	57.0	68.3
Cotton cloth, duck, and tire fabric.....	72.3	28.3	21.9	28.3	30.6	36.5
Coal and coke.....	121.8	51.7	59.6	67.4	55.9	66.7
Wheat, including flour.....	230.6	39.2	19.4	64.0	101.2	61.4
Wheat, grain.....	152.1	19.6	1.9	38.7	78.1	36.8
Packing-house products.....	194.1	65.7	41.7	42.0	48.0	54.6
Meat products.....	78.0	28.7	25.4	21.7	28.5	31.7
Lard, including neutral lard.....	98.3	31.4	13.0	16.1	18.3	20.2
Iron and steel advanced manufactures.....	78.2	27.2	37.9	52.1	43.3	49.6
Sawmill products.....	100.6	37.5	43.3	53.7	37.6	41.2
Boards and timber.....	99.9	37.4	43.2	46.8	36.5	39.3
Rubber and manufactures.....	67.4	23.0	23.4	32.1	27.2	39.4
Automobile casings.....	30.1	11.0	9.8	13.2	11.3	10.6
Paper and manufactures.....	30.3	18.3	22.5	31.1	24.9	31.8
Corn.....	19.5	2.0	.6	3.9	94.5	19.8
Photographic and projection goods.....	24.4	15.8	26.9	22.5	10.9	19.1
Naval stores, gums, and resins.....	30.4	14.7	18.9	22.1	12.3	15.1

¹ Includes office appliances and printing machinery.

² Includes naphtha, solvents, and other light-finished products prior to 1936.

³ Includes second-hand vehicles.

⁴ Includes tin-plate scrap and waste tin plate.

Source: Records of the Department of Commerce.

Exports of leading commodities, 1926-39

(Value in millions and tenths of millions of dollars. Reexports not included. Items included in this table represented 84 per cent of United States merchandise exports in 1939)

Commodity	1926-30 average	1931-35 average	Quantity			
			1936	1937	1938	1939
Crude petroleum.....1,000 bbl.	20,062	36,411	50,313	67,127	77,254	72,004
Gasoline and other motor fuel.....do.	52,154	30,425	22,727	30,524	40,209	36,813
Lubricating oil.....do.	10,117	7,786	8,603	10,839	9,328	11,805
Passenger cars.....thousands.	276	100	180	229	162	138
Motortrucks.....do.	118	61	100	166	112	116
Cotton, unmanufactured.....million lb.	4,328	3,875	2,974	3,223	2,442	2,637
Iron and steel scrap.....1,000 tons.	355	1,015	1,937	4,102	2,999	2,577
Copper, including ore and manufactures.....million lb.	984	493	525	701	844	855
Apples, fresh.....do.	16,009	13,501	8,897	7,901	11,761	8,379
Dried and evaporated fruits.....do.	490	412	338	420	494	396
Canned fruits.....do.	208	275	258	268	327	301
Tobacco, unmanufactured.....do.	540	442	425	435	489	358
Cotton cloth, duck, and tire fabrics.....million sq. yd.	521	291	201	236	320	387
Coal and coke.....1,000 tons.	22,239	10,927	11,610	13,938	11,520	13,199
Wheat, including flour.....1,000 bu.	175,009	57,338	19,079	55,778	111,409	99,623
Wheat, grain.....do.	116,165	32,075	1,879	34,848	80,902	63,214
Packing-house products.....million lb.	1,338	774	280	277	377	504
Meat products.....do.	425	216	135	124	168	192
Lard, including neutral lard.....do.	741	449	112	137	205	277
Boards and timber.....million bd. ft.	2,819	1,333	1,250	1,110	948	1,030
Automobile casings.....thousands.	2,387	1,150	858	1,016	850	1,184
Corn.....1,000 bu.	20,481	3,823	524	6,834	147,505	32,117

See p. 164 for footnotes.

Imports of leading commodities, 1926-39

(Value in millions and tenths of millions of dollars. Items included in this table represented 79 percent of imports for consumption in 1939)

Commodity	1926-30 average	1931-35 average	Value			
			1936	1937	1938	1939
Rubber, crude.....	294.4	74.6	158.7	247.5	129.5	178.0
Coffee.....	231.7	141.2	134.0	150.6	137.8	139.0
Paper and manufactures.....	151.2	95.5	110.1	137.1	113.0	126.8
Newsprint.....	134.2	84.8	90.7	122.5	101.5	115.7
Cane sugar.....	207.3	115.1	157.0	166.2	130.4	124.0
Silk, raw.....	398.2	118.1	102.4	106.6	88.8	120.9
Paper base stocks.....	114.5	69.6	98.0	117.9	86.4	88.4
Wood pulp.....	86.0	59.5	82.3	98.3	72.8	75.9
Chemicals and related products.....	135.8	96.1	80.0	102.0	78.0	79.5
Chemicals (coal-tar, industrial, medicinal).....	56.5	32.3	41.1	49.7	37.1	42.1
Fertilizers and materials.....	68.0	28.7	33.4	46.7	36.5	32.5
Tin (bars, blocks, pigs).....	88.9	43.8	75.5	104.3	44.9	70.6
Fruits and nuts.....	84.0	48.4	58.0	67.3	55.1	58.2
Wines and spirits.....	114.3	20.6	75.3	72.7	57.7	57.3
Furs and manufactures.....	114.3	43.1	81.6	80.2	45.8	55.5
Vegetable oils, expressed.....	81.9	48.0	85.3	112.0	58.6	50.9
Wool and mohair.....	78.8	18.7	63.3	96.3	22.6	49.7
Hides and skins.....	118.0	39.8	54.8	71.1	29.9	47.1
Diamonds.....	53.1	15.9	33.3	44.1	28.3	46.1
Copper, including ore and manufactures.....	108.2	29.7	29.9	52.0	37.0	44.4
Petroleum and products.....	132.8	51.0	40.6	44.0	30.5	43.5
Cotton manufactures, including yarns.....	63.0	34.5	48.7	50.9	34.6	30.6
Cotton cloth.....	14.0	6.2	10.6	13.6	6.5	8.7
Tobacco, unmanufactured.....	57.0	27.1	29.9	31.9	36.0	36.9
Oilseeds.....	60.0	26.6	37.0	63.3	34.7	31.2
Fish, including shellfish.....	36.7	24.4	30.4	33.9	28.3	32.4
Nickel (ore, matte and alloy).....	12.5	10.5	23.3	23.6	18.0	28.7
Burlaps.....	72.3	26.1	35.4	41.1	28.3	28.0
Packing-house products.....	38.4	16.1	31.0	41.7	30.3	27.9
Meat products.....	35.4	12.2	25.6	39.8	29.8	27.3
Cocoa or cacao beans.....	45.5	21.5	33.0	52.3	20.1	27.6
Wool manufactures, including yarns.....	69.3	17.1	29.0	31.9	17.8	25.0
Flax, hemp, and ramie manufactures.....	44.3	23.7	30.3	52.5	20.5	22.4
Ferroalloys.....	18.5	9.2	20.6	27.2	18.0	21.4
Tea.....	27.0	16.7	17.9	21.4	18.3	21.1
Bamboo.....	56.7	15.0	23.5	20.6	14.2	26.0
Vegetables and preparations.....	40.7	17.9	20.1	25.2	16.1	18.1
Art works.....	65.4	22.1	25.9	21.8	16.8	17.6
Unmanufactured vegetable fibers.....	37.0	12.8	24.1	28.3	15.4	16.5
Wheat (chiefly for milling and export).....	19.0	13.2	48.1	19.8	2.5	6.0
Grains (corn, oats, rye, barley).....	1.6	9.6	23.5	60.0	.3	2.1

See p. 166 for footnotes.

Imports¹ of leading commodities, 1920-1939—Continued

[Value in millions and tenths of millions of dollars. Items included in this table represented 79 percent of imports for consumption in 1939]

Commodity	1920-30 average	1931-35 average	Quantity			
			1930	1937	1938	1939
Rubber, crude..... million lb.	1,042	1,015	1,091	1,330	917	1,114
Coffee..... do	1,493	1,623	1,739	1,607	1,087	2,014
Newsprint..... do	4,279	4,088	5,503	6,534	4,549	5,230
Cane sugar..... do	8,471	5,972	5,336	6,392	5,948	6,807
Silk, raw..... 1,000 lb.	75,343	69,841	60,363	57,816	55,104	51,600
Wood pulp..... 1,000 tons	1,594	1,630	2,278	2,395	1,710	2,626
Fertilizers..... do	2,152	1,236	1,526	2,046	1,553	1,373
Tin (bars, blocks, pigs)..... million lb.	177	120	170	197	111	157
Wool and mohair..... do	253	186	258	320	164	246
Hides and skins..... do	447	261	310	312	182	323
Diamonds..... 1,000 carats	758	702	1,700	2,501	1,819	4,211
Copper..... million lb.	815	423	308	455	411	453
Cotton cloth..... million sq. yd.	56	42	114	147	58	112
Tobacco, unmanufactured..... million lb.	77	61	68	72	71	82
Fish..... do	347	298	371	365	503	346
Nickel (ore, matte and alloy)..... do	61	48	104	107	50	128
Burlaps..... do	606	404	557	658	504	441
Packinghouse products..... do	173	140	252	221	167	162
Cocoa or cacao beans..... do	322	484	632	619	453	663
Tea..... do	90	88	82	95	81	68
Unmanufactured vegetable fibers ² 1,000 tons	213	181	205	214	153	197
Wheat (chiefly for refining and export)..... 1,000 bu.	16,167	18,899	52,990	17,710	3,820	10,747

¹ General imports through 1932, imports for consumption thereafter.

² Includes sisal, manila, kapok, New Zealand fiber, crin vegetal, etc.

³ Imports for consumption throughout all years.

Source: Records of the Department of Commerce.

The CHAIRMAN. May I say to the members of the committee that there are two economists, and I think among two of the best that the Tariff Commission has, who are in attendance all of the time and subject to any request for information that any member of the committee desires to obtain.

In addition to that, at all times in the committee while this hearing is being conducted, there are representatives of the State Department whom we think are very efficient.

Senator VANDENBERG. I would like to request now from the Tariff Commission a list of the occasions upon which the elastic tariff has been invoked, and the net result by years from 1933 to 1940.

Senator Clark. Do you mean the flexible provision?

Senator VANDENBERG. Yes.

Senator CLARK. Why not include it from the time the Smoot-Hawley bill went into effect?

Senator VANDENBERG. All right. Take it from 1930. What I want is 1932 to 1939.

The CHAIRMAN. All right. Furnish the entire information to us.

(Subsequently the following material was furnished by the United States Tariff Commission:)

UNITED STATES TARIFF COMMISSION,
Washington.

HON. PAT HARRISON,
Chairman, Senate Finance Committee,
United States Senate.

DEAR SENATOR HARRISON: In response to the request made on February 27, 1940, by Senator Vandenberg requesting information on the use of section 336 from 1933 to 1940, and in compliance with the supplementary request of Senator Clark for complete data on the use of section 336 since its inception in 1930, and

In response to your final request for all information covering the history of the use of the flexible tariff provision, there is submitted herewith the following information:

Table A. A list of the reports issued by the Tariff Commission under the provisions of section 336, showing the action taken by the President and the resultant changes in duty.

Table B. A tabulation giving similar information of the actions taken under section 315 of the Tariff Act of 1922.

Table C. A list of the investigations ordered in response to applications made under section 336 of the Tariff Act of 1930.

Table D. A list of the applications made under section 315 of the act of 1922.

Sincerely yours,

OSCAR B. RYDER, *Acting Chairman.*

TABLE A.—List of articles upon which the Tariff Commission has reported to the President, under the provisions of sec. 336 of the Tariff Act of 1930

Article	Paragraph No.	Change in duty	Date of proclamation or approval of report	Effective date of change
1. Woven-wire fencing and woven-wire netting composed of wire smaller than $\frac{5}{16}$ inch and not smaller than $\frac{3}{16}$ inch in diameter coated with zinc or other metal before weaving.	397	Increased from 45 percent ad valorem to 50 percent ad valorem.	Feb. 5, 1931	Mar. 7, 1931
2. Woven-wire fencing and woven-wire netting composed of wire smaller than $\frac{5}{16}$ inch and not smaller than $\frac{3}{16}$ inch in diameter coated with zinc or other metal after weaving.	397	Increased from 45 percent ad valorem to 60 percent ad valorem.	do	Do.
3. Wood flour	412	Decreased from 33 $\frac{1}{2}$ percent to 25 percent ad valorem.	do	Do.
4. Maple sugar	503	Decreased from 8 cents to 6 cents per pound.	do	Do.
5. Maple sirup	503	Decreased from 5 $\frac{1}{2}$ cents to 4 cents per pound.	do	Do.
Hats, bonnets, and hoods of straw, chip, paper, grass, palm leaf, willow osier, rattan, real horse hair, cuba bark, ramie, or manila hemp:				
6. Wholly or partly manufactured, if sewed	1504 (b)	Decreased from \$4 per dozen and 60 percent ad valorem to \$3 per dozen and 50 percent ad valorem.	do	Do.
7. Not blocked or trimmed, not bleached, etc.		No change.	do	
8. Not blocked or trimmed, bleached, etc.			do	
9. Blocked or trimmed			do	
10. Harvest hats valued at less than \$3 per dozen.				
11. Pigskin leather not imported for footwear	1530 (c)	Decreased from 25 percent ad valorem to 15 percent ad valorem.	do	Do.
Ultramarine blue:				
12. Valued at 10 cents or less per pound	68	No change.	do	
13. Valued at over 10 cents per pound				
14. Wool floor coverings, n. s. p. f.	1117 (c)	No change.	do	
Edible gelatin:				
15. Valued at less than 40 cents per pound	41	Decreased from 20 percent and 5 cents per pound to 12 percent ad valorem and 5 cents per pound.	Mar. 16, 1931	Apr. 15, 1931
16. Valued at 40 cents or more per pound		No change.	do	
17. Fourdrinier wires, suitable for use in paper-making machines				
18. Cylinder wires over 55 meshes per lineal inch in warp or filling	318	Increased from 50 percent ad valorem to 75 percent ad valorem.	do	Do.
19. Woven-wire cloth over 55 meshes per lineal inch in warp or filling, suitable for such wires.				
20. Wool-felt hat bodies and similar articles	1115 (b)	Decreased from 40 cents per pound and 75 percent ad valorem to 40 cents per pound and 55 percent ad valorem.	do	Do.

21. Wool-felt hat bodies pulled, etc., and finished hats and similar articles	1115 (b)	Decreased from 40 cents per pound and 75 percent ad valorem and 25 cents per article to 40 cents per pound and 55 percent ad valorem and 12½ cents per article.	do	Do.
Smokers' articles:				
22. Pipes of brierwood	1552	No change	do	
23. Pipe bowls of brier wood				
24. Other pipes, n. s. p. f.				
25. Other pipe bowls, n. s. p. f.				
26. Cigar and cigarette holders				
27. Mouth pieces				
Cherries sulfured or in brine:				
28. With pits	737 (3)	Report returned for further investigation	Apr. 7, 1931	
29. With pits removed				
Tomatoes prepared or preserved:				
30. Tomatoes, canned	772	do	do	
31. Tomato paste				
32. Cordage, including cables, tarred or untarred, composed of three or more strands, each strand composed of two or more yarns, wholly or in chief value of hemp.	1005 (a) (3)	Increased from 3¼ cents per pound to 4½ cents per pound.	June 24, 1931	July 24, 1931
Dried egg products:				
33. Whole eggs	713	Increased from 18 cents per pound to 27 cents per pound.	do	Do.
34. Egg yolk				
35. Egg albumen				
36. Bicycle, velocipede, and similar bells, finished or unfinished, and parts thereof.	364	Increased from 50 percent ad valorem to 70 percent ad valorem.	do	Do.
37. Chimes	1541 (a)	No change	do	
38. Carillons	1541 (c)			
39. Olive oil weighing with the immediate container less than forty pounds.	53	Decreased from 9½ cents per pound on contents and container to 8 cents per pound on contents and container.	do	Do.
40. Olive oil in bulk	53	No change	do	
41. Bentwood furniture wholly or partly finished, and parts thereof.	412	Decreased from 47½ percent ad valorem to 42½ percent ad valorem.	do	Do.
42. Pipe organs and parts thereof	1541 (a)	Decreased from 60 percent ad valorem to 35 percent ad valorem.	do	Do.
43. Pipe organs and parts thereof for church or other public auditorium not charging admission fee.	1541 (a)	Decreased from 40 percent ad valorem to 35 percent ad valorem.	do	Do.
44. Iron in pigs and iron kentledge	301	No change	do	
45. Hides and skins of cattle of the bovine species	1530 (a)	do	do	
46. Cheese, except of American or Cheddar and Swiss or Emmenthaier types	710	do	do	

TABLE A.—List of articles upon which the Tariff Commission has reported to the President, under the provisions of sec. 336 of the Tariff Act of 1930—Continued

Article	Paragraph No.	Change in duty	Date of proclamation or approval of report	Effective date of change
Feldspar:				
47. Crude.....	207	Decreased from \$1 per ton to 50 cents per ton	Dec. 2, 1931	Jan. 1, 1932
48. Ground.....	214	No change	do	
49. Cylinder, crown, and sheet (window) glass.....	219	Decreased from 1 $\frac{1}{4}$ to 12 $\frac{3}{4}$ cents per pound on sizes not over 150 square inches; 2 $\frac{1}{16}$ to 13 $\frac{3}{4}$ cents per pound on sizes over 150 and not over 384 square inches; 2 $\frac{1}{16}$ to 13 $\frac{3}{4}$ cents per pound on sizes over 384 and not over 720 square inches; 2 $\frac{1}{16}$ to 12 $\frac{3}{4}$ cents per pound on sizes over 720 and not over 864 square inches; 3 to 2 $\frac{1}{4}$ cents per pound on sizes over 864 and not over 1,200 square inches; 3 $\frac{3}{4}$ to 23 $\frac{3}{4}$ cents per pound on sizes over 1,200 and not over 2,400 square inches; 3 $\frac{3}{4}$ to 25 $\frac{3}{4}$ cents per pound on sizes over 2,400 square inches. Minimum rate on foregoing weighing less than 16 ounces but not less than 12 ounces per square foot decreased from 50 to 37 $\frac{1}{2}$ percent ad valorem.	do	Do.
Boots and shoes of leather:				
50. Turned.....	1530 (e)	Decreased from 20 to 10 percent ad valorem	do	Do.
51. McKay sewed.....	1530 (e)	Increased from 20 to 30 percent ad valorem	do	
52. Other.....	1530 (e)	No change	do	
53. Gage glass tubes.....	218 (b)	do	do	
54. Cement or cement clinker.....	205 (b)	do	do	
Pens:				
55. Of steel.....				
56. Of other metal.....				
57. With nib and barrel in 1 piece.....	351	do	do	
Lumber and timber of:				
58. Fir.....				
59. Spruce.....				
60. Pine.....				
61. Hemlock.....	401	do	do	
62. Larch.....				
63. Crin vegetal, flax upholstery tow, and Spanish moss.....	1001, 1684, 1722	do	do	
64. Peas, green or unripe.....	769	Increased from 3 cents per pound to 3 $\frac{1}{10}$ cents per pound.	do	Do.
65. Peppers in their natural state.....	774	Decreased from 3 cents per pound to 2 $\frac{1}{2}$ cents per pound.	do	Do.
66. Eggplant in its natural state.....	774	Decreased from 5 cents per pound to 1 $\frac{1}{2}$ cents per pound.	do	Do.

57. Pineapples.	747	No change.	do.		
58. Fresh tomatoes.	772	do.	do.		
59. Snap beans	765	do.	do.		
70. Cucumbers	774	do.	do.		
71. Okra	774	do.	do.		
72. Lima beans, green or unripe	765	do.	do.		
73. Infants' unembroidered wool jersey outerwear, n. s. p. f., valued at more than \$2 per pound.	1114 (d)	Decreased from 50 cents per pound and 50 percent to 50 cents per pound and 25 percent.	June 11, 1932	July 11, 1932	
74. Infants' unembroidered wool outerwear, knit or crocheted, except jersey, n. s. p. f., valued at more than \$2 per pound.	1114 (d)	Increased from 50 cents per pound and 50 percent to 50 cents per pound and 75 percent.	do.	Do.	
75. Infants' unembroidered wool knit outerwear valued at not more than \$2 per pound.	1114 (d)	No change.	do.		
76. Infants' embroidered wool knit outerwear	1529 (a)	do.	do.		
77. Furniture of wood, n. s. p. f.	412	No change.	do.		
78. Umbrellas and parts.	1554, 342	No change.	do.		
79. Alstrin, ferrosilicon aluminum, and ferroaluminum silicon containing 20 but not more than 52 percent of aluminum and containing silicon and iron.	302 (j)	Decreased from 5 to 2½ cents per pound.	June 18, 1932	July 18, 1932	
80. Silicon aluminum and aluminum silicon, and alumin, ferrosilicon aluminum and ferroaluminum silicon containing less than 20 or more than 52 percent of aluminum and containing silicon and iron.	302 (j)	No change.	do.		
81. Gelatin, and glue of animal origin, not specially provided for, valued at less than 40 cents per pound.	41	From 25 percent and 2 cents per pound to 20 percent and 2½ cents per pound.	Aug. 19, 1932	After Sep 17, 1932	
82. Gelatin, glue, glue size, and fish glue not specially provided for, valued at 40 cents or more per pound.	41	No change.	do.		
83. Sheepswool sponges.	1545	Decreased from 30 to 22½ percent.	do.	After Sept. 17, 1932.	
84. Yellow, grass, or velvet sponges.	1545	No change.	do.		
85. Blown glass tableware	218 (f)	No change.	Dec. 14, 1932		
86. Precision drawing instruments.	360	No change.	do.		
87. Prism binoculars having a foreign value of more than \$12 and a magnification greater than five diameters, frames and mountings therefor, and parts.	228 (a)	Increased from 60 percent on foreign value to 60 percent on basis of American selling price.	do.	Jan. 13, 1933	
88. Other optical fire-control instruments.	228 (a)	No change.	do.		
89. Upholsterers' nails, thumb tacks, chair glides, of two or more pieces of iron or steel.	331	Increased from 3 cents per pound to 4½ cents per pound.	do.	Do.	
90. Thumb tacks, not specially provided for	331	Increased from ¾ cent per pound to ¾ cent per pound.	do.	Do.	
Folding rules:					
91. Of aluminum	396	Increased from 45 percent ad valorem to 65 percent ad valorem.	1932	1933	
92. Of wood	412	Increased from 40 percent ad valorem to 60 percent ad valorem.	do.	Do.	
93. Crab meat	721 (a)	No change.	do.		
94. Barley malt	722	do.	do.		
95. Cotton upholstery velvets	909	do.	do.		
96. Ribbons of cotton velveteen or cotton velvet.	909	do.	do.		
97. Cotton velvets other than upholstery velvets.	909	Increased from 62½ percent ad valorem to 70 percent ad valorem.	do.	Do.	

TABLE A.—List of articles upon which the Tariff Commissions has reported to the President, under the provisions of sec. 336 of the Tariff Act of 1930—Continued

Article	Paragraph No.	Change in duty	Date of proclamation or approval of report	Effective date of change
Cotton velveteens cut or uncut, whether or not the pile covers the entire surface:				
98. Plain-back	909	Decreased from 62½ to 31¼ percent	June 24, 1933	July 24, 1933
99. Twill-back	909	Decreased from 62½ to 44 percent	do	Do.
100. Cocoa-fiber mats	1022	Increased from 8 cents per square foot to 12 cents per square foot.	Dec. 14, 1932	Jan. 13, 1932
101. Boots, shoes, or other footwear (including athletic or sporting boots and shoes), having fabric uppers, and rubber soles.	1530 (e)	Increased from 35 percent on foreign value to 35 percent on American selling price.	Feb. 1, 1933	Mar. 3, 1933
102. Boots, shoes, or other footwear, wholly or in chief value of india rubber, not specially provided for.	1537 (b)	Increased from 25 percent on foreign value to 25 percent on American selling price.	do	Do.
103. Sperm oil, crude	52	Decreased from 10 cents per gallon to 5 cents per gallon.	Mar. 2, 1933	Apr. 1, 1933
104. Sperm oil, refined	52	No change	do	
105. Spermaceti wax	52	Decreased from 6 cents per pound to 3½ cents per pound.	do	Do.
106. Agricultural hand tools: Shovels, spades, scoops, drainage tools, scythes, sickles, grass hooks, and corn knives.	373	No change	Apr. 3, 1933	
107. Hay forks and 4-tined manure forks	355	Decreased from 8 cents each and 45 percent ad valorem to 4 cents each and 22½ percent ad valorem.	do	May 3, 1933
108. Other agricultural forks, noes, and rakes and parts thereof	373	Decreased from 30 percent ad valorem to 15 percent ad valorem.	do	Do.
109. Fish packed in oil—tuna	718 (a)	Increased from 30 percent ad valorem to 45 percent ad valorem.	Dec. 14, 1933	Jan. 13, 1934
Fish packed in oil—other than tuna:				
110. When of a value not exceeding 9 cents per pound, including the weight of the immediate container only.	718 (a)	Increased from 30 percent ad valorem to 44 percent ad valorem.	do	Do.
111. When valued at more than 9 cents per pound	718 (a)	No change	do	
112. Pins	350	do	Apr. 20, 1934	
113. Cut flowers	753	do	do	
114. Cotton fishing nets and netting	925	do	do	
115. Grass and straw rugs	1021	do	do	
116. Tooth and other toilet brushes, unornamented		do	do	
117. Backs and handles for tooth and other toilet brushes composed wholly or in chief value of any product provided for in paragraph 31.	1506	do	do	
118. Meat and food chopping or grinding machines	339	do	do	
119. Cotton ties of iron or steel	314	do	do	
120. Candied, crystallized, or glace fruits	737, 747, and 752	do	do	
121. Laminated products of which any synthetic resin or resin-like substance is the chief binding agent, in sheets or plates.	1539 (b)	Decreased from 25 cents per pound and 30 percent ad valorem to 15 cents per pound and 25 percent ad valorem.	Apr. 23, 1934	May 23, 1934

122. Razor clams packed in airtight containers.....	721 (b).....	Decreased from 35 percent ad valorem to 23 percent ad valorem.	May 1, 1934	May 31, 1934
123. Clams other than razor clams and clams in combination with other substances (except clam chowder), packed in air-tight containers.	721 (b).....	Increased from 35 percent on foreign value to 35 percent on American selling price.	.....do.....	Do.
124. Sugars, tank bottoms, sirups of cane juice, melada, concentrated melada, concrete and concentrated molasses, testing by the polariscope not above 75 sugar degrees, and all mixtures containing sugar and water, testing by the polariscope above 50 sugar degrees and not above 75 sugar degrees. (See also next item.)	501.....	Decreased from 1.7125 cents per pound to 1.284375 cents per pound.	May 9, 1934	June 8, 1934
125. For each additional sugar degree shown by the polariscopic test, and fractions of a degree in proportion.	501.....	Decreased from three hundred and seventy-five ten-thousandths of 1 cent per pound additional to that given in the item above to two hundred and eighty-one and one-fourth ten-thousandths of 1 cent per pound additional, and fractions of a degree in proportion.	.....do.....	Do.
126. Ale, porter, stout, and beer.....	805.....	Decreased from \$1 per gallon to 50 cents per gallon.	Jan. 16, 1935	Feb. 15, 1936
127. Frozen swordfish (whether or not packed in ice), whole, or beheaded or eviscerated or both, but not further advanced (except that the fins may be removed).	717 (a).....	Increased from 2 cents per pound to 3 cents per pound.	Jan. 23, 1935	Feb. 22, 1936
128. Knit gloves and knit mittens, finished or unfinished, wholly or in chief value of wool, valued at not more than \$1.75 per dozen pairs.	1114 (b).....	Increased from 40 cents per pound and 35 percent ad valorem on foreign value to 40 cents per pound, and 35 percent ad valorem on American selling price.	Feb. 21, 1936	Mar. 22, 1936
129. Cotton cloth, bleached, containing yarns the average number of which exceeds number 30 but does not exceed number 50.	904 (b).....	Increased from 13 percent ad valorem and in addition thereto, for each number, thirty-five one-hundredths of 1 percent ad valorem to 18½ percent ad valorem and, in addition thereto, for each number one-half of 1 percent ad valorem.	May 21, 1936	June 20, 1936
130. Cotton cloth printed, dyed, or colored, containing yarns the average number of which exceeds number 30 but does not exceed number 50.	904 (c).....	Increased from 16 percent ad valorem and, in addition thereto, for each number thirty-five one-hundredths of 1 percent ad valorem to 22½ percent ad valorem and, in addition thereto, for each number, one-half of 1 percent ad valorem.	.....do.....	Do.
131. Slide fasteners and parts thereof, wholly or in chief value of copper, brass, nickel, zinc, or other base metal, but not plated with platinum, gold, or silver, or colored with gold lacquer, and not specially provided for.	397.....	Increased from 45 percent ad valorem to 66 percent ad valorem.	July 1, 1936.....	July 31, 1936.
132. Dressed or dressed and dyed fur skins.....	1519 (a).....	No change.....	Mar. 29, 1937.	

TABLE B.—List of subjects with respect to which the President has proclaimed changes in duties, under the provisions of section 315 of the Tariff Act of 1922

Article	Change in duty	Date of proclamation	Effective date of change
Wheat.....	Increased from 30 to 42 cents per bushel, 60 pounds.	Mar. 7, 1924	Apr. 6, 1924
Flour, semolina, etc.....	Increased from 78 cents to \$1.04 per 100 pounds.		
Millfeeds, bran, etc.....	Decreased from 15 to 7½ percent ad valorem.		
Sodium nitrite.....	Increased from 3 to 4½ cents per pound.	May 6, 1924	June 5, 1924
Barium dioxide.....	Increased from 4 to 6 cents per pound.	May 19, 1924	June 18, 1924
Diethylbarbituric acid (veronal).....	Increased duty (25 percent ad valorem), transferred to American selling price.	Nov. 14, 1924	Nov. 29, 1924
Oxalic acid.....	Increased from 4 to 6 cents per pound.	Dec. 29, 1924	Jan. 28, 1925
Potassium chlorate.....	Increased from 1½ to 2¼ cents per pound.	Apr. 11, 1925	May 11, 1925
Bob-white quail.....	Decreased from 50 to 25 cents each (valued at \$5 or less each).	Oct. 3, 1925	Nov. 2, 1925
Taximeters.....	Increased from \$3 each plus 45 percent ad valorem on foreign value, to \$3 each plus 27.1 percent on American selling price.	Dec. 12, 1925	Dec. 27, 1925
Men's sowed straw hats.....	Increased from 60 to 83 percent ad valorem on hats valued at \$0.60 or less per dozen.	Feb. 12, 1926	Mar. 14, 1926
Butter.....	Increased from 8 to 12 cents per pound.	Mar. 6, 1926	Apr. 5, 1926
Print rollers.....	Increased from 60 to 72 percent ad valorem.	June 21, 1926	July 21, 1926
Paint brush handles.....	Decreased from 33½ to 16¾ percent ad valorem.	Oct. 14, 1926	Nov. 13, 1926
Methanol (methyl or wood alcohol).....	Increased from 12 to 18 cents a gallon.	Nov. 27, 1926	Dec. 27, 1926
Gold leaf.....	Increased from 55 to 82½ cents per 100 on leaves not exceeding in size 3¾ by 3¾ inches and on larger leaves in proportion.	Feb. 23, 1927	Mar. 25, 1927
Pig iron.....	Increased from 75 cents to \$1.12½ per ton.	..... do.....	Do.
Emmenthaler type Swiss cheese.....	Increased from 5 cents per pound, but not less than 25 percent ad valorem, to 7½ cents per pound, but not less than 37½ percent ad valorem.	June 8, 1927	July 8, 1927
Cresylic acid.....	Decreased from 40 percent ad valorem and 7 cents per pound based on American selling price to 20 percent ad valorem and 3¼ cents per pound based on American selling price.	July 20, 1927	Aug. 10, 1927
Phenol.....	Decreased from 40 percent ad valorem and 7 cents per pound based on American selling price to 20 percent ad valorem and 3½ cents per pound based on American selling price.	Oct. 31, 1927	Nov. 30, 1927
Crude magnesite.....	Increased from ½ cent per pound to 1½ cent per pound.	Nov 10, 1927	Dec. 10, 1927
Caustic calcined magnesite.....	Increased from ¾ cent per pound to 1½ cent per pound.		
Cherries, sulphured or in brine, stommed or pitted.....	Increased from 2 to 3 cents per pound.	Dec. 3, 1927	Jan. 2, 1928
Rag rugs, cotton (hit-or-miss type).....	Increased duty (35 percent ad valorem) transferred to American selling price.	Feb. 13, 1928	Feb. 28, 1928
Barium carbonate, precipitated.....	Increased from 1 to 1½ cents per pound.	Mar. 28, 1928	Apr. 25, 1928
Sodium silicofluoride.....	Increased duty (25 percent ad valorem) transferred to American selling price.	Aug. 31, 1928	Sept. 15, 1928
Fluorspar.....	Increased from \$5.60 per ton to \$8.40 per ton on fluorspar containing not more than 93 percent of calcium fluoride.	Oct. 17, 1928	Nov. 16, 1928
Potassium permanganate.....	Increased from 4 to 6 cents per pound.	Nov. 16, 1928	Dec. 19, 1928
Onions.....	Increased from 1 to 1½ cents per pound.	Dec. 22, 1928	Jan. 21, 1929
Cast polished plate glass, finished or unfinished, and unsilvered.....	Increased from 12½ to 16 cents per square foot on sizes not exceeding 384 square inches; 15 to 19 cents per square foot on sizes above 384 square inches and not exceeding 720 square inches; 17½ to 22 cents per square foot on sizes above 720 square inches.	Jan. 17, 1929	Feb. 16, 1929
Peanuts, not shelled and shelled.....	Increased from 3 to 4½ cents per pound on peanuts, not shelled; 4 to 6 cents per pound on peanuts, shelled.	Jan. 19, 1929	Feb. 18, 1929
Whole eggs, egg yolk, and egg albumen, frozen or otherwise prepared or preserved, and not specially provided for.....	Increased from 6 to 7½ cents per pound.	Feb. 20, 1929	Mar. 22, 1929

TABLE B.—List of subjects with respect to which the President has proclaimed changes in duties, under the provisions of section 315 of the Tariff Act of 1922—Con.

Article	Change in duty	Date of proclamation	Effective date of change
Flaxseed	Increased from 40 to 56 cents per bushel of 56 pounds.	May 14, 1920	June 13, 1920
Milk, fresh	Increased from 2½ to 3¾ cents per gallon	..... do	Do.
Cream	Increased from 20 to 30 cents per gallon	..... do	Do.
Window glass (cylinder, crown, and sheet glass, unpolished).	Increased from 1¼ to 1¾ cents per pound on sizes not exceeding 150 square inches; 1¾ to 2¼ cents per pound on sizes above 150 square inches, not exceeding 384 square inches; 1¾ to 2¼ cents per pound on sizes above 384 square inches, not exceeding 720 square inches; 1¾ to 2¼ cents per pound on sizes above 720 square inches, not exceeding 864 square inches; 2 to 3 cents per pound on sizes above 864 square inches, not exceeding 1,200 square inches; 2½ to 3¾ cents per pound on sizes above 1,200 square inches, not exceeding 2,400 square inches; 2½ to 3¾ cents per pound on sizes above 2,400 square inches.	..... do	Do.
Linseed or flaxseed oil	Increased from 3.3 to 3.7 cents per pound.	June 25, 1920	July 25, 1920

TABLE C.—Investigations ordered under provisions of section 336 Tariff Act of 1930

Invo- ice No.	Paragraph No.	Date ordered	Source of applications	Subject of investigation
		1930		
1	1530 (e)	June 20 July 11	S. Res. 295 and 313	Boots and shoes, wholly or in chief value of leather, not specially provided for.
2	412	June 20	S. Res. 205	Furniture, wholly or partly finished, and parts thereof, wholly or in chief value of wood, and not specially provided for.
3	364, 307, 1541 .....	..... do .....	..... do	Bells, chimes, and carillons, finished or unfinished, and parts of the foregoing.
4	307 .....	..... do .....	..... do	Woven-wire fencing and wire netting, all of the foregoing composed of wire smaller than eight one-hundredths and not smaller than three one-hundredths of 1 inch in diameter.
5	205 (b) .....	..... do .....	..... do	Roman, Portland, and other hydraulic cement or cement clinker.
6	373 .....	..... do .....	..... do	Shovels, spades, scoops, forks, hoes, rakes, scythes, sickles, grass hooks, corn knives, and drainage tools, all the foregoing if agricultural hand tools, and parts thereof, composed wholly or in chief value of metal, whether partly or wholly manufactured.
7	912	July 3	S. Res. 308	Shoe linings.
8	68 .....	..... do	S. Res. 300	Ultramarine blue, dry, in pulp, or ground in or mixed with oil or water, wash, and all other blues containing ultramarine.
9	1554, 342, and others .....	..... do	S. Res. 300 and 312	Umbrellas, parasols, and sunshades, and parts thereof.
10	301 .....	..... do	S. Res. 309	Iron in pigs, and iron kentledge.
11	1520 (a) .....	..... do	S. Res. 311	Laces, lace fabrics, and lace articles, produced wholly or in part on the Levers or Levers-go-through lace machine, the bobnet machine, or the lace-brading machine.

¹ Proclamation issued by President changing duty.

² President approved Commission's report, which report indicated no change.

³ Investigation dismissed.

TABLE C.—Investigations ordered under provisions of section 336 Tariff Act of 1930—Continued

In-voice No.	Paragraph No.	Date ordered	Source of applications	Subject of investigation
12	412.....	1930 July 11	S. Res. 313.....	Wood flour.
13	1541 (a).....	do.....	The Rudolph Wurlitzer Co.; S. Res. 313.....	Pipe organs, and parts thereof.
14	1552.....	do.....	S. Res. 313; Frisher & Co., Inc.....	Pipes, pipe bowls, cigar and cigarette holders and mouthpieces, finished or unfinished.
15	1630 (c), (d).....	do.....	S. Res. 313.....	Leather of reptile hides or skins for shoe purposes.
16	1530 (c), (d).....	do.....	S. Res. 313; Ambar Leather Co.....	Pisquin leather.
17	1115 (b).....	do.....	S. Res. 313.....	Bodies, boots, forms, and shapes for hats, bonnets, caps, berets, and similar articles, manufactured wholly or in part of wool felt, and hats, bonnets, caps, berets, and similar articles, made wholly or in part thereof, finished or unfinished.
18	1117 (c).....	do.....	do.....	Floor coverings, wholly or in chief value of wool, not specially provided for.
19	401.....	do..... July 22	S. Res. 313 and 321; West Coast Lumbermen's Association, Southern Pine Association.....	Lumber and timber, of fir, spruce, pine, hemlock, or larch.
20	210.....	July 11	S. Res. 313.....	Cylinder, crown, and sheet glass, by whatever process made, and for whatever purpose used.
21	1504 (b).....	do.....	do.....	Hats, bonnets, and hoods, composed wholly or in chief value of straw, chip, paper, grass, palm leaf, willow osler, rattan, real horsehair, cuba bark, ramie, or manila hemp, whether wholly or partly manufactured.
22	318.....	do.....	do.....	Fourdrinier wires and cylinder wires, suitable for use in paper-making machines (whether or not parts of or fitted or attached to such machines), and woven-wire cloth suitable for use in the manufacture of Fourdrinier wires or cylinder wires.
23	503.....	do.....	The John G. Paton Co.; S. Res. 313.....	Maple sugar and maple sirup.
24	1630 (a).....	do.....	S. Res. 313.....	Hides and skins of cattle of the bovine species, raw or uncured, or dried, salted, or pickled.
25	53.....	July 22	S. Res. 324.....	Olive oil.
26	710.....	do.....	S. Res. 324; Ste. Auxillaire De L'Agriculture & De L'Industrie Du Sud-Ouest De La France.....	Cheese, except of American or Cheddar and Swiss or Emmenthaler types.
27	737 (3).....	do.....	S. Res. 324; Liberty Cherry & Fruit Co.....	Cherries, sulfured, or in brine.
28	772.....	do.....	S. Res. 324.....	Tomatoes prepared or preserved in any manner.
29	508, 777 (b).....	do.....	do.....	Sugar candy and all confectionery not specially provided for, and chocolate, sweetened, in any other form than in bars or blocks weighing 10 pounds or more each, whether prepared or not prepared.
30	1530 (b).....	July 22	S. Res. 324.....	Laminated products of which a synthetic resin or resinlike substance is the chief binding agent, in sheets or plates.
31	1114 (d).....	do.....	S. Res. 325.....	Infants' wear, knit or crocheted, finished or unfinished, wholly or in chief value of wool.
32	1518.....	do.....	do.....	Matches, match splints, and skill-lets for match boxes.
33	1552.....	do.....	do.....	Cigarette books, cigarette-book covers, and cigarette paper in all forms, except cork paper.

¹ Proclamation issued by President changing duty.

² President approved Commission's report, which report indicated no change.

³ Investigation dismissed.

⁴ Report returned by President without approval.

TABLE C.—Investigations ordered under provisions of section 336 Tariff Act of 1930—Continued

In-voice No.	Paragraph No.	Date ordered	Source of applications	Subject of investigation
34	501	1950 {July 3 {July 22	S. Res. 309 and 325	Sugars, including the sugar content of mixtures containing sugar and water, testing by the polariscope above 90 sugar degrees.
35	218 (f)	do	S. Res. 330	Table and kitchen articles and utensils, wholly or in chief value of glass, blown or partly blown, regardless of composition, description, or further treatment.
36	412	Sept. 26	Thonet Bros.; Jacob & Josef Kohn and Mundus, Inc.; Penn Commercial Corporation; Astra Bent Wood Furniture Co.; Standard Bentwood Co.	Bent-wood furniture, wholly or partly finished, and parts thereof.
37	776	do	Campbell Soup Co.	Soups, soup rolls, soup tablets, or cubes, and other soup preparations.
38	41	Nov. 7	Delft Gelatine Works	Edible gelatin.
39	351	Dec. 19	S. Res. 360 and 438	Steel pens. Investigation extended to include pens, n. s. p. l., of other metal.
40	777 (a) and 777 (b)	1931 Jan 8	S. Res. 380	Cocoa and chocolate, sweetened and unsweetened.
41	747	do	Hutcheson & Co., Inc.; Arthur Serra & Co., S. Res. 397	Fresh pineapples.
42	713	Jan. 23	Knox Boudo; S. Res. 389	Dried whole eggs, dried egg yolk, and dried egg albumen, whether or not sugar or other material is added.
43	19	do	S. Res. 396; Monte Waterproof Gino Co.; Centro de la Industria Lechera.	Casein or lactarene and mixtures of which casein or lactarene is the component material of chief value, not specially provided for.
44	705	do	S. Res. 411	Beans, not specially provided for, dried.
45	772	Jan. 30	West Coast Vegetable Association et al.; S. Res. 414	Tomatoes in their natural state.
46	774	do	West Coast Vegetable Association et al.; S. Res. 414	Peppers in their natural state.
47	769	do	S. Res. 414	Peas, green or unripe.
48	774	do	Hutcheson & Co., Inc.	Eggplant in its natural state.
49	774	do	do	Cucumbers in their natural state.
50	765	do	do	Lima beans.
51	774	do	do	Okra.
52	909	Feb. 12	S. Res. 440	Cotton velveteens and velvets.
53	41	Feb. 21	S. Res. 458; Peter Cooper Corporation.	Gelatin, glue, glue size, and fish glue, not specially provided for, and casein glue.
54	1001 and 1084 or 1722	Mar. 4	S. Res. 468	Crisp vegetal, flax upholstery tow, and Spanish moss.
55	302 (J)	Mar. 21	Fred Truompy	Silicon aluminum, aluminum silicon, alumin, ferrosilicon aluminum, and ferroaluminum silicon.
56	1005 (a) (3)	do	Mittet Line & Net Co.; Haram & Weeks Line Co.	Cordage, including cables, tarred or untarred, composed of three or more strands, each strand composed of two or more yarns, wholly or in chief value of hemp.
57	218 (b)	Mar. 24	The Libbey Glass Manufacturing Co.	Gage glass tubes.
58	766	May 2	G. W. Staples	Snap or string beans.
59	737 (3)	May 6	The President	Cherries, sulfured, or in brine.
60	772	do	do	Tomatoes, prepared or preserved in any manner.
61	737, 747, and 762	June 5	President de la Chambre Syndicale.	Fruits, candied, crystallized, or glazed.
62	762 and 53	June 9	Asociacion Nacional de Agricultura; S. Res. 243.	Flaxseed; and linseed or flax-seed oil, and combinations and mixtures in chief value of such oil.
63	207 and 214	June 15	Consolidated Foldspar Corporation.	Foldspar, crude and ground.
64	1848	do	World sponge market	Sponges.

¹ Proclamation issued by President changing duty.

² President approved Commission's report, which report indicated no change.

³ Investigation dismissed.

⁴ Extended on Feb. 12, 1931.

TABLE C.—Investigations ordered under provisions of section 336 Tariff Act of 1930—Continued

In-voice No.	Paragraph No.	Date ordered	Source of applications	Subject of investigation
865	717 (a), 717 (b), 719 and 720 (b).	1831 June 22	Davis Bros. Fisheries Co.; Gloucester Fish Exchange; Gorton-Pow Fisheries Co., Ltd.; Fishing Masters Producers Association; Gloucester Maritime Association; Gloucester Chamber of Commerce.	Mackerel.
166	501 and 502....	Sept. 14	Various beet growers of Colorado, California, Utah, Montana, Wyoming, Kansas, Nebraska, and Idaho; Western Sugar Refinery and 38 other sugar organizations interested in refined sugar.	Raw and refined sugar, molasses, and related articles.
867	207.....	1936 Jan. 16	Carrieres and Mines de l'Estero....	Fluorspar.
268	722.....	Feb. 18	Cereal Products Co. and 14 other firms interested in the commodity.	Barley malt.
160	331.....	..do....	The Beardsley & Wolcott Manufacturing Co. and 8 other firms interested in the commodities.	Upholsterers' nails, chair glides, and thumbtacks.
170	306 and 412....	Mar. 14	Master Rule Mfg. Co., Inc.	Folding rules wholly or in chief value of aluminum or of wood.
871	77.....	Apr. 5	Sachtloben Mining & Chemical Industrial Corporation.	Lithopone, containing by weight 30 per centum or more of zinc sulphide.
172	52.....	May 11	Bureau of raw materials for American vegetable oils and fat industries.	Sperm oil, crude, sperm oil, refined or otherwise processed, and spermaceti wax.
873	721 (a).....	May 26	S. Res. 122.....	Crab meat, fresh or frozen (whether or not packed in ice), or prepared or preserved in any manner, including crab paste and crab sauce.
874	330.....	June 15	S. Res. 227.....	Meat or food chopping or grinding machines, and parts thereof, designed for hand operation and used as kitchen utensils, and composed wholly or in chief value of metal.
175	228.....	..do....	..do....	Optical instruments of a class or type used by the Army, Navy, or Air Force for fire control, and parts thereof.
876	360.....	..do....	..do....	Precision drawing instruments, and parts thereof, wholly or in chief value of metal.
877	1532 (a).....	June 22	S. Res. 241.....	Gloves made wholly or in chief value of leather, whether wholly or partly manufactured.
878	222 (a).....	..do....	S. Res. 242.....	Plate glass, by whatever process made.
879	327.....	..do....	S. Res. 244.....	Cast-iron pipe of every description, and cast-iron fittings for cast-iron pipe.
880	777.....	..do....	S. Res. 245; Stephen I. Bartlett Co., Van Houten Inc., John B. Van Heusen, Stephen L. Bartlett Co.	Cocoa and chocolate, unsweetened and sweetened, and cacao butter.
181	718 (a).....	June 28	Seacoast Canning Co., Cohn-Hopkins, Inc., Westgate Sea Products Co., French Sardine Co., Southern California Fish Corporation, K. Hoyden Co., Franco-Italian Packing Co., Italian Food Products Co., Coast Fishing Co.	Fish, prepared or preserved in any manner, when packed in oil or in oil and other substances.
182	721 (b).....	June 28	Nootka Packing Co., Ltd., Pacific Coast Clam Packers Association.	Clams, packed in airtight containers.
183	1022.....	June 30	Hoywood-Wakefield Co.....	Flie mats and floor coverings wholly or in chief value of cocoa fiber.

¹ Proclamation issued by President changing duty.

² President approved Commission's report, which report indicated no change.

³ Investigation dismissed.

TABLE C.—Investigations ordered under provisions of section 336 Tariff Act of 1930—Continued

In-voice No.	Paragraph No.	Date ordered	Source of applications	Subject of investigation
84	1115 (b).....	1932 July 13	Adamstown Hat Co., Inc., and 9 other firms interested in the commodities.	Wool felt hat bodies and hats.
85	350.....	June 21	S. Res. 238.	All pins classified under par. 350.
86	314.....	Oct. 3	Atlantic Steel Co., Connors Steel Co., Tennessee Coal, Iron & Railroad Co., Carnegie Steel Co., Pittsburgh Steel Co.	Cotton ties of iron or steel.
87	1530 (c) and 1537 (b).	Oct. 14	The Rubber Manufacturers Association.	Rubber-soled and waterproof foot wear.
88	1301.....	Dec. 7	Spinnstoffabrik Zehlendorf, Gesellschaft mit beschränkter Haftung, Fr. Kuettner, A. G., Ital-rayon, Societa Anonima Italiana.	Filaments and yarns of rayon or other synthetic textile, not specially provided for.
89	921.....	Dec. 12	The President.....	Rag rugs wholly or in chief value of cotton.
90	1021.....	do.....	do.....	Grass and straw rugs.
91	1506.....	do.....	The President, American Brush Manufacturers Association, Pyroxylin Plastic Manufacturers Association.	Tooth and other toilet brushes, except toilet brushes ornamented, mounted, or fitted with gold, silver, or platinum, or wholly or partly plated with gold, silver, or platinum, whether or not enamelled; also
92	220.....	do.....	The President.....	Handles and backs for tooth brushes and other toilet brushes, composed wholly or in chief value of any product provided for in par. 31 of the Tariff Act of 1930.
93	717 (a).....	do.....	The president, Massachusetts Fisheries Association and Federated Fishing Boats of America.	Incandescent electric-light bulbs. Swordfish, frozen.
94	202 (a).....	Dec. 12	Wm. H. Revis, Inc.	Quarries or quarry tiles.
95	395, 362, and 397.	Dec. 16	America's Wage Warners Protective Conference, Friendly Society of Engravers.	Embossing rollers of steel or other metal and dies and mills therefor.
1933				
96	772.....	Feb. 3	The President.....	Tomatoes in their natural state.
97	211.....	do.....	United States Potters Association, The Schring Pottery Co.	Table and kitchen earthenware and stoneware, and china, porcelain, and other vitrified table and kitchen wares, and manufactures in chief value of such wares.
98	1530 (b) (4).....	Feb. 14	S. Res. 335.....	Upper leather made from calf or kip skins, partly finished, or finished, or cut or wholly or partly manufactured into uppers, vamps, or any forms or shapes suitable for conversion into boots, boots, shoes, or footwear.
99	923.....	Mar. 10	S. Res. 361; R. J. Ederer Co., The Linton Thread Co., Henry H. Brownell.	Cotton fishing nets and cotton fishing netting.
100	753.....	do.....	S. Res. 369.	Cut flowers, fresh.
101	1611.....	Apr. 19	Laise-Stovenson Co.	Cork insulation, wholly or in chief value of cork, cork waste, or granulated or ground cork, in blocks, slabs, boards, or plants.
102	1630 (c) and (d).	May 16	S. Res. 68.....	Coat, kid, and cabretta leather.
103	805.....	July 21	John F. Sullivan F. G. Schloetelberg & Co.	Ale, porter, stout, and beer.
104	1516.....	Sept. 21	New York Match Co., Inc.; Match Import Co., Inc.; International Match Corporation.	Matches.
105	728.....	Oct. 21	The President.....	Rye.
106	763.....	Dec. 5	do.....	Alfalfa seed.
1935				
107	903 and 904.....	Apr. 2	S. Res. 104.....	Cotton cloth.
108	1114 (b).....	Aug. 20	S. Res. 178.....	Wool knit gloves and mittens.

¹ Proclamation issued by President changing duty.

² President approved Commission's report, which report indicated no change.

³ Investigation dismissed.

TABLE C.—Investigations ordered under provisions of section 336 Tariff Act of 1930—Continued

In-voice No.	Paragraph No.	Date ordered	Source of applications	Subject of investigation
* 109	307.....	1936 Dec. 20..	G. E. Prentice Manufacturing Co.; Shoe Hardware Division, United States Rubber Products Co.; Sterling Novelty Co.; Hookless Fastener Co.; Lion Fastener Co.	Slide fasteners and parts thereof.
* 110	1519 (a).....	1936 Apr. 29	S. Res. 250.....	Dressed or dressed and dyed fur skins.
* 111	1529 (a).....	Oct. 1	S. Res. 270.....	Embroidered wool knit gloves and mittens.
* 112	910 (a).....	Oct. 15	National Association of Hosiery Manufacturers, Golden City Hosiery Mills, Inc.	Seamless cotton hosiery.
* 113	909.....	Nov. 5	Crompton Co.; Merrimack Manufacturing Co.; New York Mills; Waterside Mills; Taberrey Manufacturing Co.; Granite Finishing Works; Brookside Mills; Waterhead Mills; Lockmover Bros., Inc.; Highland Mills.	Cotton velveteens and cotton corduroys.
* 114	1530 (c).....	1937 Aug. 28	S. Res. 144; New England Shoe and Leather Association.	Women's and misses' cemented shoes of leather.

¹ Proclamation issued by President changing duty.

² President approved Commission's report, which report indicated no change.

³ Investigation dismissed.

UNITED STATES TARIFF COMMISSION,
OFFICE OF THE SECRETARY,
Washington.

List of reports by the Tariff Commission to the President, under the provisions of section 315 of the Tariff Act of 1922 with respect to articles upon which no changes in duties have been proclaimed:

Casein: The report stated that the Commission was not able, with the data available, to make definite findings.

Wall pockets: The report stated that the Commission was not able, with the data available, to make definite findings.

Sugar: On June 15, 1925, the President stated that after full consideration of the facts shown in reports of the members of the Tariff Commission he did not find that differences in costs of production were sufficiently established under present conditions to warrant any change from the present duty.

Cotton warp-knit fabric—Gloves of cotton warp-knit fabric: On October 3, 1925, the President stated that under the circumstances applying to the industry he did not feel warranted at that time in increasing the duty.

Cotton hosiery: Report submitted to President; no action taken.

Halibut: Report submitted to President; no action taken.

Logs of fir, spruce, cedar, or western hemlock: Report submitted to President; no action taken.

Maple sugar and maple sirup: Report submitted to President; no action taken.

Granite: Report submitted to President; no action taken.

Oriental rugs: Investigation discontinued.

Corn: Report submitted to President; no action taken.

Canned tomatoes and tomato paste: Report submitted to President; no action taken.

Whiting, precipitated chalk: Report submitted to President; no action taken.

TABLE D.—Investigations ordered by the United States Tariff Commission, section 315 of the Tariff Act of 1922

No.	Paragraph number	Date when ordered	Subject of investigation
13	1	Mar. 27, 1923	Oxalic acid.
21	6	do	Diethyl barbituric acid, etc.
31	12	do	Barium dioxide.
41	19	do	Casein.
51	39	do	Logwood extract.
61	80	do	Potassium chlorate.
71	83	do	Sodium nitrate.
8	223	do	Mirror plates.
91	361	do	Pig iron.
10	362	do	Swiss pattern files.
11	410	do	Paint brush handles.
12	503	do	Sugar.
13	914	do	Cotton warp-knit fabric.
14	1430	do	Cotton gloves made of warp-knit fabric.
15	916	do	Cotton hosiery.
16	1313	do	Wall pockets.
17	1419	do	Artificial or ornamental flowers.
18	54	May 4, 1923	Linseed or flaxseed oil.
19	28	do	Synthetic phenolic resin.
20	1454	do	Smokers' articles of syn. phen. resin.
21	27	do	Phenol.
22	27	do	Cresylic acid.
23	1454	do	Brierwood pipes.
24	396	do	Print rollers.
25	368	do	Taximeters.
26	222	May 5, 1923	Cast polished pinto glass.
27 (sec 36)	401	July 2, 1923	Logs of fir, spruce, cedar, etc.
28	375	July 27, 1923	Metallic magnesium, etc.
29	204, 201	Aug. 11, 1923	Magnesite and magnesite brick.
30	504	do	Rare sugars.
31	1, 5	do	Amino acids, etc.
32	020, 1430	Oct. 25, 1923	Lace.
33	720, 730	Nov. 14, 1923	Wheat and wheat products.
34	53, 54, 55, 71	Feb. 8, 1924	Vegetable and animal oils and fats.
35	401	Apr. 1, 1924	Logs of fir, spruce, cedar, etc.
36	383	Apr. 5, 1924	Gold leaf.
37	1406	May 20, 1924	Men's sewed straw hats.
38	709	July 14, 1924	Butter.
39	710	Aug. 9, 1924	Swiss cheese.
40	717	Aug. 11, 1924	Hallbut.
41	212, 213	Mar. 19, 1925	Table, kitchen, and toilet china, etc.
42	410	Apr. 23, 1925	Bentwood chairs.
43	1022	Apr. 24, 1925	Rag rugs.
44	711	May 19, 1925	Bob-white quail.
45	235	July 24, 1926	Granite.
46	42	do	Glue.
47	42	do	Edible gelatin.
48	4	do	Methanol.
49	5	do	Sodium silicofluoride.
50	12	Jan. 8, 1926	Barium carbonate.
51	207	do	Fluorspar.
52	707	Mar. 4, 1926	Milk and cream.
53	1	do	Tartaric acid.
54	9	do	Cream of tartar.
55	757	May 26, 1926	Peanuts.
56	760	do	Soya beans.
57	760	do	Cotton seed.
58	708	July 23, 1926	Onions.
59	760	Aug. 3, 1926	Flaxseed.
60	713	do	Eggs and egg products.
61	1116	Oct. 28, 1926	Oriental rugs.
62	603	Feb. 25, 1927	Maple sugar and maple syrup.
63	737	Mar. 22, 1927	Cherries.
64	83	May 26, 1927	Sodium phosphate.
65	20	do	Whiting.
66	80	do	Potassium permanganate.
67	218 (or 217)	do	Perfume and toilet bottles.
68	219	do	Window glass.
69	1403, 1428, 1420	do	Imitation pearls and pearl beads.
70	770	June 10, 1927	Fresh tomatoes.
71	770	do	Canned tomatoes.
72	724	June 24, 1927	Corn.
73	770	Oct. 14, 1927	Tomato paste.
74	772	Apr. 18, 1928	Fresh sweet peppers.
75	80	do	Potassium nitrate or saltpeter, refined.

1 Proclamation issued by the President changing the duties.

2 Report sent to the President.

3 Report acted on by the President but no change declared.

4 Investigation discontinued.

TABLE D.—Investigations ordered by the United States Tariff Commission, sec. 315 of the Tariff Act of 1922—Continued

No.	Paragraph number	Date when ordered	Subject of investigation.
76.....	709	Apr. 20, 1928	White or Irish potatoes.
77.....	302, 305	May 14, 1928	Tungsten.
78.....	1016, 1430	May 28, 1928	Handkerchiefs.
79.....	1412	May 31, 1928	Cork insulation and cork tile.
80.....	218	July 12, 1928	Blown glass tableware.
81.....	12	July 20, 1928	Barium chloride.
82.....	733	July 26, 1928	Matros.
83.....	71	Aug. 11, 1928	Decolorizing carbons.

The CHAIRMAN. Now, are there any other questions?

(No response.)

The CHAIRMAN. The committee will recess until 10 o'clock in the morning. Thank you very much, Mr. Grady.

(Whereupon, at 4:15 p. m., a recess was taken until Wednesday, February 28, 1940, at 10 a. m.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

WEDNESDAY, FEBRUARY 28, 1940

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, in the Finance Committee room at 10 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will come to order. Senator O'Mahoney requested an opportunity to appear before the committee this morning. You may proceed, Senator.

STATEMENT OF HON. JOSEPH C. O'MAHONEY, UNITED STATES SENATOR FROM THE STATE OF WYOMING

Senator O'MAHONEY. Mr. Chairman and gentlemen of the committee, I desire first to read into the record an amendment to this bill which I shall offer to the committee. This is intended to add another section to the bill to read as follows:

Sec. 2. No foreign-trade agreement hereafter entered into under the authority delegated to the President by such section 350, as amended, no amendatory or supplementary agreement heretofore entered into under such section, and no duties and other import restrictions specified in a proclamation issued by the President to carry out any such foreign-trade agreement or any such amendatory or supplementary agreement, shall take effect until the Congress by law has specifically approved such agreement, and the duties and other import restrictions so specified to carry out such agreement.

It will be observed that this is simply an amendment to provide that the trade agreements and the duties set forth in any proclamation issued by the Executive shall be specifically approved by act of Congress. I intend to demonstrate, and I think it can be successfully done, that this provision is altogether in harmony with precedent, that is to say, a precedent of the Congress of the United States which has never been upset until this Reciprocal Trade Agreements Act was passed in the first place.

The problem which is presented to this committee and to the Congress divides itself readily into two issues. The first has to do with the desirability of reciprocal trade agreements to alter customs duties. That is purely a matter of national policy. It is purely a matter of what is good or bad for the commercial interests of the country.

The other issue involves with the method by which these customs duties in the reciprocal trade agreements shall be changed. This is a constitutional question, and it is to that phase of the subject that I desire to address myself this morning.

Of course, many diverse opinions can be offered and much testimony given with respect to the merits of trade agreements and the reduction or modification of tariff schedules. Much can be said and much will be said about the effect of the agreements which have already been made upon the trade and commerce of the United States. Other witnesses will take care of that.

There are present in the room now the representatives of the American National Livestock Association, the representatives of the National Wool Growers' Association, for example, and I have no doubt of various other farm and ranch organizations which are vitally concerned in the tariff duties.

DEFENSE OF DEMOCRACY

I confess to the Members of the committee that in my opinion a more important issue will not be presented to this Congress than that which is involved in the constitutional aspects of this measure. In a world in which democracy is practically vanishing from the face of the earth, we must consider whether or not this Republic shall stand forth as an exemplar of popular government. Everywhere else all of the details of government are being turned over to the executive. For a generation the trend has been observable here. Are we going to defend democracy by continuing to surrender legislative duties, legislative responsibilities, legislative powers to the executive? I am convinced that we cannot save democracy in the world by doing that.

I believe as deeply as I ever believed anything that to save democracy, we have got to have the courage to be democratic, and that means we must trust the ability of the people and the representatives of the people to govern.

The argument has been made in the House and elsewhere that this bill is necessary because we cannot trust the Congress to exercise its constitutional power properly.

Now, let other Senators and other Congressmen make that argument. I will not make it. I will not make it for myself and I will not surrender the responsibility that was placed upon me when I took the oath of office as a Member of this Senate to represent the people of my State in the legislative arm of this Government.

This bill, the original Trade Agreements Act, and, of course, this provision to extend it, offends against at least four provisions of the Constitution of the United States.

The first of them is the very familiar provision which requires that treaties shall be ratified by a two-thirds vote of the Senate.

The CHAIRMAN. Are you contending for that?

Senator O'MAHONEY. Yes; I contend that, but I am not raising it in my amendment.

Senator BROWN. Your amendment would not cure that defect?

Senator O'MAHONEY. My amendment would not cure that defect, but when I undertake to outline the manner in which this act has offended against the Constitution, I must include that, because, as I shall undertake to demonstrate, a trade agreement of this character, an international agreement of this character, is a treaty.

Senator VANDENBERG. This defect disappears after your amendment is added to the act?

Senator O'MAHONEY. In effect, yes, because the trade agreements are primarily agreements which fix customs rates, and if those customs rates are approved by the votes of the two Houses, I shall be satisfied.

Senator BROWN. I disagree with my colleague, I think, if I understand your position correctly. Your amendment would not overcome the objection that the trade agreements are not constitutional, because they are not ratified by two-thirds vote of the Senate?

Senator O'MAHONEY. Oh, no. I did not understand your colleague to say that. As a practical matter, I undertook to say that so far as the agreements deal solely with rates, this amendment would satisfy the requirements, of the Constitution, because the customs duties which are enacted, let me say, by Presidential proclamation will become, if they are approved by both Houses of Congress, the legislative enactment of Congress and I think they come then within the Constitution.

Well, here is No. 1, a violation of that provision of the Constitution respecting treaties.

No. 2: It offends against that provision of the Constitution which says that all legislative power shall be vested in a Congress of the United States. It must be significant that the framers of the Constitution used this word "all" in describing the powers of Congress. They did not use it anywhere else. When describing the executive power, they did not say "all" the executive power shall be vested in the President. It was said "The executive power shall be vested in the President." And when they created the judicial power, they did not say "all" judicial power shall be vested in the judiciary and the courts. They said "The judicial power shall be vested." But when they came to describe the legislative power in the Congress of the United States, they said "all."

Now, it is upon that word, that simple word, that all-inclusive word, that have been based all of the decisions of the Supreme Court of the United States, decisions which have never been questioned, that Congress cannot delegate its legislative power. It can, of course, for the purposes of administration, in order to deal with difficult and complex problems, it can delegate certain rule making powers, provided it surrounds that delegation with clear and intelligible standards.

You will search this bill in vain for a single standard to guide the discretion of the Executive.

The third provision of the Constitution which is violated by this law and by the resolution extending it—

Senator BROWN (interposing). If I may interrupt you for a moment before you leave that second point?

Senator O'MAHONEY. I am going to come back to it.

Senator BROWN. I just want to give you one thought, because it runs along this same line. It seems to me that your amendment does not cover one feature that an amendment of this kind should cover. I think it is just as vital to retain a good law that has been enacted as it is to enact it in the first place.

Senator O'MAHONEY. Provided the circumstances continue.

Senator BROWN. The President may by himself, without any action on the part of the Congress, stop the operation of the law; in other words, abrogate the treaty. Now, it seems to me that an amendment of your type, that there should also be a provision requiring that the abrogation of the agreement be subject to congressional approval,

I think that the argument that you are making should touch upon that phase of the question as well as touching the original enactment of the law.

Senator O'MAHONEY. The point which Senator Brown makes is, of course, one that is worthy of the greatest consideration, and it suggests itself to any person who will study this law in all of its implications. You are quite right in what you say as to the power of the President to terminate, and the logic of the argument goes just as far as you say.

Senator BROWN. That is what I wanted to suggest to you.

Senator O'MAHONEY. In presenting this amendment, I have been seeking to simplify it and make it clear, because the trouble with this problem has been that it is confused in the minds of the public, and I think confused in the minds of the members of both the legislative and executive branches of the Government. We do not differentiate between the merits of reciprocal trade agreements and the constitutional inhibitions with respect to the manner in which the treaties shall be made and with respect to the manner in which laws, particularly revenue laws, shall be enacted—and now I come to the third provision of the Constitution—

Senator VANDENBERG (interposing). Isn't Senator Brown right? If the passage of the law is a legislative function, the repeal of the law is a legislative function, by the same token?

Senator O'MAHONEY. Yes; I agree with that.

The third provision of the Constitution which I think is violated by this law is the one which prescribes that all revenue bills shall originate in the House of Representatives.

The fourth is that clause with which we are all familiar in the Constitution, namely, that the Constitution, the laws enacted in pursuance thereof, and treaties made or which shall be made under the power of the United States are the supreme law of the land.

Are foreign trade agreements treaties or are they laws? If they are not treaties, as is contended, how, then, can they modify the customs duties fixed in a law constitutionally enacted by Congress? If they are not laws enacted by the Congress, how, then, can they alter or modify the customs duties? Either these trade agreements are treaties and then come in as a part of the supreme law of the land to modify the Tariff Act of 1930, or they are laws, and if they are laws, they are revenue laws, because they deal with the customs duties and so must be enacted as the Constitution provides.

Have they originated in the House of Representatives? Mr. Chairman, to say that because the original Reciprocal Trade Agreements Act originated in the House, that this bill extending that act for another 3 years originates in the House, that this provision of the Constitution with respect to the revenue laws is satisfied seems to me not to rise to the dignity of an argument.

REVENUE LAWS MUST ORIGINATE IN HOUSE

What did these framers of the Constitution have in mind when they said that revenue laws shall originate in the House of Representatives? They had in mind the taxing power, and they were so jealous of that power that although they provided that the Senate might amend these laws, it was clear that they did not want the Senate to originate them. They wanted to keep the taxing power so close to the people that the people would know at all times through their Representatives

in Congress, what was being done and how it was being done and how their interests, their commercial interests, their agricultural interests would be affected by all revenue legislation. Who can tell what rates will be changed tomorrow if this bill is passed? What Member of the Senate or what Member of the House can report to his constituents with respect to the effect of reciprocal-trade agreements that are to be made in the future upon the interests of his State? What rate in any trade agreement that has been or will be made in the future under this act has or will originate in the House?

My belief is that although the House may have been willing, apparently, was willing to surrender this fundamental and historic power, the Senate should not surrender the power, the responsibility and the duty which is vested in it by the Constitution.

I said there were four provisions of the Constitution violated by this act; I should have said five.

EQUALITY OF THE STATES IN THE SENATE

The fifth is to be found in the terms of the Constitution which provide for equality among the States in the Senate. There was certainly no subject debated in the Constitutional Convention which aroused more interest and concern than this question as to how much representation should be accorded to the States in the Senate. First it was argued that the big States should have more than the little States, and there were little States in those days too, and big States. But the framers of the Constitution and the people who ratified it came to the definite conclusion that in the Senate all the States should be equal. So, little or big, numerous or scattered as to population, every State in the Union has two votes in the Senate. Two votes to protect the interests of the State.

Now we are wiping these distinctions out. No Senator can tell what will be contained in a trade agreement affecting the interests of his State and his people, of their industries, and of the projects of whatever kind that they may carry on so far as those activities are affected by customs duties.

So I say that we should be very slow indeed to surrender our right to know in advance what is to be done to revenue legislation which more intimately affects our people than almost any other measure that we may pass.

Now, let me return for a moment to the discussion of treaties. It has been said, for example, that the trade agreements fall into a separate and different category from treaties; that they are conventions, Executive agreements that do not rise to the dignity of treaties. That, I think, is the phrase that is usually used. But it seems to me that nobody can read the cases dealing with this subject without realizing that there is a clear line of division between treaties and Executive agreements, and there is a clear and definite distinction between the power of the Executive in foreign affairs and in domestic affairs of the United States.

It is frequently argued that these trade agreements are not treaties requiring ratification, but are like postal conventions. How that can be argued by anybody who had given 5 minutes thought to what a postal convention is, is beyond my understanding.

Mr. William Howard Taft, when he was Solicitor General, was called upon by the Post Office Department or some other department

of the Government, to render an opinion with respect to postal conventions. The decision is to be found in volume 19 of the Opinions of the Attorney General at page 13. He found that postal conventions were not in violation of the Constitution, and it is that decision that they were not in violation of the Constitution which is relied upon by those who contend that Executive agreements which do not rise to the dignity of a treaty may be made without the approval by the Senate.

This is what Mr. Taft said:

It seems to be apparent from the cases cited that where long usage dating back to a period contemporary with the adoption of constitutional sanctions and interpretation of that instrument differs from that which would be reached by the ordinary rules of construction where a question is a new one, the usage will be followed.

May I say further that Mr. Taft also directed attention to the fact that the Statutes at Large did not carry any indication as to postal agreements made during the early days of our Government. He explains this by reason of the fact that until 1872, such agreements were not dignified by the name of postal conventions or treaties, and consequently were not included in the statute books.

Why? Because these postal conventions had to do with mere rules and regulations as to the manner ordinarily by which a foreign country would carry on its domestic postal arrangements.

Senator WILEY. May I ask a question there?

Senator O'MAHONEY. Certainly.

Senator WILEY. In the days of President McKinley and Theodore Roosevelt, we had reciprocal agreements or treaties. Do you know whether the law then required the approval of the Senate?

Senator O'MAHONEY. I am going to bring them here before the committee. The law did require the approval of the Senate and an act of Congress approving the duties. Those are the precedents that I desire to cite to this committee. Those are the precedents to which I alluded at the outset of the argument, and precedents which I said had never been violated in the history of the Congress of the United States until the Reciprocal Trade Agreements Act was passed.

Now then, years after the postal conventions were first undertaken, a new question arose. The Postmaster General negotiated a convention with some foreign country—I have forgotten which—having to do with indemnity for the loss of registered mail, and it was the desire of the Postmaster General to provide in this convention, and he did provide that the United States would pay indemnity to the foreign senders of letters if those letters were sent by register and were lost in the mails. That, too, was submitted to the Attorney General for a report, and in volume 15 of the Opinions of the Attorney General at page 462, you find the question proposed and the answer.

The question is:

Can the Postmaster General enter into any and all postal conventions dealing with new methods of foreign regulation under the authority of the Revised Statutes 389 authorizing the Postmaster General to enter into such treaties and conventions by and with the advice and consent of the President?

That was the provision of that act. And the answer was:

The Postmaster General cannot enter into conventions or treaties for the purpose of establishing an adjunct to the existing system whereby indemnity for loss of registered mail might be allowed.

In other words, it was the decision of the Attorney General that where the convention dealt with a subject matter that went beyond mere administration, then he was going beyond the boundaries of an Executive agreement. To put it another way, an Executive agreement cannot change a law.

THE NATURE OF EXECUTIVE AGREEMENTS

Now, you can read the whole history of Executive agreements, and you will find that they fall clearly into that category. Here was a case—I don't want to weary the committee with too many citations, but I do wish to call your attention to the case of *United States v. Belmont*, reported in 301 U. S. at page 324.

Prior to 1918, a Russian corporation which was called the Petrograd Metal Works deposited with the Belmont Private Bank in New York a certain sum of money. In 1918, the Soviet Government liquidated the corporation and appropriated all of its property and assets, including the deposit with Belmont.

In 1933 the Soviet Government released and assigned to the United States Government all amounts due to the Soviet Government from American nationals, including the money that had been deposited with the Belmont Bank. The assignment was effected by an international compact between the President and the Soviet Government to bring about a final settlement of claims and counterclaims between the two Governments. The Belmont Bank refused to pay the amount upon demand duly made by the United States Government, and thereupon the case went to the court.

Now, obviously here we are dealing with a simple matter of administration not affecting the whole public interest but affecting a comparatively small matter of ministerial detail. And this is what the court held:

The international compact was within the competency of the President and participation by the Senate was unnecessary. A treaty signifies a compact between two or more independent nations with a view to the public welfare, but an international compact as this one is not always a treaty which requires the participation of the Senate. There are many such compacts which a protocol, a *modus vivendi*, a postal convention and agreement like that now under consideration are illustrations.

Certainly a trade agreement between the Government of the United States and the government of some foreign country whereby that foreign country not only agrees to change its own tariff regulations, but by which we agree to change a law which under the Constitution must originate in the House of Representatives, certainly such an agreement rises far above the level of executive agreements of the kind involved in the *Belmont case*. It rises to the level of a constitutional treaty which to be valid must be ratified by the Senate of the United States.

Senator VANDENBERG. Senator, may I interrupt you a moment?

Senator O'MAHONEY. Certainly.

Senator VANDENBERG. I would like to call your attention to a very specific excerpt from the Colombian treaty bearing very significantly upon the point you are making. I quote one sentence from article 11 of the Colombian trade agreement as follows:

As long as the present agreement—
that is the trade agreement—

As long as the present agreement remains in force, it shall supersede any provisions of the treaty of peace, amity, and navigation and commerce between the United States of America and the Republic of New Granada signed at Bogata September 12, 1846.

Senator O'MAHONEY. And the Constitution says;

This Constitution and the laws enacted thereunder and the treaties of the United States are the supreme law of the land.

Senator VANDENBERG. Precisely.

Senator O'MAHONEY. And here we have a trade agreement which, its advocates assert, does not rise to the dignity of a treaty overthrowing a treaty.

Senator VANDENBERG. I think this confesses the case.

Senator O'MAHONEY. There are more confessions to be found in the book.

This is the point gentlemen—a treaty is a compact or an agreement which requires negotiation between governments and which affects the domestic policies of both the parties, policies which involve the whole public welfare. There can be no doubt that these trade agreements involve the whole public welfare. That indeed is the principal argument that is made for them. The argument is made that under the constitutional method you cannot do this important political matter, and you must rise superior to the Constitution.

Why, gentlemen of the committee, as I said in the beginning, have we the courage to be democratic? The democratic form of government is the most difficult of all forms to carry out because it is the form of government which depends for its sanction upon the agreement of the masses of the people. It depends for its power upon tolerance and good will and the ability of people to sit down and discuss issues and reach a common mind. But we are told that the representatives of the people of the United States selected under the Constitution are not competent to do this, and if it were entrusted to them, they would begin to logroll and to lobby. Let those who wish to make this confession of their own ineptitude and their own inability to do it—I shall not.

Senator JOHNSON. It is significant in that connection, is it not, that 19 of the existing trade agreements which we have entered into have been ratified by the parliaments or the legislatures of their own nations?

Senator O'MAHONEY. As the Senator says. I have not made the examination myself, but I believe that other nations retain to themselves the power to have these Executive agreements passed upon by the representatives of the people. And we—the greatest democracy in the world—we blithely surrender and turn the power over to the Executive.

I think I remarked a little while ago that the drafters of the Constitution were concerned about preserving to the people and their representatives the power of originating revenue laws. That was a principle which was embodied in the very blood and sinew of the men who drafted the Constitution. For a thousand years the predecessors of the Colonists had been struggling to take power away from the executive and to vest it in the representatives of the people. What has come over us that now we turn back from this fundamental idea and instead of taking power away from the Executive, we thrust it upon the Executive and say "Take it away from us who are not competent to exercise it?" For almost 50 years, the powers of government have been steadily expanding.

Senator GERRY. Mr. Chairman, may I ask the Senator a question?

Senator O'MAHONEY. Certainly.

Senator GERRY. Is the Senator going to touch that question of the delegation of powers?

Senator O'MAHONEY. Yes, indeed.

Senator GERRY. Because I just want to ask this. Is he going to touch on the question of the original delegation of powers? In that bill, we allow the President to raise or lower tariffs. There were some of us who did not believe in it then and voted against it. I don't know whether the Senator is going to take up the question and go into it.

Senator O'MAHONEY. I am going into that, and I know of no time better than the present since the Senator has raised the question.

Senator VANDENBERG. Before you start, may I say that you can get considerable additional comfort out of the fact that Secretary Hull himself when he was in the House of Representatives in 1928 said that the relatively modest delegation of tariff power under the elastic clause was "contrary to the plainest and most fundamental provisions of the Constitution." I suggest to the Senator that he is in very good company in the argument he is making.

The CHAIRMAN. Secretary Hull did state, however, that the Supreme Court had changed his mind and furnished a standard of measurement which we might follow.

Senator O'MAHONEY. If any member of the committee has changed his mind as did the Secretary of State, I shall hope to change it back again by quoting the very decisions which have been cited to support legislative surrender. Now, let us begin. Let us begin with the case of *Field v. Clark*, the case which is cited in every brief submitted by the State Department, the case upon which the changes are rung in every forum where the trade-agreements law is advocated. This case arose under the McKinley Tariff Act. That act and the decision are cited as sustaining the power here granted.

Mr. Chairman and gentlemen of the committee, I have brought with me the statutes so that there can be no doubt. The McKinley Tariff Act of 1890 was passed by the Fifty-first Congress. Section 3 of this act reads as follows—and I shall read it at length, because it is important to have it go into the record in full:

Sec. 3. That with a view to secure reciprocal trade with countries producing the following articles, and for this purpose, on and after the first day of January eighteen hundred and ninety-two, whenever, and so often as the President shall be satisfied that the Government of any country producing and exporting sugars, molasses, coffee, tea, and hides, raw and uncured, or any of such articles, imposes duties or other exactions upon the agricultural or other products of the United States, which in view of the free introduction of such sugar, molasses, coffee, tea, and hides into the United States he may deem to be reciprocally unequal and unreasonable, he shall have the power and it shall be his duty to suspend, by proclamation to that effect, the provisions of this act relating to the free introduction of such sugar, molasses, coffee, tea, and hides, the production of such country, for such time as he shall deem just, and in such case and during such suspension duties shall be levied, collected, and paid upon sugar, molasses, coffee, tea, and hides, the product of or exported from such designated country as follows, namely:

All sugars not above number thirteen Dutch standard in color shall pay duty on their polariscopic tests as follows, namely:

All sugars not above number thirteen Dutch standard in color, all tank bottoms, sirups of cane juice or of beet juice, melada, concentrated melada, concrete and concentrated molasses, testing by the polariscope not above seventy-five degrees, seven-tenths of one cent per pound; and for every additional degree or fraction

of a degree shown by the polariscope test, two hundredths of one cent per pound additional.

All sugars above number thirteen Dutch standard in color shall be classified by the Dutch standard of color, and pay duty as follows, namely: All sugar above number thirteen and not above number sixteen Dutch standard of color, one and three-eighths cents per pound.

All sugar above number sixteen and not above number twenty Dutch standard of color, one and five-eighths cents per pound.

All sugars above number twenty Dutch standard of color, two cents per pound.

Molasses testing above fifty-six degrees, four cents per gallon.

Sugar drainings and sugar sweepings shall be subject to duty either as molasses or sugar, as the case may be, according to polariscope test.

On coffee, three cents per pound.

On tea, ten cents per pound.

Hides, raw or unured, whether dry, salted, or pickled, Angora goat-skins, raw, without the wool, unmanufactured, asses' skins, raw or unmanufactured, and skins, except sheepskins, with the wool on, one and one-half cents per pound.

There is the McKinley Act for you, specifying in terms five commodities and specifying in terms the particular rates of duty which the President had to impose. Where was the discretion? Where is the precedent in that for an act which allows the Executive to select any one of all of the innumerable commodities that come into the United States, and then to fix the rate of duty at anything within his own discretion, provided only that he shall not go 50 percent below or 50 percent above the present rates?

Is that a standard? Why it is only necessary to ask the question. It is a limitation. In this act we delegate to the President, or rather to the Executive, because the power is exercised not by the Secretary of State and not by the President of the United States. That power is exercised by appointees who are not known to any member of this committee. None of the members of the Ways and Means Committee of the House and none of the members of the Finance Committee of the Senate can name the men who actually make these agreements that fix the revenue rates.

Senator CLARK. That is true also of the Interstate Commerce Commission, is it not?

Senator O'MAHONEY. I will come to that. But there you have a standard, Senator Clark.

The CHAIRMAN. Did or did not the Supreme Court say that that was a sufficient standard to follow?

Senator O'MAHONEY. The standard that I have read to you was sufficient. The standard in the McKinley Act is clearly sufficient, because there the act says, "These are the commodities, a, b, c, d, and e, and here are the rates."

The CHAIRMAN. But did not the Supreme Court even though it did not state specifically the rate, when it said not more than 50 percent above nor 50 percent below, did they not say that that was a sufficient standard?

Senator O'MAHONEY. The standard was not the limitation; no; not at all, Senator. The standard fixed in the flexible tariff law was the scientific finding of the Tariff Commission to set the difference in the cost of production at home and the cost abroad. There was the standard. The Congress said, "Your power to change these duties is guided by this rule, which is the difference in the cost of production at home and abroad." Now I submit that there is no possible similarity between the two cases. But let us read *Field v. Clark*. I am reading the language which was quoted by the State Department and

submitted in the hearings held March 8 to 14, 1934. I am reading from page 311 of the hearings on the Reciprocal Trade Agreements before the Ways and Means Committee of the House in March 1934. Let us read the quotation by the State Department from *Field v. Clark*:

That Congress cannot delegate legislative power to the President is a principle, universally recognized as vital to the integrity and maintenance of the system of government ordained by the Constitution. The act of October 1, 1890, in the particular under consideration, is not inconsistent with that principle. It does not, in any real sense, invest the President with the power of legislation.

Now let us stop there and ask ourselves, why? Why is it that this act does not vest the President with "any real power of legislation," as the Supreme Court said? I think it is obvious from what I have already read to you. But we will see what the Supreme Court said about it:

Congress itself prescribed, in advance, the duties to be levied, collected, and paid, on sugar, molasses, coffee, tea, or hides, produced by or exported from such designated country, while the suspension lasted.

That is why, "Congress itself prescribed the duties."

Now observe this sentence:

Nothing involving the expediency or the just operation of such legislation was left to the determination of the President.

Nothing was left to the discretion of the President.

Now those are precisely the things that are left to the discretion and determination of the President by this act. To cite a law which named five commodities, and then specifically recited the duties which the President could impose——

Senator DAVIS (interposing). Only on those five commodities?

Senator O'MAHONEY. Only on those five commodities—and to cite that as a precedent for giving to the Executive the power over all of the commodities of which our commerce consists and leaving him free to fix any rate he pleases within 50 percent, it seems to me is not worthy of being called an argument.

The CHAIRMAN. Well, Senator, not to the extent that you so eloquently do so at this time, but along the same lines, were not all of those arguments presented in 1934 and 1937 against this legislation?

Senator O'MAHONEY. They were not. I don't think they were. I have read the record.

The CHAIRMAN. You did not contemplate these arguments and facts in 1934?

Senator O'MAHONEY. I did not read all of the debates.

Senator CLARK. I distinctly remember an analysis being made of that case of *Field v. Clark* in 1934 at some considerable length. I don't recall who made it.

Senator O'MAHONEY. I would say it was not referred to except in support of the act, though Senator Borah probably took the view I now express. Well, so much for *Field v. Clark*.

Now then, the question arose again in 1897 when the Dingley Act was passed, and in this act Congress passed specifically on the question which is before this body now, namely, the difference between treaties and executive agreements and the delegation of power according to set intelligible standards.

Section 3 of the Dingley Act—I won't bother to read it to the committee now, but I shall put it in the record—was drafted precisely upon the formula of section 3 of the McKinley Act. It named the articles and it fixed the duties. So there was no discretion. The power of the Executive under the McKinley Act, section 3, and under the Dingley Act, section 3, was purely that of finding a fact and then carrying out the instructions of Congress. But the Congress of the United States in 1897 wanted to go further than that; it wanted to authorize a broad program of reciprocal trade agreements; it wanted to change the tariff rates; it wanted to level them off and build up reciprocal trade and it wanted to authorize the President to carry on the necessary negotiations, and so they wrote in section 4.

Now, if section 3 was a precedent for delegating to the Executive the right to select any commodity he pleases and fix any rate within the 50-percent limit that he pleases, why was it necessary to write in section 4 of the Dingley Act? Let me read this section into the record.

Section 4 of the Dingley Act reads:

That whenever the President of the United States by and with the advice and consent of the Senate—

Observe the phrase—

by and with the advice and consent of the Senate—

Here was no surrender of the senatorial duty and responsibility with respect to reciprocal trade agreements. Here was a retention by the Senate of its constitutional power.

The CHAIRMAN. Let me ask you, Senator, as to that provision. There were some 14, I believe, that were negotiated?

Senator O'MAHONEY. Yes; and not ratified.

The CHAIRMAN. Were any of them ratified?

Senator O'MAHONEY. None of them were ratified.

The CHAIRMAN. Do you know why?

Senator O'MAHONEY. Because the Senate of the United States chose not to ratify them.

The CHAIRMAN. They were just pigeonholed?

Senator O'MAHONEY. Under its responsibility and duty and power under the Constitution, the Senate pigeonholed them; yes.

The CHAIRMAN. But under the other provision to which you just called attention, there were agreements made and we got some reciprocal concessions?

Senator O'MAHONEY. That is right. The argument of the Senator is clearly that the method of the Constitution is not effective so let us take an extraconstitutional method. With that argument I cannot agree.

Section 4 of the Dingley Act reads:

That whenever the President of the United States, by and with the advice and consent of the Senate, with a view to secure reciprocal trade with foreign countries, shall, within the period of two years from and after the passage of this Act, enter into commercial treaty or treaties with any other country or countries concerning the admission into any such country or countries of the goods, wares, and merchandise of the United States and their use and disposition therein, deemed to be for the interests of the United States, and in such treaty or treaties, in consideration of the advantages accruing to the United States therefrom, shall provide for the reduction during a specified period, not exceeding five years, of the duties imposed by this Act, to the extent of not more than twenty per centum thereof, upon such goods, wares, or merchandise as may be designated therein of the

country or countries with which such treaty or treaties shall be made as in this section provided for; or shall provide for the transfer during such period from the dutiable list of this Act to the free list thereof of such goods, wares, and merchandise, being the natural products of such foreign country or countries and not of the United States; or shall provide for the retention upon the free list of this Act during a specified period, not exceeding five years, of such goods, wares, and merchandise now included in said free list as may be designated therein; and when any such treaty shall have been duly ratified by the Senate and approved by Congress, and public proclamation made accordingly, then and thereafter the duties which shall be collected by the United States upon any of the designated goods, wares, and merchandise from the foreign country with which such treaty has been made shall, during the period provided for, be the duties specified and provided for in such treaty, and none other.

THE DECISION OF CONGRESS IN 1897

In other words, the Congress of the United States passed upon this question in 1897 and it said in effect:

When you desire to give to the Executive the power to select any commodity and to fix the rates, then you must appeal to the constitutional powers of both the Senate and the House to make those rates effective. We shall have the Senate pass upon the treaty because it is a contract between this Government affecting the public welfare and some foreign government, and comes within the Constitution, rising far above the level of these Executive agreements of which we talked. And when you have done that, when you have secured the ratification of the Senate, then you shall have the revenue bill with its change of customs duties originate in the House of Representatives so that the rates shall be fixed by law.

Why? Because obviously tariff rates which are fixed by law cannot be changed in a constitutional manner except in accordance with the terms of the Constitution, and that is to say by another law. An Executive agreement which does not rise to the dignity of a treaty certainly cannot modify a duty which is fixed by a constitutional law.

This matter came up again during the administration of Theodore Roosevelt after the Spanish-American War when it was necessary in the mind of the Executive to negotiate a commercial arrangement with the new Government of Cuba. The Executive undertook to negotiate a treaty, presented that treaty to the Senate for ratification, and it was ratified. In the treaty was a clause providing specifically that it should be ratified and that the rates should be passed upon by Congress by law.

Senator WALSH. Were the rates fixed in that treaty?

Senator O'MAHONEY. The rates were fixed in the treaty, but they did not become effective under the treaty until they were approved by an act of Congress.

Senator WALSH. That is, first the treaty was approved by the Senate, and then the rates were approved by act of the House and Senate?

Senator O'MAHONEY. That is right. The treaty was signed at Habana on December 11, 1902. It was ratified with amendments by the Senate on March 19, 1903. This convention provided that it should become effective when approved by Congress, the concluding paragraph of the convention being:

This convention shall not become effective until the same shall have been approved by the Congress.

Of course, that is the provision which most of the countries which are negotiating with us now insist upon to protect their people. But we have abandoned it.

Senator BARKLEY. That Cuban treaty was entered into as a result of that enabling act passed by Congress, or was it entered into under the general treaty-making power?

Senator O'MAHONEY. It was entered into under the general treaty-making power.

Senator BARKLEY. So that in that treaty itself it provided that it should be ratified by the Senate.

Senator O'MAHONEY. I do not think that was in the treaty, but there was in the treaty a provision that the rates of duty agreed upon should be approved by Congress.

Senator BARKLEY. I thought you said the treaty contained it.

Senator O'MAHONEY. I said that it provided that it should become effective when approved by Congress. Ratification of the treaty by the Senate and approval of the rates by act of Congress, that was the procedure.

I am glad the Senator has called attention to it. This treaty is in the books and records of the State Department and is called a commercial convention, the phrase which is now being used to lead us believe that a trade agreement is something less than a treaty. This is called a commercial convention, and yet it had to be ratified by the Senate.

Senator BARKLEY. It did not, as a matter of fact, have to be ratified by the Senate except where Congress had previously provided for agreements that did not have to be ratified by Congress?

RATIFICATION AND CONFIRMATION

Senator O'MAHONEY. I will say to the Senator, and I am glad that he has raised this question, because I want to call attention to the fact that the provision of the Constitution which devolves upon this body the duty of ratifying treaties made by the President also contains the provision that the Senate of the United States shall confirm appointees to the Supreme Court.

Senator BARKLEY. Do you make any distinction there?

Senator O'MAHONEY. It is all in one sentence; all in one sentence. The ratification power of the Senate and the confirmation power of the Senate. Will anybody say—let me finish the answer, please, Senator Barkley—will anybody say that the Congress of the United States by law could delegate the confirming power of the Senate so that the Executive could appoint judges of the Supreme Court without confirmation?

Then if the answer to that is "No," and, of course, it is "No," how can it be argued that an equally important power granted in the same identical sentence can be taken away from the Senate by an act of Congress? You are saying that the Constitution can be amended by law, and, of course, it cannot.

Senator BARKLEY. Will the Senator permit a question?

Senator O'MAHONEY. Yes.

Senator BARKLEY. The same authority, the same Constitution, in almost the same language provides that Congress shall have power to regulate commerce among the States and with foreign nations.

Senator O'MAHONEY. The Congress shall have power; yes, indeed.

Senator BARKLEY. But it is just as exclusive a power delegated to Congress by the Constitution as the power of confirmation and ratification is an exclusive power granted to the Senate?

Senator O'MAHONEY. That is right.

Senator BARKLEY. Which is only a part of Congress.

Senator O'MAHONEY. That is right.

Senator BARKLEY. We have in numerous instances in pursuance of our constitutional duty to regulate commerce, which is just as mandatory a power as these others you have mentioned, delegated that authority or set up congressional agencies to carry it out in detail, having set in the law somewhat of an example or a limitation—

Senator O'MAHONEY (interposing). Not a limitation. A standard.

Senator BARKLEY. A standard, then. Now, do you make any difference between treaties contemplated in the Constitution requiring senatorial ratification, and agreements entered into in pursuance of the commerce clause of the Constitution authorizing Congress to regulate commerce among nations and setting up an agency?

Senator O'MAHONEY. Certainly. When the delegation is accompanied by standards, it is recognized. And let me call to the attention of the Senator, because he was the majority leader upon the floor of the Senate when the reorganization bill was passed. The Senator from Missouri well remembers the incident I am about to call attention to. That reorganization bill carried the provision conveying to the Executive the power to reorganize the Interstate Commerce Commission, and the Congress of the United States would not have it.

Senator BARKLEY. It could have done it, though.

Senator O'MAHONEY. It would not do it because the Congress of the United States believed that the Interstate Commerce Commission is a legislative bureau and not an executive bureau, and because Congress wanted to keep that legislative power free of executive control and it refused absolutely to consent to the inclusion of the Commission in the reorganization bill.

Senator BARKLEY. Are not all the bureaus set up by Congress, agencies of the Congress to carry out some specific authority conferred upon Congress by the Constitution?

Senator O'MAHONEY. Certainly. Not all of them, but most of them.

Senator BARKLEY. Practically all of them are agents of Congress.

Senator O'MAHONEY. Let me recommend to the Senator a reading of the case of *Panama v. Ryan*, which passed upon the so-called "hot oil" bill. There this question of standards was thoroughly analyzed. This question of the delegation of power was thoroughly reviewed, and the difference between a delegation which is not accompanied by a standard and a delegation which is within a standard was clearly pointed out. I think the language is so apropos with what we are dealing with here, that I shall just read it at this moment. This is from 293 U. S. Reports page 388. Let me read from page 415, where the Chief Justice said:

Section 9 (c) is brief and unambiguous. It does not attempt to control the production of petroleum and petroleum products within a State. It does not seek to lay down rules for the guidance of State legislatures or State officers. It leaves to the States and to their constituted authorities the determination of what production shall be permitted. It does not qualify the President's authority by reference to the basis, or extent of the State's limitation of production. Section 9 (c) does not state whether, or in what circumstances or under what conditions the President is to prohibit the transportation of the amount of petroleum or petroleum products produced in excess of the State's permission. It establishes no criterion to govern the President's course. It does not require any finding by the President as a condition of his action. The Congress in paragraph 9 (c)

thus declares no policy as to the transportation of the excess production. So far as this section is concerned, it gives to the President an unlimited authority to determine the policy and to lay down the prohibition, or not to lay it down, as he may see fit. And disobedience to his order is made a crime punishable by fine and imprisonment.

There is the condemnation of the delegation without standards of legislative power, and every single case——

Senator GEORGE (interposing). Senator O'Mahoney, I do not think there is any real doubt on the part of the committee, and certainly when they analyze the cases, that you cannot delegate legislative power. That is your broad proposition?

Senator O'MAHONEY. That is true.

Senator GEORGE. But you can delegate to an agency with prescribed standards, the mere administrative duty of applying those standards.

Senator O'MAHONEY. That is right; I quite agree with that. The Senator is quite right about that.

Senator GEORGE. Some of us were in disagreement with the Supreme Court on those cases, because we thought that the legislative power was involved under sections 315 and 316 of the Tariff Act, because we thought there was some element of judgment, discretion, and discrimination, the power to reject and the power to consider certain things as to producing abroad or at home, but the Supreme Court of the United States decided against us and said that there was a sufficiently intelligible rule or standard laid down.

Senator O'MAHONEY. That is right.

Senator GEORGE. Now, as far as the doctrine is concerned, there is no question about it. It largely comes back to the same old proposition of the law student who said he knew what cumulative evidence was, but he did not know what in hell was cumulative evidence.

Senator O'MAHONEY. I might cite the well-known proverb of giving an ell and taking a mile.

Senator GEORGE. Yes.

Senator O'MAHONEY. Here you have in the *Hampton case* a decision which says that the delegation of legislative power which troubled the Senator so much when it was granted was within a standard.

Senator GEORGE. Yes.

Senator O'MAHONEY. Now that case is being cited as the precedent for an additional grant of legislative power—of the delegation of legislative power such as never before was contemplated. In other words, we are chipping away piece by piece the very pedestal upon which free, democratic, representative government stands. And it is against that constant encroachment upon popular government and popular sovereignty that I am here protesting today. We have got to stop somewhere if we are going to preserve the right, the duty, and the responsibility of the elected representatives of the people to legislate for their constituents. When the Supreme Court upholds one doubtful grant, are we to cite that decision to support a more extensive grant?

THE CUBAN CONVENTION ACT

But let me return now to the Commercial Convention with Cuba. It was, as I was saying, signed at Habana on December 11, 1902, and ratified with certain amendments by the Senate on March 19, 1903. It was approved by the act of Congress on December 17, 1903. This act of Congress is to be found in 33 Statutes, part 1,

page 3. It contains the following proviso, a proviso which I should like to write in letters so high that no Member of Congress can fail to understand what the Sixty-third Congress declared:

Provided further that nothing herein contained shall be held or construed as an admission on the part of the House of Representatives that customs duties can be changed otherwise than by an act of Congress originating in said House.

Mr. Chairman, there is no other forum in which the constitutionality of this act can be tested except this forum.

Senator BARKLEY. Has not that declaration been overruled not only by the Supreme Court but by the House of Representatives itself since that declaration was made?

Senator O'MAHONEY. I do not know of any case in which either the Court or the Congress overruled it, except in passing the Reciprocal Trade Agreements Act, and I contend that the House of Representatives and the Senate combined cannot amend the Constitution of the United States.

Senator BARKLEY. Both of those bodies practically overruled that declaration in subsequent legislation creating the Tariff Commission, and also the Reciprocal Trade Act, and the Court has sustained those acts.

Senator O'MAHONEY. Again the Senator is making the argument that because the Court sustained a little offense, we shall approve a big offense. The Senator from Missouri has——

Senator GEORGE (interposing). I think the decision of the Court, so far as the law is concerned, is sound, because it did say that section 315 and similar sections in later acts laid down a standard. It may be a difficult one to apply, but they said specifically that, and I think the Supreme Court has held that in innumerable cases.

Senator O'MAHONEY. Certainly, but I say——

Senator GEORGE (interposing). We might differ if there was in fact a standard, but the courts passed upon that question.

Senator O'MAHONEY. Certainly, there can be no question about that, Senator. The Congress can delegate legislative power, provided it sets down the standard.

Senator GEORGE. No; Congress cannot delegate legislative power. Let me differ with the Senator right now. Whenever the Congress delegates legislative power, it is going beyond its own powers, because all the power to legislate is vested in Congress.

Senator O'MAHONEY. I will accept the correction.

Senator GEORGE. It can set up an agency to administer its standards.

Senator O'MAHONEY. I was using incorrect language. When proper standards are set there is no delegation, but no standard is set up here to guide the agent. You will search this act in vain——

Senator GEORGE. I do not want to hurry you or curtail you, because you are making a most interesting argument and one with which I do not disagree at all, that is, so far as whether we have any standards in this act. And let me call the Senator's attention to this fact—it seems to me to be a very important point—that the Trade-Agreements Act contemplates certain Executive functions, certain powers of the President as well as the joint use of certain powers of the Executive as well as the powers of the Congress, and whether under those conditions, where you have that situation arising, is the same nicety of standards required, or the same positive declaration of

the yardstick which is to be applied, to be applied? That is the point that bothers me in this trade-agreements matter.

Senator O'MAHONEY. The Senator raises a very interesting question, and I hope I won't weary the committee by pursuing it for just a moment.

Let me refer to the case of the *United States v. Curtiss-Wright Corporation* (299 U. S. —).

Senator GEORGE. That is what I had in mind; that is one of the cases in which they talked on this question.

Senator O'MAHONEY. Let me read from page 304. Justice Sutherland wrote this opinion, and it has been cited, I think, in most of the arguments in support of this bill.

Senator GEORGE. I do not mean to say that that case might not be distinguishable upon principle.

Senator O'MAHONEY. The Senator realizes that it is distinguishable?

Senator GEORGE. Yes; I do. But I do say that it raises this question of the joint or combined action of the purely legislative function on the one hand—that is, fixing the tariff rates—and of your executive, that does represent the country in its strictly foreign relations.

Senator O'MAHONEY. That is right. The Senator has placed his finger upon the only possible argument, it seems to me, that could be made, but it is so tenuous an argument—

Senator GEORGE (interposing). It is tenuous.

Senator O'MAHONEY (continuing). So tenuous that I shall trespass upon your time a little further.

Senator GEORGE. I say frankly you might well answer what is in my mind by saying that while there is a certain function under the Trade Treaty Act that pertains exclusively to the executive power—that is, this question of seeing whether or not a foreign country "A" will not reduce some of its duties if our country will in turn reduce some of its duties, or some of its tariff restrictions or limitations, or what not—but you might well answer, I think, by saying that when there is no standard, if there be none by which the amount of the duty is to be determined, that we come back then into the legislative field, and legislative action or approval is necessary or is required, if not under treaty, then certainly by act.

Senator O'MAHONEY. It was precisely because of that, that the Congress in previous sessions required ratification and approval in matters of this kind, because Congress was answering the same question that the Senator has propounded here, and it answered it by saying that there was so much of the internal affairs of this country involved; that the agreement must of necessity be regarded as a treaty and be ratified by the Senate, and there was so much of revenue involved that it must of necessity be regarded as a revenue bill, which, with respect to the specific rates and specific duties, must originate in the House.

PRESIDENT'S POWER IN PURELY FOREIGN AFFAIRS

Now, Justice Sutherland in a very thoroughgoing and carefully written opinion analyzed all of the cases and drew the distinction between the power of the President in foreign affairs and the power of the Government in domestic affairs. He pointed out that the United

States of America under the Constitution received only those powers from the States which were specifically delegated in the Constitution, but he pointed out that the States, because they were colonies before the Revolution, or members of the Continental Congress, had no powers in the foreign field; so that when the Constitution was set up and the Government of the United States came into being, then the attributes of the national power in the foreign field naturally flowed to the new National Government. That power did not come from the States. Because of the inherent necessity of the occasion the new Nation and the President, as the supreme Executive, derived that implied power with respect to foreign affairs from the fact that a new nation was created. The President was not there limited by the Constitution, and Justice Sutherland says quite clearly on page 314 of 299 United States Reports:

It is contended by the joint resolution, the going into effect and the continued operation of the resolution was conditioned (A) upon the President's judgment as to its beneficial effect upon the reestablishment of peace between the countries engaged in armed conflict in the Chaco; (B) upon the making of a proclamation, which was left to his unfettered discretion, thus constituting an attempted substitution of the President's will for that of Congress; (C) upon the making of a proclamation putting an end to the operation of the resolution, which again was left to the President's unfettered discretion; and, (D) further, that the extent of its operation in particular cases was subject to limitation and exception by the President, controlled by no standard. In each of these particulars, appellees urge that Congress abdicated its essential functions and delegated them to the Executive.

Whether, if the joint resolution had related solely to internal affairs it would be open to the challenge that it constituted an unlawful delegation of legislative powers to the Executives, we find it unnecessary to determine. The whole aim of the resolution is to affect a situation entirely external to the United States, and falling within the category of foreign affairs.

That was the resolution, and it had to do with the securing of peace in a foreign country. It did not affect the welfare of the people of the United States. It was wholly within the scope of the President's Executive power, and therefore there was no delegation.

And the Justice, in introducing his decision, specifically alludes to the fact that it would be different if it involved, as this bill involves, the domestic affairs of the United States, so this decision cannot be cited to uphold a grant of domestic power.

Senator GEORGE. There was no delegation there, Senator O'Mahoney, at all. I quite agree with you, because the Executive was exercising an implied power and it grew out of the fact that the Federal Government is, under the Constitution, a complete sovereign with respect to foreign affairs.

Senator O'MAHONEY. Exactly.

Senator GEORGE. I grant you that. Now, the Trade Agreements Act undertakes to do this—it undertakes to reduce or to vary existing duties within certain limitations of 50 percent. I agree with you that it is a pure limitation; that it is not a standard at all. It gives the power to the President to vary existing tariff duties when he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States, and so forth. That seems to me to be the standard that this act undertakes to set up. It may be said that it is placing a discretionary power in the President, and let us say that if he be a high-tariff Republican, he probably will

raise all of these rates under this same act, and if he be a free-trader, he would probably reduce all the tariff rates under this same act.

Senator O'MAHONEY. The Senator has answered the question much better than I could have done.

Senator GEORGE. I am answering it because it bothers me.

Senator O'MAHONEY. I hope it will continue to bother the Senator, because it is unanswerable. Of course, there is no standard, and the President—

Senator GEORGE (interposing). There is a standard attempted if the President finds something as a fact. I thought that there was some difficulty in finding the cost of production abroad of an article as compared to the cost of production at home, but the Supreme Court came along and said that no matter how difficult and imaginary the thing may be, there was a standard that guided the Tariff Commission and the President.

Senator O'MAHONEY. I think it has been found as a fact, in order to authorize the issuance of the several proclamations which have been issued, that about 95 percent of the tariff rates upon all of the commodities which were cited in the public notice of intention to negotiate, were burdening the commerce of the United States.

Senator CLARK. The proclamation would probably have been better if it had said 100 percent.

Senator O'MAHONEY. The Senator, of course, is very much, I assume, in favor of cutting down the tariffs.

Senator CLARK. Prohibitory tariffs; you bet your life.

Senator O'MAHONEY. That, of course, is not the question that I am arguing here. I might agree with the Senator on that; but I am arguing solely upon the manner in which it should be done. And I believe, let me say to the Senator, that the Congress of the United States can be trusted to pass upon the specific duties that may be contained in a proclamation if the proclamation or the agreement were submitted to the Congress. When to a Democratic Senate and a Democratic House of Representatives the argument is made that the only alternative to this method of delegation to the Executive authority is a return to the methods of the Smoot-Hawley tariff bill, I cite to the Democratic members of this committee, to the Democratic Members of the Senate and the Democratic Members of the House, the fact that the Underwood tariff law was not passed by logrolling methods, but it was passed upon by the Members of Congress and not behind the closed doors of the Ways and Means Committee room, of which Secretary Hull has so frequently spoken.

Senator BARKLEY. I have heard it mentioned by others.

Senator O'MAHONEY. Every citizen of the United States in or out of an organization who comes to Washington usually does ask for information as to the manner in which the interests of his associates are being handled, and is called a lobbyist.

Senator WALSH. Would not all of the reciprocal trade agreements fail unless there were two-thirds of the Senate willing to accept all of the rates fixed?

Senator O'MAHONEY. Not under the amendment which I have proposed, I will say to the Senator. This amendment which I offered at the outset of the argument before the Senator arrived—I have a copy of it here—and I said at that time that I would be satisfied if the specific rates and duties are submitted to Congress for approval by

congressional enactment, because when all is said and done, the primary purpose of the agreements is to alter and modify the customs rate.

Senator WALSH. Your amendment would make ratification by the Senate perfunctory.

Senator O'MAHONEY. The amendment does not call for ratification.

Senator CLARK. Your argument goes to the effect that ratification is necessary, does it not?

Senator O'MAHONEY. The argument certainly is that foreign-trade agreements are treaties, yes.

Senator CLARK. The Senator did not always take that view, did he?

Senator O'MAHONEY. That they are treaties.

Senator CLARK. I appeal to a very high authority——

Senator O'MAHONEY (interposing). Yes; I know what you are going to appeal to, and I said it then and I say it now.

Senator CLARK. And that authority is Senator O'Mahoney himself, who on February 25, 1937, as appears in the Congressional Record made this statement:

Mr. O'MAHONEY. Mr. President, if there had been a roll call upon the amendment offered a few moments ago by the Senator from Kansas (Mr. Capper) requiring ratification of the trade agreements entered into under the authority of this measure by a two-thirds vote, I should have voted against the proposal and I desire the record to show that I was opposed to it. I agree with the arguments which have been offered here that any requirement of ratification would have made it altogether impossible to hope for any successful development of the program of reciprocal agreements.

That is at page 1599 of the Congressional Record. I have such a great respect for the opinion of the Senator from Wyoming that I am very certain that if he thought these were treaties which required Senate ratification under the Constitution of the United States, he would not have voted as he did.

Senator O'MAHONEY. I think I was overpersuaded by the eloquence of the Senator from Missouri, but I will say that I see no inconsistency there, not nearly so much as may be found in the quotation made over and over again from speeches of certain members of this committee.

Senator CLARK. But the Supreme Court has overruled certain members of this body, but it has never overruled your opinion.

Senator O'MAHONEY. I say that because the primary purpose of these agreements is to effect a change of customs duties that although they are treaties requiring ratification, I shall be satisfied with a legislative act of both Houses because I believe it is important to begin to take back the power we have been delegating away. I think it is important that, in a world in which democracy seems to be tottering, the legislative body of the United States shall assert its legislative power, and so I say I should be content with the amendment which I have offered here.

Senator BARKLEY. Senator, if that is the danger upon which we are about to embark, that we are giving up a legislative authority and ought to recall that which we have delegated, or the administration of the law which has been delegated, wouldn't that logically lead up to the withdrawal of all of the acts we have passed setting up agencies to carry out the various functions?

Senator O'MAHONEY. No; I do not think so, because as I have said repeatedly this morning, in all of these laws that I have read and all of these cases that I have examined, you will find that there is an

intelligible standard. I agree with the Senator From Georgia that when the Supreme Court undertook in the *Hampton case* to validate, as it were, the delegation in the flexible-tariff act, it was stretching the argument quite a bit, but there was a standard there, that standard being the difference in the cost of production at home and abroad, but I say let us not accept that as a precedent for going further.

Senator BARKLEY. In regard to the matter of a standard, the courts have held that there is more leeway, to use a common barnyard expression—there is more leeway in delegating authority to someone in dealing with our international relations and our foreign connections than there is in dealing with our purely domestic problems. I believe that is conceded. But so far as the standards are concerned, there may not be any difference. It may be contended that the standard set in this Trade Agreements Act is vague.

Senator O'MAHONEY. I am glad to have the Senator seem to acknowledge that.

Senator BARKLEY. No; I do not acknowledge it. I say it may be contended. It is not any more vague, as the Senator from Missouri suggests, than the flexible-tariff act was. Certainly no vaguer than the first act to regulate commerce in which the Interstate Commerce Commission was enjoined to see that rates were just and reasonable, and without any standard of reasonableness or justice, but just the original requirement, that the rates should be just and reasonable without any maximum or minimum with respect to what the rates should be. And the fixing of rates in our domestic commerce is a legislative act in the sense that it derives its power from an act to regulate commerce. Because Congress could not physically perform these detailed administrative acts, they were justified in setting up an agency for that purpose. Is there any more of a standard set up in the original act fixing the reasonableness and the justness as the standard upon which the Interstate Commerce Commission should fix or approve rates than there is in this act?

Senator O'MAHONEY. Again I say, the Interstate Commerce Commission was regarded and has been regarded right down to this date as a legislative agency.

Senator BARKLEY. I agree with that. I think that the Congress could have set up some other agency besides the President to have carried on the effort to bring about trade agreements, which in my view are a regulation of commerce just as much as the regulation of railroad rates. I think that that power comes from the commerce clause as much as any other power comes from the commerce clause, and is a part of our regulation of commerce with foreign nations. It might have set up another commission to try to bring about these agreements, it might have authorized the Secretary of State to do it as the agent of Congress. In this case it authorized the President to do it, and in doing it, I think he is very largely an agent of Congress just as much as if Congress had set up an independent agency to do this thing itself, and that is where I undertake to draw the distinction between the exercise of a commercial power under the commerce clause of the Constitution and the exercise of a fundamental original treaty-making power as provided in the Constitution. I may not have made myself clear.

Senator O'MAHONEY. Of course, that is the only possible argument that can be made, I may say. I just do not agree with it and I feel

that the importance of the issue is so great that, since this bill as I stated at the outset seems to offend so many different provisions of the Constitution, it is unlike any other which has ever been acted upon by Congress. Before the Senator arrived, I cited five separate provisions of the Constitution which it seems to me are offended by this statute.

Now I am not going to detain the committee any longer; it is getting late. But for the interest which it has, I am just going to refer to the debate which took place in the Senate on July 2, 1897, when the Dingley Tariff Act was under consideration and when this specific power to negotiate reciprocal-trade agreements was under consideration.

An amendment had been brought in which was practically on all fours—that is so far as the power granted—with the provisions of the Reciprocal Trade Agreements Act; in other words, it did not call for ratification by the Senate nor did it call for approval by an act of Congress on the specific rates. Of course, that was all changed later. And when Senator Vest of Missouri entered the chamber that morning, he was under the impression that this particular amendment without the ratification provision was under consideration. As a matter of fact, Senator Allison had offered a substitute which began that “Whenever the President of the United States by or with the advice and consent of the Senate,” and so forth. Senator Vest was not aware that that little phrase had been inserted, and so he said:

Mr. President, I never believed that Congress had the right to delegate the treaty-making power to the Executive. I would advance that opinion with some diffidence but for the very high Republican authority and legal authority that sustains me in that position. I have in my mind a pamphlet copy of a speech by the Honorable William M. Evarts on September 8, 1890, in which I think he proved conclusively—and it has never been successfully controverted—that the Senate of the United States could not abdicate its treaty-making power and give that right exclusively to the President. In the conclusion of this very able address, which is all that I shall read of it, Mr. Evarts said:

which I shall skip.

Senator CLARK. Mr. Evarts was contending against that provision in the McKinley bill when he made that speech, wasn't he?

Senator O'MAHOONEY. Yes; he was contending for ratification by the Senate.

Senator CLARK. Was Mr. Evarts' position in that debate overruled by the Supreme Court in *Clark v. Field*?

Senator O'MAHOONEY. The Supreme Court said there was no invasion in this specific language, again illustrating the fact that these legislative powers are being slowly chipped away, and every step we take along this line is a further step in the surrender of legislative authority.

Senator Vest continued:

Mr. Evarts then goes on to say that he cannot subscribe to this doctrine, that he believes that the treaty-making power rests with the Senate of the United States and the President, and that we cannot delegate to the President exclusively our discretion as to what treaties shall be made with foreign countries.

I shall not undertake to read this debate into the record, of course, but I do recommend it to the Senators because it will illustrate the manner in which the congressional mind was working when it led up to the final conclusion—the final conclusion that ratification by the Senate and approval by Congress must necessarily be invoked.

Senator WALSH. Do you give any weight to the consideration that this act is alleged to be in operation during an emergency, and that the powers given to the President are limited to 3 years?

Senator O'MAHONEY. No; I do not. I do not think that affects the constitutionality at all.

Senator GEORGE. You were diverted a while ago when you were discussing the powers given to the Interstate Commerce Commission as to fixing just and reasonable rates. Were you going to say anything further about that?

Senator O'MAHONEY. I was saying in response to the Senator from Kentucky that that argument is the only one that can be made in defense of this method. I think that it is without substantial basis, that it is not an effective defense, but it is the only defense that is made. The Senator was asking me about section 350 itself, that is to say the Reciprocal Trade Act. Perhaps it would be well to read this here, section 350:

For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce), by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified—

There is the only language which undertakes to set forth a policy or definite a standard—there is no policy and no standard—

is authorized from time to time—

to do what?

(1) To enter into foreign trade agreements with foreign governments or instrumentalities thereof.

Now there is an apparent attempt to convey to the President a power which he does not have. Now what is the logical explanation of that? If the President is dealing with foreign affairs, he needs no authority from Congress. That is an inherent power of the Executive, because as Justice Sutherland pointed out in the *Wright case*, the power to deal with foreign affairs inured to the President as soon as the Government of the United States was established, and the Senator from Georgia has very well pointed that out.

Further:

(2) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods of existing customs or exise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder.

No standard there, certainly.

No proclamation shall be made increasing or decreasing by more than 50 per centum any existing rate of duty or transferring any article between the dutiable and free list.

Senator GERRY. May I interrupt with a question?

Senator O'MAHONEY. Certainly.

Senator GERRY. What would be the Senator's opinion if that 50 percent was 200 percent? Do you think that that would change the delegation of powers? It might well be that or beyond.

Senator O'MAHONEY. Absolutely. If the limitation were 50 percent, it might just as well be 51 or 52, or 55, 75, or 95, or 99. There is no standard there.

Senator CLARK. That same thing was true of the flexible tariff provision, of course.

Senator O'MAHONEY. Not the same; a rule limited by the difference in cost of production at home and abroad. There was the standard that the Congress set, even though the difference in the cost of production at home and abroad is more than 20 percent, changes shall not go beyond 20 percent.

STANDARD AND NO STANDARD

Senator BARKLEY. Does the Senator think it is any easier to find the difference in the cost of production at home and abroad than it is to find as a matter of fact that foreign regulations against the commerce of the United States impose undue burdens upon our commerce?

Senator O'MAHONEY. I think it is much easier; yes. Of course I do. I would not for a moment contend that it was not a difficult task. Certainly it is a difficult task, but there is a rule in one case and no rule in the other. There is something to look for in one case and nothing to look for in the other. There is a matter of fact to be found in one case and merely a matter of judgment and discretion in the other.

Senator BARKLEY. Not at all, because if some foreign country issues an embargo against American commerce, that is a matter of fact and easy to find out. If it puts a prohibitory tariff upon American products, that is a matter of fact and can be easily obtained. They are undoubtedly all within the range of this fact-finding situation, and there are some conditions that would be a matter of opinion probably, but there are certain facts that are easy of ascertainment that might be regarded as being burdensome against the commerce of the United States.

Senator O'MAHONEY. Well, Mr. Chairman and gentlemen of the committee, you have been very indulgent with me, and I shall not take more of your time except to call attention to what I regard as a rather interesting discovery which I made in reading this record.

Senator VANDENBERG. Before you conclude, Senator, I would like to submit this query from a layman's standpoint, which seems to be unanswerable to me.

Senator BARKLEY. By a layman.

Senator VANDENBERG. By a layman. I referred to it earlier in the morning when there were not so very many members of the committee here, and I want to repeat it, and I want to see what the answer is. The Colombian trade agreement reads in article 11 as follows—one sentence—

as long as the present agreement remains in full force—

that is the trade agreement—

it shall supersede any provisions of the treaty of peace, amity, navigation, and commerce between the United States of America and the Republic of New Granada signed at Bogota September 12, 1846.

How can an agreement supersede a treaty unless it has some standing as a treaty in force and effect and dignity?

Senator BARKLEY. Well, offhand, without any previous thought, I would answer that in this way, that the Constitution provides that all laws made pursuant to it and all treaties made pursuant to it shall be the supreme law of the land. They are of equal dignity, and Congress may authorize the consummation of an agreement under its legislative authority that would take at least equal dignity with a treaty previously entered into, and the subsequent agreements might as well abrogate certain portions of a treaty, which is the supreme law of the land, as would any act of Congress which is the supreme law of the land.

Senator VANDENBERG. I don't know whether that is a good answer or not. It sounds well.

Senator BARKLEY. I guarantee you that it is good.

Senator GEORGE. I think, Senator Vandenberg, the question you raised comes back to the fundamental question which Senator O'Mahoney has been discussing, whether or not that Colombian treaty was made under a valid act. The validity of the act is questioned by Senator O'Mahoney. If it is made under a valid act, I think it might abrogate or suspend while it was in force and effect, those particular provisions in the treaty that related to Colombia and the United States if that had to do with matters existing between them. But that does not determine whether or not the act is a valid act, but after all if it is valid, it is an act which under the Constitution, the Congress had the right to pass in the terms and provisions actually included in it, and if this treaty was made pursuant to that act, then I think that answers the question that you can't by law abrogate that kind of a treaty or modify it or change it.

Senator O'MAHONEY. The Senator from Georgia, I think, has stated a proposition upon which all will agree. A law constitutionally enacted may be altered only by a treaty or another law. It may be altered by either, and the one which is latest in point of enactment will be the effective law. That is under the provision of the Constitution which makes treaties and laws the supreme law of the land. But the point here is that the argument is made that these agreements are not treaties. Therefore, that portion of the constitutional provision is eliminated immediately. The tariff rates in the act of 1930 cannot be changed by the trade agreements because according to the advocates of the trade agreements, they are not treaties. Therefore, if these tariff rates are to be altered, they can be altered only by another law.

So the question comes down to the one propounded by the Senator from Georgia, Is the Trade Agreements Act which conveys to the Executive the power to select any commodity and to select any rate, in conformity with the provision of the Constitution that revenue bills must originate in the House? To me the answer is clearly "No."

SECRETARY JAMES G. BLAINE ON RECIPROACITY

I was merely going to call attention to what I thought was a rather interesting fact brought out in the debate by Senator Vest. He pointed out that Secretary James G. Blaine, who was Secretary of State under President Harrison, was the originator of the reciprocal trade agreements theory. Let the Republicans take what

comfort they can out of that fact. He went to Congress and he sought to have the Executive retain the full and complete power to negotiate these trade agreements and fix the rates, and the Ways and Means Committee was a little bit impolite to him, according to Senator Vest. In that same debate from which I read previously, he said:

We all remember the dramatic scene that occurred in the room of the Committee on Appropriations of the Senate, when Mr. Blaine made his unsuccessful trip to the Ways and Means Committee room in the House of Representatives, and on his way back, filled with disappointment and chagrin at the failure of his mission, stopped in the committee room of the Committee on Appropriations of the Senate. Ex-Senator Blackburn, of Kentucky, was in the committee room at the time with the Senator from Iowa (Mr. Allison), I believe, and there was a dramatic account in the papers of the country of what transpired at the time that Mr. Blaine related his unsuccessful attempt to secure reciprocity in the House bill, and as the papers stated and as eyewitnesses have stated in my presence, in his mortification and rage, seized his hat and smashed it on the table, saying the bill would not open a market for an additional barrel of flour or a pound of meat, referring to the bill as it was drawn up in the House of Representatives.

The significant thing to me is that the attempt of an unsuccessful Republican candidate for President to take away from Congress the responsibility and the duty of passing tariff laws is being carried out by a Democratic Congress.

Senator VANDENBERG. Do not smash your hat when you go out.
[Laughter.]

Senator CLARK. Senator, you did not really mean what you said awhile ago, did you, about the probability that the President just set up the items on one of these proclamations, and that it had speedily been enacted by Congress?

Senator O'MAHONEY. Did I go that far?

Senator CLARK. I understood you to.

Senator O'MAHONEY. I did not want to predict that these agreements would be approved by Congress; not at all. I think they would be subjected to scrutiny.

Senator CLARK. How about a two-thirds vote?

Senator O'MAHONEY. That is not provided for under my amendment.

Senator CLARK. You said it was a treaty. You recall that in the Dingley Act, it was freely charged on all sides and never denied, as far as I have ever been able to find out, that in the passage of the Dingley Act, Congress deliberately marked a great many duties 20 percent to afford a bargaining point for their reduction in the reciprocal trade treaties provided for in the act, and President McKinley selected a very distinguished Republican ex-Congressman, a member of the Ways and Means Committee for a number of years, and he negotiated a number of treaties highly favorable as it appears to the United States, but a little clique in the United States, headed by Senator Nelson W. Aldrich, was able to postpone any action until the time for the expiration set in the treaties expired, and President McKinley obtained an extension, and actually went to his death making a plea at Buffalo for the ratification of those treaties, and not one of them was ever ratified. So, don't you agree that to require ratification by the Senate would be simply to put the kiss of death upon the whole reciprocal trade program?

Senator O'MAHONEY. The Senator is asking me two questions. With respect to the first question he has propounded, I would say that if Congress did—and I have no doubt that his memory is correct—if it did raise these rates 20 percent in order that they might be knocked down, then Congress was doing its very best to make reciprocity effective, and I say if Congress did it once it may do it again. I have more faith in the ability and in the integrity and in the willingness of the Members of Congress to work than some people seem to have.

Senator CLARK. The Senator certainly knows that as far as requiring a two-thirds vote of the Senate is concerned—

Senator O'MAHONEY (interposing). That is another matter.

Senator CLARK (continuing). That it is possible for a comparatively small number of Senators to delay action almost indefinitely.

Senator O'MAHONEY. That is true.

Senator CLARK. The Senator and I both have been Members of the Senate for some time and have seen quite a few filibusters.

Senator O'MAHONEY. That is true. And it is because of that that I said what I said before and now present to the committee an amendment which does not deal with ratification.

Senator CLARK. If I believe as the Senator does that they are treaties, I would hold that under the Constitution of the United States they would have to be ratified by the Senate. The Senator says he holds that they are treaties but is willing to settle on something else.

Senator O'MAHONEY. I have said, and I said it just a moment ago in response to the inquiry of the Senator from Michigan and the Senator from Georgia, that there are two ways of modifying the customs rates fixed in a constitutional law. One way is to provide for modification by treaty, and the other way is to modify them by law. I am not concerned which way you take. Recognizing the difficulty in securing a ratification of a treaty, I ask you merely to sustain the dignity and the power and the responsibility of Congress by requiring a legislative act.

Senator CLARK. If the Senator had made that very eloquent speech about chiseling away the powers of Congress, we would have carried the Wheeler amendment.

Senator O'MAHONEY. But the powers of reorganization provided for in that bill, I will say to the Senator from Missouri, were all dealing with the Executive department, and I stood with the Senator from Missouri and with the Senator from Virginia in taking out of the bill those provisions which it seemed to me affected the legislative power of this Government.

Senator CLARK. I will admit we improved it.

Senator O'MAHONEY. Thank you very much, gentlemen.

The CHAIRMAN. Are there any questions?

Senator JOHNSON. I would like to ask one question. I heard your amendment read for the first time today. I do not have a copy of it before me, but I would like to ask the Senator in what way his amendment will affect the 22 existing trade agreements?

Senator O'MAHONEY. It won't affect them at all.

Senator JOHNSON. That is all I want to know.

Senator O'MAHONEY. I will be very glad to have copies of this amendment distributed.

And may I say to the Senator from Colorado that I recommend to his attention the speech of Senator Taylor of Colorado in the record for July 2, 1897.

The CHAIRMAN. I think in this connection, without objection, I would like to put into the record following this testimony some remarks which are very brief, by the Hon. A. Willis Robertson of Virginia on February 21, 1940, on the point that has been discussed by the Senator from Wyoming.

(The same is as follows:)

Mr. ROBERTSON. Mr. Speaker, the following quotation from the case of *Holmes v. Jennison* (14 Pet. 540, at p. 571), in which the opinion was delivered by the famous Justice Taney in 1840, should settle the question that treaties and agreements are different, and the latter are not to be ratified by the Senate:

In the very next clause of the Constitution the States are forbidden to enter into any "agreement" or "compact" with a foreign nation; and as these words could not have been idly or superfluously used by the framers of the Constitution, they cannot be construed to mean the same thing with the word "treaty." * * *

A few extracts from an eminent writer on the laws of nations, showing the matter in which these different words have been used, and the different meanings sometimes attached to them, will, perhaps, contribute to explain the reason for using them all in the Constitution, and will prove that the most comprehensive terms were employed in prohibiting to the States all intercourse with foreign nations. Vattel, page 192, No. 152, says: "A treaty, in Latin foedus, is a compact made with a view to the public welfare, by the superior power, either for perpetuity or for a considerable time." No. 153: "The compacts which have temporary matters for their object are called agreements, conventions, and pactions. They are accomplished by one single act, and not by repeated acts. These compacts are perfected in their execution once for all; treaties receive a successive execution, whose duration equals that of the treaty."

The CHAIRMAN. We will recess until 2 o'clock.

(Whereupon, at 12 noon, a recess was taken until 2 p. m., of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2 p. m., pursuant to adjournment for the noon recess.)

The CHAIRMAN. The committee will come to order.

The first witness this afternoon is Mr. Brock.

STATEMENT OF J. ELMER BROCK, PRESIDENT, AMERICAN NATIONAL LIVESTOCK ASSOCIATION

The CHAIRMAN. Mr. Brock, you are the president of the American National Livestock Association?

Mr. BROCK. Yes, sir.

The CHAIRMAN. I understood that you wanted to make a statement.

Mr. BROCK. I have a very brief statement.

The CHAIRMAN. You may proceed.

Mr. BROCK. My name is J. Elmer Brock. I am president of the American National Livestock Association. I am here pursuant to a resolution passed by unanimous vote at our annual convention held last month in Denver, Colo., opposing the renewal of the Reciprocal Trade Act.

I am accompanied by a committee composed of the following men: F. E. Mollin, Denver, Colo., secretary of the American National Livestock Association; Frank Boice, Sonoita, Ariz., first vice president, American National Livestock Association; A. D. Brownfield, Florida, N. Mex., vice president of the American National Livestock Asso-

ciation and past president of the New Mexico Cattle Growers Association; W. B. Snider, of Paisley, Oreg., president of the Oregon Cattle men's Association; Jack Arnold, Birney, Mont. president of the Montana Cattle Growers Association; William B. Wright, Deeth, Nev., president of the Nevada Cattlemen's Association; Lawrence Fuller, Wyola, Mont., president of Montana-Wyoming Cattle Growers Association; Julian Bivins, Amarillo, Tex., past president of the Pan-Handle Live Stock Association; Jack Nason, Spearfish, S. Dak., vice president of the South Dakota Cattle Growers Association.

This committee has unanimously agreed to the statement which will be presented by F. E. Mollin, who for the purpose of brevity will testify for our entire group.

The CHAIRMAN. Do you change presidents every year?

Mr. BROCK. The policy of the American National Livestock Association is to change every 2 years.

The CHAIRMAN. How long have you been the president of the association?

Mr. BROCK. I was just elected last month.

The CHAIRMAN. How long have you been a member of the association?

Mr. BROCK. For a great many years.

The CHAIRMAN. Were you opposed to the law in 1922, if you remember? That is pretty far back to go, when the Fordney-McCumber law was passed? Were you opposed to the tariff at that time on cattle?

Mr. BROCK. I don't remember that law, but the industry has always favored protection on cattle.

The CHAIRMAN. I was just wondering if at that time it was satisfactory to you, and if you appeared before the committee at that time?

Mr. BROCK. I did not. This is my first appearance on this question.

The CHAIRMAN. Mr. Mollin has been secretary of the organization for quite a while, hasn't he?

Mr. BROCK. About 11 years, I think.

The CHAIRMAN. He would know?

Mr. BROCK. Yes, sir; he would know more than I do.

The CHAIRMAN. Thank you very much. Is that all?

Mr. BROCK. That is all I have.

The CHAIRMAN. Is there anything that any member of the committee wishes to ask?

Senator JOHNSON. I would like to ask Mr. Brock one question, if you don't mind.

The CHAIRMAN. Senator Johnson.

Senator JOHNSON. Yesterday a request was made to Secretary Wallace to furnish this committee with some statistics showing the amount of acreage the importation of cattle replaced in the country. Some statistics were offered showing that the cattle shipped in here replaced about, as I recall it, something like 500,000 acres. From the statistics I have been able to get, the importation of cattle in all forms, the dressed beef, canned and live, amounts to approximately 1,000,000 head a year. I believe that is pretty close to an average.

Mr. BROCK. That depends on what class of animal you would convert your canned beef into. It would be something over 1,000,000, I think, with the ordinary canning.

Senator JOHNSON. Well, taking 1,000,000 as an average, how much hay would a million head of cattle require and how much grazing land?

Mr. BROCK. Our State is the only one that I can give you an answer on. The amount of land that it requires to carry a cow unit for the 12 months' period in Wyoming ranges from 40 to 90 acres. The State average is compiled by the University of Wyoming in a study of a half a million head of cattle or something like that, and it was an average of 60 acres to carry each cow unit a year.

Senator JOHNSON. Would you say that my estimate of 1 acre of hay land and 30 acres of open range would be about right?

Mr. BROCK. That would be correct for my State.

Senator JOHNSON. Then that would require about 1,000,000 acres of hay land and 30,000,000 acres of open range if a million head came in—replacing that amount?

Mr. BROCK. If the range is comparable everywhere to what it is in my own State, that is correct.

The CHAIRMAN. Thank you very much. I desire to place in the record at this point a statement submitted by Mr. Julian Bivins, of Amarillo, Tex.

My name is Julian Bivins. I am a member of the legislative committee of the American National Livestock Association and a member of the Texas Southwestern Cattle Raisers Association.

Pursuant to a telegram I am directed to present their resolution which was passed at our last meeting in Fort Worth pertaining to foreign trade agreements, which reads as follows:

"There is now pending before the national legislature House Resolution 7589 to require ratification by the Senate of foreign trade agreements. In view of the very grave effect trade agreements with foreign nations might have upon the livestock industry, this association heartily endorses this bill and urges upon the Congress its immediate passage. It is further the sense of this association that any trade agreement affecting agriculture should be ratified by the Senate."

Our position will be more amply expressed in the appearance of F. E. Mollin, who will testify in detail.

JULIAN BIVINS.

STATEMENT OF F. E. MOLLIN, SECRETARY, AMERICAN NATIONAL LIVESTOCK ASSOCIATION, DENVER, COLO.

The CHAIRMAN. Your name is F. E. Mollin?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. And you are secretary of the American National Livestock Association?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. You are from Denver, Colo.?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. You are not a stranger to the committee?

Mr. MOLLIN. No; I have been here before.

The CHAIRMAN. I do not want to unreasonably limit you. We have your testimony; you appeared before the House Ways and Means Committee, and we have that.

Mr. MOLLIN. It has been revised considerably, Senator, and I do not think it would take too long. I think it would take about 40 minutes or so.

The CHAIRMAN. All right.

Mr. MOLLIN. I am secretary of, and represent, the American National Livestock Association, with headquarters in Denver, Colo.

I have been secretary of that organization for the past 11 years. This association is a strictly producer organization, and we represent largely the western range cattle producers of this country, although, with the extension of feeding operations into our territory, we also include a good many cattle feeders in our membership. Likewise, there are many purebred breeders affiliated with us. Our membership is located principally in the States west of the Missouri River and in the State of Louisiana, with a scattering membership in a few of the States east of the Missouri River. We have affiliated with us more than 100 State, regional, and local livestock associations which comprise our main membership, but in addition we have an individual membership of between 1,500 and 2,000.

After I had testified before the House Ways and Means Committee, Congressman Phil Ferguson, of Oklahoma, appeared and stated to the committee that the opinions expressed by me were not representative of the cattlemen in the West. Consequently, I have communicated directly with the officials of the 17 State associations affiliated with us and with the Kansas Live Stock Association, which has not recently been a member, and I have direct authorization from 17 of these organizations to represent them in this appearance before your committee. I have those authorizations. I will not insert them in the record unless you would care to have them, but we have specific authority to represent each one of those States. The eighteenth State is represented directly with us here today, a member of the group referred to by Mr. Brock. As a matter of fact, practically all of these officials who authorized me to represent them were present at our forty-third annual convention at Denver, January 11 to 13, 1940, at which the following resolution was unanimously adopted:

RECIPROCAL TRADE ACT

Whereas a large majority of our people, and particularly of our agriculturists, is unalterably opposed to reciprocal trade agreements: Therefore be it

Resolved (a) That we are definitely opposed to an extension of the Reciprocal Trade Agreements Act; and (b) that, if said act is extended, it be only on the condition that all new agreements be ratified by the Senate in the manner provided by the Constitution.

Under the procedure followed in our meetings any single individual of the hundreds in the large convention hall could have requested that this resolution be laid aside for debate, but not a single voice was raised, and, as stated above, it was unanimously adopted.

The CHAIRMAN. Before we get away from this reference to Congressman Ferguson's speech—he is a large livestock man, isn't he?

Mr. MOLLIN. He is.

The CHAIRMAN. Well known as such?

Mr. MOLLIN. In Oklahoma. He has never been a member of our association, and to my knowledge never attended a national association convention.

Senator CLARK. He has been engaged in the livestock business in a very large way, hasn't he?

Mr. MOLLIN. I said he was well known in Oklahoma. I asked Mr. Bivins, from Amarillo, Tex., about him and he did not know Mr. Ferguson. I just said that he is not well known throughout the West, because he has not been active in the affairs of the national cattlemen's organization.

We have not claimed that the reciprocal trade program so far has caused serious damage to our industry, except in 1936. As a matter of fact, we have had a very abnormal condition during the past 6 years, as I will explain. We have, however, had a sufficient indication of the workings of the reciprocal trade program as applied to our industry to know that we do not like it and that we would much prefer either a return to the constitutional method of writing a tariff bill, or, if the Reciprocal Trade Act be extended, that any agreements made thereunder, or any extensions of existing agreements, must be subjected to Senate ratification before becoming effective. Under the present program there is no stability of operation. If the act is extended, we cannot possibly know today what the tariff on cattle, dressed beef, hides, or other byproducts will be 6 months from now or a year from now. The cattle-production cycle is a long one and operations must be planned at least 2 or 3 years in advance. Under the present program we had first a cut of 1 cent a pound in the tariff on cattle weighing more than 700 pounds in the original Canadian agreement. This was followed by increased quotas and a further cut of one-half cent in the tariff on this same class in the second Canadian agreement. Consequently the tariff on this class is now one-half cent below the rate in effect prior to June 1930. The tariff on calves was also reduced.

The CHAIRMAN. How does it compare to the Fordney-McCumber tariff law?

Mr. MOLLIN. On heavy cattle?

The CHAIRMAN. Yes.

Mr. MOLLIN. As I said, it is one-half cent below.

The CHAIRMAN. How does the tariff rate that is in this Canadian agreement on the larger-sized cattle compare to the rate carried in the Fordney-McCumber law?

Mr. MOLLIN. It is a half a cent less. The rate in the Fordney-McCumber bill was 2 cents on cattle weighing more than 1,050 pounds. The division made in the Smoot-Hawley rate was lowered to 700 pounds, but on the heavy division today under the second Canadian agreement the rate is 1½ cents a pound, and it was 2 cents prior to 1930.

The CHAIRMAN. And aren't there some other advantages they offered in the second Canadian agreement with reference to quotas and with reference to seasonal importations?

Mr. MOLLIN. In the second agreement they increased the quota. They established a quarterly quota of not more than 60,000 head. We requested a quarterly quota. We had requested some such control be imposed to prevent piling up of receipts.

Then the negotiations with Argentina and Uruguay, recently abandoned—for how long we do not know—proposed tariff cuts on canned beef, hides, and many other important byproducts of our industry.

I referred to the abnormal condition which has existed during the past 6 years. That condition is based almost entirely upon the Government pig-killing program of 1933 and the Government drought-cattle-purchase program of 1934, when more than 8,000,000 cattle and calves were slaughtered. This drought slaughter program liquidated in 1 year what it would have taken at least 2 or 3 years of ordinary marketing to have done. Total hog slaughter dropped from 73,000,000 plus in 1933 to as low as 46,000,000 in 1935, and it was not until last year that hog production got back in full stride. While the decrease

in cattle slaughter has not been so pronounced, nevertheless it has declined substantially each year since 1936. As a result, with both cattle and hogs in moderate supply at our markets, until the sharp increase in hog supply last year, it has been possible to maintain relatively high cattle prices, despite substantial imports of cattle and canned beef.

The proponents of the trade-agreements program cite the fact that cattle prices today are substantially higher than they were in 1934, when the act was passed, ignoring the fact that the farm price of beef cattle was \$3.77 per hundredweight in 1934—

Senator CLARK (interposing). That was under the Hawley-Smoot Act?

Mr. MOLLIN. Yes, sir.

Senator CLARK. Thank you.

Mr. MOLLIN (continuing). Even lower than it was in 1932, and only 25 cents per hundredweight higher than the \$3.63 farm price per hundredweight in 1933, the low spot of the depression, and much lower than at any previous time since the war. But not a shread of testimony has been offered that in any way connects this advance in prices with this program. Instead, to any market observer, it is entirely clear that the slaughter situation to which I have referred is almost wholly responsible. Before leaving this subject, I would like to state that the purchase of these drought cattle, in providing funds for which Senator Connally took a most active part, has thus proved itself to have been most beneficial to the industry and, to my mind, clearly justifies the substantial appropriation made for that purpose. Incidentally, this appropriation of more than \$100,000,000 was not a dead weight to the Government because in the operation some 800,000,000 pounds of canned beef was acquired for distribution to the needy at prices far below a normal price and far below what it would have cost even a year later. The farm price of beef cattle in 1934 was \$3.88; in 1935, \$6.21.

And much of this beef was distributed, of course, during 1935 and 1936.

The first direct application of the reciprocal trade program to the cattle industry came with the making of the first Canadian agreement, effective January 1, 1936, and the effect of same was immediately felt in the markets in this country.

I may say that before that agreement was made the Bureau of Agricultural Economics issued a statement, in the fall of 1935, in which they warned that there would be a large supply of fed cattle available for market the next spring. That situation developed just as they foretold, but the warning was not heeded in the making of the trade agreement.

Following the drought of 1934, a good corn crop was produced in 1935, and in the spring of 1936 there was available for market in this country a large supply of domestically fed cattle. The Canadians, with the benefit of the tariff reduction, began to run in volume about the 20th of March, and from that time until the first week in June there were large receipts at St. Paul of these cattle, with lesser numbers at other markets. Frequently these receipts ran from 50 to 125 cars per day, with arrivals in this volume generally limited to about 2 days per week. In almost every instance during that period of some 10 or 12 weeks, whenever 50 cars or more of these cattle appeared at St. Paul, the market was very sticky. Frequently only part of the

receipts would be sold on the day of arrival and the remainder held over to depress the market for a second day. Anyone who is familiar with the central market system of this country knows that when there is an oversupply of livestock on any one market, on any particular day, that situation is flashed around to all the other markets for the purpose of influencing the trading at all points.

I should like permission to insert in the record at this point a 5-page study of the St. Paul market, beginning with Monday, April 6, and ending with Monday, June 15, 1936, all taken from official Government market reports showing the result of the heavy importations of Canadian cattle that spring. They are taken from the official daily market reports.

The CHAIRMAN. Why do you take it just that 1 year?

Mr. MOLIN. Because that is the year that we can show the concrete proof that we were damaged by this trade-agreements program. It has been repeatedly stated that the cattle industry was not damaged. It was damaged in 1936. I will go on and develop the situation in later years. What happened in 1936 can happen again.

The CHAIRMAN. These market reports may be inserted in the record.

(The same is as follows:)

EFFECT OF CANADIAN IMPORTATIONS ON DOMESTIC CATTLE MARKETS

ST. PAUL, Monday, April 6, 1936.

Cattle receipts, South St. Paul.....	5, 600
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City).....	44, 600
Actual cattle receipts (7 markets) week ago.....	55, 556
Actual cattle receipts (7 markets) year ago.....	42, 631

St. Paul.—Receipts Canadian cattle, about 80 cars, some of these being hold-overs from late last week. Trade at a standstill during much of the forenoon, despite decrease in supplies around the midwestern market circle. Clearance still incomplete at most points around the noon hour, as salesmen felt additional declines lacked justification.

Chicago.—Moderate receipts of cattle more than offset the depressing influence of religious holidays. At the finish, some weakness had crept into the trade, and sales of medium and lower grade steers indicated that most of the early strength had disappeared.

ST. PAUL, Monday, April 13, 1936.

Cattle receipts, South St. Paul.....	3, 500
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City).....	46, 500
Actual cattle receipts (7 markets) week ago.....	46, 169
Actual cattle receipts (7 markets) year ago.....	46, 937

St. Paul.—Canadian receipts, some 55 cars, part of these hold-overs from Saturday. Market mostly steady on medium grade fed steers; 10 to 15 cents lower on better grades. Many loads still in first hands as afternoon opened.

Chicago.—Market ruled 15 to 25 cents lower on kinds of value to sell at \$8.50 upward. Comparative scarcity led the handful of lower grades to sell not only steady but rather actively at \$8 downward.

ST. PAUL, Wednesday, April 15, 1936.

Cattle receipts, South St. Paul.....	4, 300
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City).....	28, 100
Actual cattle receipts (7 markets) week ago.....	23, 044
Actual cattle receipts (7 markets) year ago.....	25, 045

St. Paul.—Canadian receipts, around 60 cars. Slaughter steers and fed yearlings comprised the greatest share of the day's run. Most sales 15 to 25 cents lower, but some bids showed greater downturns, and numerous carloads were still unsold around 1:30 P. M.

ST. PAUL, Monday, April 20, 1936.

Cattle receipts, South St. Paul	6,900
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	63,600
Actual cattle receipts (7 markets) week ago	48,837
Actual cattle receipts (7 markets) year ago	50,615

St. Paul.—Canadians, about 125 cars on hand, part of these being hold-overs. The only question about lower prices was apparently a matter of degree or extent: most buyers favoring a flat 50-cent reduction for slaughter steers, while salesmen felt that around 25 cents was more nearly justified, and trading was very slow to be established, with the greater share of steers and yearlings still unsold about noon. Limited selling was at 25 to 50 cents lower levels.

ST. PAUL, Thursday, April 23, 1936.

Cattle receipts, South St. Paul	4,600
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	23,000
Actual cattle receipts (7 markets) week ago	21,935
Actual cattle receipts (7 markets) year ago	18,704

St. Paul.—Receipts Canadians approximated 60 loads, largely steers of medium and lower grades. Trade was draggy on the general run of slaughter steers, barely steady mostly, although strictly corn-fed native steers, yearlings, worked out firm, partly due to scarcity.

Chicago.—Canada had cattle here, mainly through St. Paul. The small run of Canadians here sold at \$7.25 to \$8.35, but other markets, notably St. Paul, saw a liberal run of "Canuoks," there being approximately 125 loads at that market on Monday, as well as 1,300 head at Buffalo. Thus the crop of Canadian cattle was an item in beef-tonnage figures, even if a moderate supply is being moved direct to Corn Belt feed lots.

ST. PAUL, Monday, April 27, 1936.

Cattle receipts, South St. Paul	6,200
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	47,800
Actual cattle receipts (7 markets) week ago	64,236
Actual cattle receipts (7 markets) year ago	41,390

St. Paul.—Canadians, about 110 loads, mostly steers, with some she stock. Slaughter steer and yearlings trade was slow, but most sales worked out about steady. Undertone weak on the part of big killers, especially for the bulk of medium-grade Canadian steers.

Chicago.—Most of the crop were medium to good steers, of value to sell at \$9.25 down late last week—this is what the cattle brought today on a steady to strong, but very slow, market.

CHICAGO, Thursday, April 30, 1936.

Not only natives but Canadians are running rather freely, most of the latter cattle stopping at St. Paul and Buffalo.

ST. PAUL, Monday, May 4, 1936.

Cattle receipts, South St. Paul	5,600
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	50,100
Actual cattle receipts (7 markets) week ago	45,826
Actual cattle receipts (7 markets) year ago	43,868

St. Paul.—Canadians, about 90 cars. Most native cattle opened fully steady. Several loads of Canadian steers and a few heifers from the north also moved before noon on a mostly steady basis, but trading was inclined to be slow, with occasional transactions and frequent bids weak to 15 cents or more lower, particularly on weightier and less attractive beef steers.

CHICAGO, Wednesday, May 6, 1936.

As partly explaining the recent beef pile-up, the trade is pointing to recent liberal runs of Canadian cattle at Buffalo and St. Paul. A good many Canadian steers at Buffalo had to be carried over on last Monday's market when other trade centers were congested. Fat cattle were also moving freely out of the Lancaster, Pa., district, part of these being originally Canadians, according to unofficial reports.

St. Paul, Thursday, May 7, 1936.

Cattle receipts, South St. Paul.....	4, 500
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City).....	23, 900
Actual cattle receipts (7 markets) week ago.....	21, 293
Actual cattle receipts (7 markets) year ago.....	14, 995

St. Paul.—Receipts, Canadians, 75 cars, mostly steers. A few better-finished yearling steers and heifers sold early at near steady rates. Otherwise the market was hardly established on the majority of slaughter steers and butcher the stock before the noon hour. Scattered sales appeared around 25 cents lower, with bids mostly that much or more off and the bulk of the supply still in first hands around 12:30 p. m. and numerous loads of steers still without bids.

Chicago.—The fed and yearling trade more nearly approached a state of complete collapse than at any time within recent weeks. While steers were more affected than other classes there was a pronounced break all through the list. Canadian steers ran freely at St. Paul and Buffalo, but only 5 or 6 loads showed up locally to sell at \$7.25 to \$7.40.

St. Paul, Monday, May 11, 1936.

Cattle receipts, South St. Paul.....	4, 300
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City).....	35, 400
Actual cattle receipts (7 markets) week ago.....	52, 615
Actual cattle receipts (7 markets) year ago.....	38, 981

St. Paul.—Canadians, about 60 cars, some of these being holdovers. Buyers were practically without interest in fresh purchases except at material, and in some sharp reductions, while salesmen had anticipated recovering part of last week's sharp losses due to lighter receipts. Bids were frequently as much as 50 cents off on the rank and file of steers and yearlings and the majority still in first hands when the afternoon began.

St. Paul, Monday, May 25, 1936.

Cattle receipts South St. Paul.....	4, 700
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City).....	43, 300
Actual cattle receipts (7 markets) week ago.....	34, 945
Actual cattle receipts (7 markets) year ago.....	45, 181

St. Paul.—Canadians, about 60 loads, mostly steers of medium quality and finish. Weightier steers, particularly lower quality and finish. Weightier steers, particularly lower quality offerings, were harder to move and many were still unsold around the noon hour. Canadians included, resisting weak to lower bids.

St. Paul, Monday, June 1, 1936.

Cattle receipts South St. Paul.....	6, 500
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City).....	47, 400
Actual cattle receipts (7 markets) week ago.....	43, 759
Actual cattle receipts (7 markets) year ago.....	43, 639

St. Paul.—Canadians, 78 loads. With supplies running largely to slaughter steers, that part of the trade was very draggy. Limited sales occurred around 25 cents lower, with finished yearlings or steers about 900 pounds down showing less decline, while long yearlings and weightier beeves received bids up to about 40 cents off, and the majority of all offerings still unsold around 1 p. m.

St. Paul, Monday, June 15, 1936.

Cattle receipts, South St. Paul.....	5, 800
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City).....	45, 700
Actual cattle receipts (7 markets) week ago.....	44, 393
Actual cattle receipts (7 markets) year ago.....	36, 160

St. Paul.—Canadians, 75 cars, largely weightier steers. Weights around 1,000 pounds down developed about steady prices, while heavier kinds remained draggy and weak, with bids frequently lower and many still in first hands when the afternoon began.

Senator VANDENBERG. You are saying, as I understand it, that the Canadian imports even for a single day would have an adverse price effect all down through the cattle country?

Mr. MOLLIN. All through the central market system. There is not anything that happens at any one of those markets that is not known almost immediately at every other central market. The big packers buy at each of those points, and anything of a bearish character is immediately wired to all of their buyers. The receipts are known. In St. Paul, as you will note here, the Government reports separately the Canadian receipts. That information is available all around. If you have one market tremendously oversupplied, even although all the other markets may be undersupplied, the industry suffers. They will buy them cheaper at that one market and use that as a bearish influence everywhere else.

Senator VANDENBERG. Are you saying that what might be a very small import in comparison to the total production could have an adverse price effect?

Mr. MOLLIN. Absolutely. If the market at which that import was received was already adequately supplied without that import. If you have got a surplus, it don't make very much difference just how big that surplus is, it depresses the market, and I will go into that situation a little later to explain just how that does work.

Senator VANDENBERG. I asked Secretary Wallace the other day if a 5 percent import, I mean if we are importing simply only 5 percent of a commodity and producing 95 percent ourselves, whether that 5 percent import could break the price of the 95 percent, and he insisted it could only have, as he said, a 5 percent effect. You disagree with that?

Mr. MOLLIN. I absolutely disagree with that, and I was in the cattle business myself for 22 years. I have been on the Omaha and Chicago markets many, many times, and we used to ship cattle from eastern Nebraska to Chicago, and if you get in there when they are expecting 30,000 cattle and they get 32,000 or 33,000, they just simply take it off in big chunks.

Senator CLARK. The same thing would be true of an overshipment of domestic cattle on that particular day, wouldn't it?

Mr. MOLLIN. Certainly.

Senator CLARK. From your answer to Senator Vandenberg's question, it would seem to follow that you are opposed to the importation of any cattle into the United States.

Mr. MOLLIN. No; we have been able to absorb these imports the last few years—I will develop that—and still maintain relatively good prices. All we ask is a reasonable tariff that will protect us when we need it, but what has been happening under this trade-agreements program is that they are knocking our tariff off now at a time when we are not being seriously damaged and we are approaching a time in the cattle industry when we are going to have very sharply increased domestic supplies, and then we have not got a proper tariff, and that is when we are going to need it.

Senator CLARK. Cattle and veal calves are the only agricultural products in the United States that were at or above parity in all of the past year, weren't they?

Mr. MOLLIN. They are about the only products. I think cigar tobacco is; and barley.

Senator CLARK. I was speaking of all of the last year. You were asked the same question in the House hearings, and I thought that you had investigated it since that time.

Mr. MOLLIN. You might add to that that cattle is perhaps the only industry that has had, perhaps, less done for it than any of these other things that are below parity.

The CHAIRMAN. How do you answer this statement that cattle is the one agricultural product that has maintained parity?

Mr. MOLLIN. Well, Senator, we have not had parity very long. It is only last year, in 1939. I do not think the record will show that in 1938 there was a single month when the farm price of cattle was at parity.

The CHAIRMAN. You admit that it is not?

Mr. MOLLIN. It was throughout most of the year 1939, that is true; but, Senator, we went on for years and years with our price far below parity. Now we are at the stage of our cycle when our marketing has been very light, and we must get a little of this money back that we lost in these bad years, because if we do not, we cannot stay in business. We don't want this tariff taken away from us because at present we are at parity price; we want a chance to pay off some of these debts that have been accumulated. We have had one pretty good year.

The CHAIRMAN. You do not approve, then, the second Canadian-agreement estimate with reference to cattle?

Mr. MOLLIN. We do not approve of reducing the tariff; no, sir.

The CHAIRMAN. Is that the main fault you have with that Canadian agreement?

Mr. MOLLIN. We do not attempt to examine the record on all of the other things. We don't know enough about the other things.

The CHAIRMAN. I mean with reference to cattle.

Mr. MOLLIN. They increased the quota in the second Canadian agreement. I do not think there was any very good reason for that. As a matter of fact, Canada did not fill the quota in 1938.

Senator CLARK. The price of cattle went up, didn't it, in spite of the fact that we had the largest importations of cattle on record, still the price of cattle went up?

Mr. MOLLIN. Because our own slaughter was very light, and as long as we have this very light slaughter, we can absorb these imports, but the minute that we get back to anything like normal slaughtering—and we are getting back there. Our cattle population increased by about 2,000,000 head last year, and when we get back to the point that they quit holding back these cows and heifers as they have been now for 4 or 5 years, and we begin to increase the cow and heifer slaughter, and that is just perhaps a year or so away, then we are going to have a very sharp increased slaughter in this country, and we cannot maintain anywhere near present prices, just a little above parity, and absorb anything like the present imports.

The CHAIRMAN. You have no desire to raise the former rates on the importation of cattle both large and small?

Mr. MOLLIN. We were satisfied with the rates contained in the Smoot-Hawley tariff bill on cattle. We were not satisfied with the rate on canned beef, because it was out of all proportion, both on cattle and dressed beef.

The CHAIRMAN. Do we produce any canned beef in this country?

Mr. MOLLIN. No, the tariff will not permit it.

Senator CLARK. As I understand your position on canned beef, it is that the Smoot-Hawley rates are not high enough?

Mr. MOLLIN. That is right. There is no commercial canned beef manufactured in this country today under that 6-cent rate.

The CHAIRMAN. You are an authority on this, Mr. Mollin?

Mr. MOLLIN. I don't claim to be an expert.

The CHAIRMAN. A lot of people think you are an expert on it. You have evidently done a good job in making a lot of people believe it. In 1932, here is the farmer's income on cattle, and it has increased steadily since the trade agreements have been in effect, has it not?

Mr. MOLLIN. I think so; yes.

The CHAIRMAN. You agree to that?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. Are these figures substantially correct? 1934, \$815,398,000; 1935, \$1,061,830,000; 1936, \$1,097,757,000; 1937, \$1,214,699,000; 1938, \$1,114,344,000; 1939, \$1,150,000,000, estimated. Don't you think that is a pretty good income to the farmers on that?

Mr. MOLLIN. Yes. We have got up to parity price. That is all right as far as that comparison goes.

The CHAIRMAN. You have gotten up to it since we inaugurated the reciprocal trade agreements.

Mr. MOLLIN. Yes; but not because of the agreements.

The CHAIRMAN. And maintained it since?

Mr. MOLLIN. Yes; but we do not see any particular connection between the trade-agreements program and the rise in cattle prices. Of course, you are starting with 1933, which is the low price for many, many years; in other words, they picked an awfully good time to start.

Senator CLARK. That was under the Smoot-Hawley Tariff Act, wasn't it?

Mr. MOLLIN. Yes.

Senator JOHNSON. When was the first reciprocal trade agreement entered into which did affect cattle?

Mr. MOLLIN. 1936.

Senator JOHNSON. Then why go back to 1933, 1934, and 1935 when there were no agreements affecting cattle?

Senator CLARK. Because we were under the Smoot-Hawley bill at that time, and to get the comparison between the Smoot-Hawley bill and the reciprocal trade agreements.

Mr. MOLLIN. We do not claim that a tariff guarantees prosperity for the industry, but we would like to have a tariff so that when the turn comes in the cycle, when we need it, it will be there. We know it does not guarantee prosperity.

The CHAIRMAN. Your statement to me is interesting because I think that the livestock industry has the least cause for complaint under this program of any other industry, because you are the one of the agricultural prices to reach parity, and there has been none other.

Mr. MOLLIN. Of course, we have not got a surplus, Senator. We have the best market in the world, and we are not producing surplus, and I believe if we were producing a surplus like the hog man and the corn man and the wheat man and the cotton man we would probably be down with the rest of them, but just because we do not have a surplus, because we have finally after a long period of lean years pulled ourselves out, we don't believe that is any substantial reason why the tariff should be taken away from us, because we know this condition is not a permanent one and that we are not going to be on

the top of the heap all the time. We just got there a year ago and we would like to stay there a little while.

The CHAIRMAN. This flow of imports into this country seasonally, that is one thing your organization complained about to this inter-departmental committee, is it not?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. And they complied with your request and changed it until not more than 60,000 head, I believe, could be brought in per quarter, is that right?

Mr. MOLLIN. That is right. But that is being evaded under the warehousing-in-bond provision. I also will touch on that a little later. They bring them in and don't pay the duty until the next quarter.

The CHAIRMAN. Was it not true that this last year there were more than 400,000 cattle came in between the 200-pound and the 700-pound, paying the regular Smoot-Hawley tariff rate, which was quite high?

Mr. MOLLIN. We think that that is pretty good evidence that that tariff is not too high.

Senator CLARK. Mr. Mollin, you are speaking of this warehousing in bond. That is an administrative provision of the Smoot-Hawley Act itself that you complain of, isn't it?

Mr. MOLLIN. We are not complaining of the provision, but we do not think it was ever intended to apply to cattle.

Senator CLARK. You complain of the construction put upon the Smoot-Hawley bill by the proper administrative officials?

Mr. MOLLIN. That is right.

Senator CLARK. It has nothing to do with the trade agreements?

Mr. MOLLIN. Except that they do get around its 60,000 head quarterly quota through that medium.

The CHAIRMAN. What would be the ad valorem rate on the larger cattle?

Mr. MOLLIN. You mean at 1½ cents a pound?

The CHAIRMAN. Well, say the 2 cents a pound.

Mr. MOLLIN. The larger cattle are only 1½. If they weigh 800 pounds—that would be \$12 a head on an 800-pound steer, and if that steer were worth 7½ cents a pound, that would be \$60. That would be 20 percent.

The CHAIRMAN. I had understood that the ad valorem rate now was much higher than 20 percent.

Mr. MOLLIN. I do not think it would figure that. I think on this type of cattle---

The CHAIRMAN (interposing). May I ask one of the experts of the Commission if they have any figures on that?

Mr. MOLLIN. Of course, there may be a few very good cattle come in from Canada which would figure higher than that, but on the average, I would not think it would figure very much higher than that.

The CHAIRMAN. Well, I won't hold you up to get those figures. Go ahead.

Mr. MOLLIN. I have totalled the receipts of cattle at the St. Paul market starting on March 28, 1936, and continuing through June 15 showing 233,342 head of cattle received, of which 42,575 or 18.27 percent were Canadians. There is the way the thing hurts the market. At that time we had 18 percent Canadian and not the 5 percent that Senator Vandenberg referred to awhile ago.

Assuming that these cattle would average in the neighborhood of 800 pounds and that the market decline, due to Canadian receipts,

was only 25 cents per 100, that would indicate a loss to the shippers of that market of right close to half a million dollars during that few weeks. As a matter of fact, the constant pyramiding of losses indicated in the study to which I have just referred would indicate that the actual loss would far exceed this amount. When you consider the effect that this situation at St. Paul and a similar situation at Buffalo and the Pacific Northwest had upon other markets of the country, it is no exaggeration to say that the loss occasioned in the spring of 1936 ran into many millions of dollars.

The above is offered in answer to those who say that the reciprocal-trade program to date has not hurt the cattle industry. There is not any doubt that it cost domestic cattle feeders these large sums of money. As evidence that such losses are promptly reflected back to the range cattle producers of our territory, I should like to call your attention to the fact that Good to Choice feeder steers, according to official Government reports, were selling in Chicago October 2, 1935, at a range of \$7 to \$8.75, while a year later—on October 1, 1936—the same class was reported as selling in a range of \$5.75 to \$7.75. Common to Medium cattle, according to the same report, were quoted October 2, 1935, at a range of \$5.25 to \$7.25, and on October 1, 1936, at a range of \$4.50 to \$6.

During the same period at Buffalo there were many weeks when the number of Canadians offered on the market exceeded the number of domestic cattle. For instance, the week of March 28, there were 1,948 cattle on that market, of which 1,756 were Canadians.

From the Pacific Northwest numerous complaints reached our office in that same period indicating drastic market declines suffered because of Canadian importations. In that territory, at times, the packers buy a good many cattle direct, and complaint was made that they would send up into Canada to purchase cattle, advertising their arrival for the purpose of attempting to break the market on the domestic supply.

By way of further confirmation of the damage done in the spring of 1936, I have a booklet entitled "Agricultural Outlook Charts," published by the United States Department of Agriculture in October 1937, showing that the price of beef steers, Choice and Prime, at Chicago declined sharply beginning about February 1, 1936, whereas, the normal trend in the spring of the year, in both 1935 and 1937, was upward. On Medium beef steers the decline in 1936 was not so sharp, but the normal upward trend was reversed. The chart on Good and Choice cows shows a sharp upward trend in 1935 and 1937, and a barely steady market in 1936 during the same period. Medium steers of the Canadian type compete with cows of this class, but any surplus in any class, through the medium of substitution, affects the price of all.

The total cattle slaughter in 1936 was 16,003,000 head compared with 14,776,000 the previous year. The market registered the difference.

I have discussed in detail the situation in the spring of 1936. It is true that since that time cattle prices have been fairly satisfactory. In 1937 our own supply of fed cattle was very light, due to the 1936 drought. In 1938 Canada did not fill the quota because England was preparing for war, and our own slaughter continued to decline. In 1939, with a still further decrease in domestic slaughter, we were able to absorb increased importations without serious price break.

The situation that confronts us today is a most uncertain one. Perhaps the war situation will temporarily prevent the dumping into this market of larger foreign supplies, but any advantage thus gained would be thrice offset by the uncertainty of conditions which would prevail following a sudden termination of war. As Senator Thomas of Idaho stated, with reference to the reciprocal trade agreement program, upon his recent arrival in Washington:

It is not so much what it has already done as what it is proposed it shall do if extended, particularly in Latin America, which is a source of deep concern to me.

It is likewise a source of deep concern to every cattle producer in this country.

In thus surveying the situation from 1936 to date it is indicated that unusual conditions have obtained ever since the making of the first Canadian agreement. During that period our market has been sufficiently attractive that tariff reductions were not necessary to attract imports. But that does not prove the worth of the trade-agreements program, nor alter the fact that we shall need the protection of the rates prescribed in 1930 all the more as conditions return to normal and our domestic slaughter increases. Tariff cuts, made under conditions such as have obtained during the last 2 or 3 years, will then, and only then, register their full damage to the industry.

One thing which cannot be overemphasized is the fact that it is not the total supply on the market which determines the price, it is the supply in relation to the demand; and any surplus, however small, above the normal demand means that prices will be lower, the extent of the decline depending largely on the extent of the surplus. This price decline applies to everything in the market, not just to the surplus. Oftentimes, due to such situations, we find market declines out of all proportion to the actual numbers or the amount of surplus involved. I cite this fact because we are repeatedly told that the importations of cattle and cattle products are small in relation to our total supply in this country, the inference being that consequently they can cause little if any damage.

In the February 10, 1940, issue of *Foreign Crops and Markets*, on page 161, is shown a table of "Imports of cattle and beef and domestic slaughter of cattle and calves. All on dressed-weight basis." This table shows that the imports of cattle for the year 1939 were the equivalent of 220,818,000 pounds of dressed beef—90,000,000 pounds more than for the year 1938; that the imports of canned beef were the equivalent of 214,670,000 pounds of dressed beef; in other words, that we imported in the can almost as much beef as the 753,570 cattle which came in on the hoof and that the total imports of beef on a dressed-weight basis of 440,092,000 pounds were equivalent to 8.2 percent of the federally inspected slaughter for the year 1939. In 1932 these imports on this basis were only 1.9 percent of the federally inspected slaughter and in 1934, 2.3 percent.

We do not claim that these imports are all due to the reciprocal-trade program. Part of them are and part of them are not. The effect on the market is the same. Suffice it to say that the competition in the domestic market is already heavy. A substantial portion of this amount has come from Mexico, which country benefits from the trade agreements made with Canada, but gives nothing in return.

While I am referring to Mexico I should like to call your attention to the fact that for the year 1939 our imports from Mexico of cattle

weighing between 200 and 700 pounds were 390,074 head compared with 233,752 a year ago.

Senator CLARK. They were not affected by the trade agreements then, were they?

Mr. MOLLIN. No.

Senator CLARK. That was because of the better food conditions in the United States, wasn't it, so that it was profitable for the American farmers to import some of this cattle and feed them up here?

Mr. MOLLIN. A better market in the United States.

Senator CLARK. There are very few cattle between 200 and 700 pounds that you can put on the market except for feeding purposes, are there?

Mr. MOLLIN. I am speaking of the general market.

Senator CLARK. As a matter of fact, the American farmers, owing to the favorable feed conditions, can import a great many of these 200- to 700-pound cattle, and they pay the full duty provided for in the Smoot-Hawley Act?

Mr. MOLLIN. That is right. The tariff has not been reduced on this classification, and it seems to me no better evidence is needed that the tariff rates established on cattle in 1930 were entirely reasonable and were not in any sense barriers to trade.

The quarterly quota provision of the second Canadian agreement has failed to protect the American producer in the manner intended, due to what I believe is a flagrant misinterpretation of section 557 of the tariff act. Under this proviso for warehousing in bond, when the quota is filled, imports do not cease, but come in under bond, awaiting the next quarter's quota. Theoretically, they are under Government lock and key; actually they are not, and in effect in the filling of pastures, and so forth, are in direct and immediate competition with domestic cattle.

It has been claimed that only under the reciprocal-trade program can really scientific tariff making be followed. We do not see anything very scientific about the manner in which the cattle tariff has been reduced. The rates prescribed in 1930 were 2½ cents per pound on stocker and feeder cattle weighing less than 700 pounds and 3 cents per pound on cattle weighing more than 700 pounds.

A great many of the cattle which entered under this latter bracket were of beef type, ready to go right to slaughter. Under the two Canadian trade agreements, the rate on the heavy cattle—finished product—has been reduced to 1½ cents per pound, the maximum reduction possible, while the rate on the light cattle, unfinished, the raw material, remains at 2½ cents per pound.

Another instance which might be cited would be relative to canned beef. The tariff on canned beef in 1930 was set at 6 cents per pound, the same as the tariff on dressed beef. The latter was in balance with the tariff on live cattle, but the canned-beef rate was too low and entirely out of line with the tariff on dressed beef, because only approximately 40 pounds of canned beef is derived from 100 pounds of dressed carcass weight. Despite the fact that this tariff is already relatively too low, it was proposed to reduce same in both the Argentine and Uruguay agreements, and press dispatches at the time negotiations were abandoned stated that Secretary Hull had indicated a willingness to reduce the tariff on canned beef to be protected by a quota, to which the Argentine representatives objected.

I have here the official release put out by the Department of State relative to the abandonment of the negotiations with Argentine, and it says, in effect, that the Argentine Government, on the one hand, has not been able to admit that concessions to be obtained from the United States for their typical, regular, export products to that country, such as linseed and canned beef, among others, should be restricted through the acceptance of a system of custom quotas. I think that is an admission our officials were willing to lower the tariff on canned beef.

Inasmuch as the present rate of 6 cents is only equivalent to 2.4 cents per pound on the dressed weight, any reduction of same would be to put it further out of balance and certainly could not be justified in any fashion whatsoever.

I could carry that comparison on into live cattle. The tariff of 6 cents on canned beef would be equivalent to 1.2 cents per pound on live cattle, and when good cattle are selling in Argentina for around 3 to 4 cents a pound it is evident that, were it not for the embargo against foot-and-mouth disease, a tariff of 1.2 cents a pound on live cattle would not give us any protection whatsoever.

The same is true relative to hides. In 1930 we barely got hides off the free list, a nominal duty of 10 percent being written into the act, which, under ordinary conditions is equivalent to about 1 cent per pound on green hides. Yet it was proposed in both the Argentine and Uruguayan agreements to reduce the tariff on that product. The existing tariff on canned beef and on hides by no stretch of the imagination can be called a barrier to trade. Our imports of canned beef have been running between 80,000,000 and 90,000,000 pounds annually in recent years. For the year 1939 there were practically 86,000,000 pounds. Our imports of hides have likewise been substantial, from 1,300,000 to 3,000,000 hides being imported annually in recent years. Calf and kip skins imported have averaged around 3,000,000 pieces annually during this same period.

I would like again to call attention to the fact that in the case particularly of the tariff on canned beef there was no reason from the consumer's standpoint that would justify a reduction in the tariff. This canned beef from South America can pay ocean rates which are no more than it costs to move the product halfway across this country, jump a 6-cent tariff wall, and still sell at a low price in the American market.

I have here two 12-ounce cans of South American beef, purchased recently in Washington—one from Brazil, one from Argentina—the former cost 17 cents and the latter 19 cents. It is a cheap product on the market today.

On January 1, 1939, the census of total cattle on farms and ranches showed an increase of 738,000 head. On January 1, 1940, the new census, just out, shows a further increase of 1,980,000 head, of which approximately 1,500,000 is in beef cattle. Most of this increase has taken place in the territory east of the Missouri River where farmers, under the A. A. A. program, have had substantially to reduce the acreage devoted to major agricultural crops. This is particularly true in the Corn Belt, where it is expected that the acreage planted to corn this spring will again materially be reduced. The need for such reduction is shown by the fact that a few weeks ago the Department issued a statement showing that the current corn supply avail-

able to feed was something like 3,000,000,000 bushels—the largest in 20 years. In the South there is a well-developed program under way, with the aid of the various Government agencies, to increase livestock production, in order to get away from the one-crop program followed for years and thus to diversify as much as is possible and practicable. It should appeal to any one that it would be far better to protect the American market and to permit development of this program, producing our own meat supply, to the fullest practicable extent, and thus help to bring agriculture generally out of its difficulties, rather than to take further steps to decrease tariffs and increase foreign importations.

Under the heading "strong supply of meat in store for United States," a Chicago dispatch dated January 24 states that the increased supply of meat in store for American consumers during 1940 may reach record proportions. It further stated:

Leaders in the meat industry predict the country will consume 10 percent more meat this year than in 1939. The biggest increase was expected to be in pork, which dropped to a 6-year low price level yesterday on the Chicago wholesale market—11 cents a pound for best light loins.

It is indicated that storage meat holdings on January 1 were larger on all classes than a year ago. The total meat supply for the month of January 1940 was the largest of any January on record. Cattle on feed at the beginning of 1940 were estimated to be among the largest in 20 years, the number of sheep and lambs on feed in the principal States was 3 percent greater than a year ago, while the pig crop of 1939 was the largest ever produced and the advance report of the number of sows to farrow in the spring of 1940 indicated about the same number as last spring.

Since the reciprocal trade program has been in effect, something like \$3,500,000,000 has been spent by the A. A. A. in a thus far fruitless effort to maintain parity prices on agricultural products. Other hundreds of millions of dollars have been loaned through the Commodity Credit Corporation for the same purpose, and under this loan program, corn is being sealed up at 57 cents a bushel and withheld from feeders in the neighborhood who might buy it and turn it into meat, while advocates of the reciprocal trade programs are urging bigger and better tariff reductions which would increase the importations of cattle, canned beef, and other products.

I have a letter from a farmer and rancher living at Council Bluffs, Iowa, who states that at Blencoe, Iowa, on the Little Sioux River, there are a million bushels of corn sealed at 57 cents and that feeders in the neighborhood cannot buy corn. I am not complaining over the Government corn loan, although no one can anticipate for certain just what the ultimate effect will be on the livestock industry, but at least it is now certain that with too much corn, too many cattle, and too many hogs, it is contrary to every rule of reason to attempt to cure the situation, as is proposed, by increasing the supply through the lowering of tariffs.

In this connection I would like to call your attention to the fact that on January 19, 1934, Secretary Wallace appeared before the House Committee on Agriculture and was asked if the statement that we had 10,000,000 head of cattle surplus was approximately a correct statement. The Secretary replied:

I could not give you a definite answer, but I would guess that it would be close to that amount.

On January 1, 1934, the Department estimated cattle numbers to be 74,262,000 head, indicating that certainly not to exceed 65,000,000 head would be a normal number.

As the program is working today, any achievement in the way of reduced production of corn and livestock on the part of the A. A. A., instead of being allowed to operate to raise prices, is proposed to be offset by increased importations. In other words, we are paying our farmers to reduce production, in order to provide a market for foreign farmers.

If the reciprocal trade program had succeeded in disposing of the major agricultural surpluses of this country, it would be easier to attempt to justify it; but it has failed to do that. I do not think it is even claimed that it has accomplished anything for cotton. In wheat, some trades have been made, but, in order to bring them about, in recent months at least, sales have been possible only with the help of Government subsidies. In pork, our third major surplus and the one which is of most concern to us, because pork is directly competitive with beef, little has been accomplished. There were slight concessions in the trade agreement with Great Britain, which have now largely been nullified by war conditions and by price fixing on the part of England incident thereto.

I was in Chicago recently and was told by an official of the Institute of America Meat Packers that England had refused to permit contracts which Chicago packers had made with importers in that country to be filled.

Now, I do not blame those foreign countries for not buying our agricultural surpluses, if they do not need them; but, inasmuch as that seems to be the case to a marked degree on these major farm products, it seems to me that fact should be recognized and other industries which are not in distress at the moment should not be asked to make a sacrifice that is in vain, in order to try to work out the surplus situation.

I would like to call your attention to the fact that, whereas in 1932 agricultural exports were 41.8 percent of our total exports, they declined to 32.1 percent in 1934, to 26.3 percent in 1936, to 23.7 percent in 1938, and, for the first 4 months of the current fiscal year, to 22.7 percent. For the full calendar year 1939 the exports of agricultural products were only 20.9 percent of our total exports.

We have heard so much about reciprocal trade in the past few years it is sometimes overlooked that the American market consumes close to 95 percent of everything that is produced in this country, both agriculturally and industrially. While I have not been able to find in any Government department recent figures on this subject, the latest I could find indicate that in 1936 approximately 6 percent of our agricultural production went into export, and in 1935 approximately 5 percent of our manufactured goods. There may be a recent slight advance in that latter figure. They only get those figures out every 2 years, and then they are about 2 years old; but I do not think it would show a very important change.

It has been claimed that our livestock industry and agriculture generally will benefit as exports are increased, by putting men back to work in the factories in this country. I do not think it can be shown with any degree of certainty that this has been the case. Automobiles have been talked about a great deal in this connection. For the year 1938, according to the Department of Commerce, there

were 29,441,960 automobiles registered in this country. According to the same source, there were 273,600 in the whole of Argentina, less than many of our big cities alone show.

Senator CLARK. But the consuming power has increased considerably, hasn't it?

Mr. MOLLIN. The consuming power?

Senator CLARK. That is reflected in the income of the cattle industry as a whole, isn't it?

Mr. MOLLIN. Well, yes; we have had an increase in our income.

Senator CLARK. That reflects increased purchasing power, doesn't it?

Mr. MOLLIN. Yes; that is why I say the American market is the best market, but we have not seen any indication that it has increased the consumption of beef. As a matter of fact, per capita beef consumption has decreased each year since 1936.

Senator CLARK. When I speak about income to the cattle industry, I mean beef and calves, and so forth. That has increased materially, hasn't it?

Mr. MOLLIN. The income has increased; yes.

Senator CLARK. That reflects increased purchasing power, doesn't it?

Mr. MOLLIN. Well, as I explained, it is because we have had a steady decline in the slaughter since 1936.

Senator CLARK. People are purchasing and paying more for beef in the United States than they were in former years, aren't they?

Mr. MOLLIN. Yes; but they are buying less than they were in 1936.

Senator CLARK. They may be paying higher prices.

Mr. MOLLIN. They are.

Senator CLARK. For instance, in 1934—see if these figures check with your figures—in 1934 the price of beef was \$4.13 per hundredweight; in 1935 it was \$6.06 per hundredweight; in 1936 it was \$5.82 per hundredweight; in 1937 it went up to \$7.01 per hundredweight; in 1938 it was \$6.56 per hundredweight; and in 1939 it was \$6.87 per hundredweight. That shows a progressive and very steady increase in the amount expended by the people of the United States, for beef, taken in connection with the figures on farm income from cattle—

Mr. MOLLIN (interposing). But they have been buying less.

Senator CLARK. Some figures which I asked the Department to prepare for me show that, during the 3-year period under the Hawley-Smoot bill, from 1931 to 1933, inclusive, the income of the farmers of the United States from cattle and calves amounted to \$2,058,052,000, while during the 3 years from 1936 to 1938, inclusive, under the trade agreements, the income of the cattle industry increased to \$3,459,294,000, an increase in one 3-year period under the trade agreements over the 3-year period under the Hawley-Smoot bill alone of \$1,401,242,000. That, taken in connection with the increase in the price of beef during those years, certainly indicates that the purchasing power for beef by the people of the United States as a whole has increased.

Mr. MOLLIN. Of course, prices had to increase from the lowest point of the depression or everybody would have been ruined.

Senator CLARK. As a matter of fact, everybody was ruined when the present administration came into power, wasn't it?

This is simply one of the measures that was adopted to improve that condition.

Mr. MOLLIN. It is difficult to convince the cattleman that he is going to be permanently helped by reducing the protection afforded him and by increasing importations of foreign products.

Senator CLARK. You do not contend, Mr. Mollin, that you have been hurt yet; you simply contend that you will be hurt.

Mr. MOLLIN. I contend that we were hurt materially in 1936.

Senator CLARK. The very next year the price went up above \$7.

Mr. MOLLIN. The slaughter was very much smaller.

Senator HERRING. Why was it hurt in 1936 and why was the price lower? You know.

Mr. MOLLIN. Yes.

Senator HERRING. There was a drought.

Mr. MOLLIN. Yes; but we did not have a drought in 1937. We had less slaughter in 1937 than in 1936, and less in 1938 than 1937.

Senator HERRING. But you had not recovered from the drought, had you? You cannot grow a crop of cattle in 1 year.

Mr. MOLLIN. No; we have got the cattle in the country. There is 2,000,000 increase this year. There is plenty of cattle here.

Senator HERRING. I am talking about 1936 when you have been making these comparisons.

Mr. MOLLIN. That is right. But while you can say that the decline in 1937 was due to the drought in 1936, you cannot say that it is responsible for the decline in 1938.

Senator HERRING. There were trainloads in every market.

Mr. MOLLIN. In 1936?

Senator HERRING. Yes.

Mr. MOLLIN. That's all right. That has something to do with the decline in 1937, but it did not have anything to do with the decline in 1938 and 1939.

Senator HERRING. I think it did have.

Mr. MOLLIN. I don't think very much. And you have had tremendous corn crops. You have had three big corn crops in a row.

Senator HERRING. That is in line with that one letter from one correspondent saying that he cannot buy corn when the market reports show that corn is moving all over the State and millions of bushels of it are being sold.

Mr. MOLLIN. The point I wish to make in regard to this is simply that you are piling up this corn at the 57-cent line, and the people are feeding something else. They are using all kinds of substitute feeds. In other words, I think it can be clearly established that it takes less corn to finish a crop of beef today than it did 10 years ago, because the people have learned to use substitutes.

Senator HERRING. Do you think that is a disadvantage?

Mr. MOLLIN. I don't know what you are going to do with this corn that you are piling up at 57 cents a bushel.

Senator HERRING. There is not much in Colorado to worry about.

Mr. MOLLIN. There is not, but we are thinking of the country as a whole and not just Colorado.

While taking the totals for 29 of the major countries of the world, which I have listed here, there is shown a total of 12,269,037—much less than one-half the number in this country. We may sell a few more

automobiles abroad, but, if in order to do so we have to sacrifice the interests of American producers, we shall lose far more sales at home.

In a dispatch dated February 1, Col. F. C. Harrington, Works Progress Commissioner, stated—

that industrial activity must increase to unprecedented levels before the public relief burden can be reduced materially—

while a New York dispatch of the same date states that 2,000 people waited in line to put in applications for 220 jobs as census-takers in Jamaica, although the jobs in question were not to be let for two whole weeks. That there has been little marked change in the unemployment situation has been shown from time to time as figures on unemployment were released.

I want to call your attention to the fact that the livestock industry in particular, and agriculture in general, can not readily shut down their plants when the going gets tough. Many of our producers have only the barest economic unit. Assume, for example, that a man who has no other business than the cattle business must have 300 cows if he is to operate, pay his expenses, taxes, and make a reasonable living for himself and family. If he is caught in a position where it is apparent that there is overproduction in this country and that total numbers should be reduced 10 or 15 percent, such a reduction in the size of his small herd would make it impossible for him to operate economically and efficiently. This is why agriculture is always in distress more than industry when depressed conditions come about, and that is just when we need adequate tariff protection.

I have before me a chart showing agricultural production from the year 1930 to 1935 and the reduction in production was very slight, while the reduction in agricultural income was tremendous. On the other hand, industrial production was immediately sharply curtailed and the drop in industrial income was much less than in agricultural income and held very close to the same trend shown in the drop in industrial production. I think that is one of the basic troubles with agriculture, that you just cannot quit producing when maybe there is too much on hand; the farmer and the livestock man has got to go right ahead. He cannot stop his plant.

For the reasons given above, we strongly urge Senate ratification of any trade agreements made or of any extension of existing trade agreements, if the act is not allowed to expire on June 12, 1940, as we would much prefer. We do not think that adequate consideration has been given to the interests of the livestock growers of this country in the making of existing trade agreements. Under normal conditions we can produce all that our population can consume, but it is difficult to plan operations when one cannot know even 6 months in advance what the possible competition in the market is going to be. Beef is directly competitive with pork and, to a lesser degree, with lamb, poultry, and dairy products.

We believe the American market should be preserved for the American producer, to the full extent of his ability to supply it on a price basis that will maintain the American standard of living for producers and consumers alike. The tariff rates established for our products in 1930 gave us the greatest relative degree of protection that we have ever enjoyed, as compared with industrial products, and yet it cannot be fairly said that any of the rates to which I referred were unduly high or that they were barriers to trade in any true sense. Under the present situation Canadian and Mexican cattle can profit-

ably enter our markets on a price basis just 1½ cents per pound under that existing prior to 1936. To us that is the meat in the coconut.

We do not agree that a requirement for Senate ratification is equivalent to nullification of the act. We do believe that it will place a necessary check on the framers of the reciprocal trade agreements, now largely believers either in free trade or a very low tariff level, the need for which has been clearly demonstrated. Unless such a check is imposed, the country will not long allow the tariff policy of the Nation to be set in a department where the interests of foreign policy are placed above those of domestic economy.

Senator CLARK. Mr. Chairman, Mr. Mollin referred to a letter and read an extract of a letter from a farmer. I would like to read into the record a letter from a farmer in Iowa and ask him what he thinks about that. This man is a well-known livestock producer in Iowa. He may not be known to Mr. Mollin's association as Mr. Ferguson is not, but he wrote a letter. His name is B. J. Bergeson, and I understand he is a very well known man. His son is a lifelong Republican and a very prominent one. His son is the deputy secretary of state in Iowa at the present time. He writes a letter to the Sioux City Journal, under date of February 21, 1940, in which he says to the editor:

In the Journal of the 17th I note a dispatch quoting excerpts from an open forum address made by A. F. Swanson at Spencer where he criticized Secretary Hull and the administration's reciprocal trade agreements. Mr. Swanson spoke of millions of pounds of meats and hides coming in from Canada, Argentina, and Mexico and cited an all-time high importation of 762,000 head of live cattle. Then he called attention to the importation of millions of pounds of wool, but said nothing about corn or cotton.

Has Mr. Swanson heard any complaint from any intelligent, industrious farmer or producer about last year's prevailing prices, namely, from 8½ to 11½ cents for good to choice beeves, being ruinous to 1939 feeding operations? Furthermore, how about the price of native or range States wool crop, at shipping points of delivery in Boston?

The farmers of Iowa and other States made no complaint in 1938 and 1939 about the importation of Polish pork or Chinese eggs, did they?

For 1936 cattle prices declined during the first 6 months of the year more than \$2.50 per 100 pounds, and we heard Mr. Landon say that this sharp decline was due to lower tariffs of the administration's trade agreements stimulating increased importations of cattle from Canada. The Canadian quota was filled early in August, but prices of live cattle at all of our primary markets continued to decline for the remaining months of the year, when cattle could be brought in from Canada.

During the years 1934 and 1935, if memory serves the writer aright, under the highest tariff on record, the most ruinous to farmers and livestock growers, the Smoot-Hawley tariff, imposing a \$3 duty against cattle imports from Canada, we sold prime 1,200- to 1,400-pound steers on the Sioux City market at \$3.50 to \$4 per 100, and we saw that same year prime 1,500- to 1,800-pound bullocks sold during the week of the International Livestock Show in Chicago at \$3.35 to \$3.85 per 100.

Now these critics of Secretary Hull, the administration, and the reciprocal trade agreements will find that those agreements have not damaged the farmers and livestock producers a dollar or even a dime during the last 3 years.

By the way, there are thousands of clear-thinking Progressive Republicans who will join the Democrats in support of the administration, and the less fault-finding and criticism on the part of aspiring candidates for Congress, the closer they will come to being elected in November.

Is he a member of your association?

Mr. MOLLIN. No, sir; I know him very well, though. He is a believer in low tariffs. I think he has a brother living up in Canada, and I have had many an argument with him at livestock conventions.

He is a commission man, not a producer. He attends conventions up in Montana, Wyoming, and Nebraska. I see him very frequently.

Senator CLARK. You do not agree with his position?

Mr. MOLLIN. No; I do not.

Senator CLARK. Your position, Mr. Mollin, is that there ought to be a tariff to exclude any cattle importations into the United States until 100 percent of the cattle in the United States have been consumed, and a whole lot of other commodities?

Mr. MOLLIN. No, sir; as a practical proposition it does not work that way. We have had some imports of cattle under the Smoot-Hawley tariff bill.

Senator CLARK. I call your attention to your testimony before the House Ways and Means Committee, on page 1145, which I submit bears out the statement that I just made:

Mr. McCORMACK. But if you think the American market should be closed to the extent that American agriculture is capable of supplying it, then the American cattle interests are capable of supplying it 100 percent, aren't they?

Mr. MOLLIN. Unless we had a succession of droughts such as we had in 1934 and 1936.

Mr. McCORMACK. My question is based upon general conditions. So generally speaking in the absence of an emergency like the drought if we carried your statement to its logical conclusion, that would mean that you stand for no imports coming into the United States as long as the American cattle interests could supply the demand 100 percent?

Mr. MOLLIN. Of cattle products?

Mr. McCORMACK. Of cattle products; yes.

Mr. MOLLIN. Well, practically speaking that is the way it would work; yes. If we had a domestic supply that was all we needed I don't see what we are going to gain by importing on top of that full supply, and that would apply to any other product.

Mr. McCORMACK. Therefore, you believe that as long as the American cattle interests are capable of supplying 100 percent the demand of the domestic market that the tariff should be high enough to prevent imports.

Mr. MOLLIN. If they are capable of and did supply it.

Mr. McCORMACK. But they are—the cattle interests are capable of doing it, aren't they?

Mr. MOLLIN. Yes; they are capable of it if we had a tariff level that worked.

That simply means that you are in favor, if I have read that statement aright, simply means that you are in favor of having 100 percent prohibitive tariff up to the extent of at least 100 percent consumption of American products in this country?

Mr. MOLLIN. Well, as a practical proposition, of course, we are not asking for an embargo on imports. We are asking for a reasonable tariff, and it is our position that the rates established in 1930 were reasonable and we know that there would be some cattle come in on that basis.

Senator CLARK. But you state here that your theory is that there ought not to be any—that they ought to have a tariff sufficiently high not to permit the introduction of any imports until 100 percent of the American production has been taken.

Mr. MOLLIN. As a theory, I think that is a sound principle, that the American producer is entitled to the American market to the extent of his ability to supply it, but as a practical proposition in working it out, I think the way to do it is to put on a reasonable tariff and the tariff will meet the situation.

Senator CLARK. You agree that the cattle industry is a part of the United States, and that what influences the United States as a whole necessarily influences more or less the cattle industry?

Mr. MOLLIN. Surely.

Senator CLARK. Therefore, taking another illustration used by Secretary Hull—I don't have the figure right before me but I have it substantially in round figures. He used another example, not taking the cattle industry, but which would be affecting the general situation.

He called attention to the fact that he had had protests from some farm organizations against the importation of a little corn from the Argentine. All the corn that is imported from the Argentine is a little, small-grown hard corn, most of which goes into the manufacture of grain alcohol, but comes right up the Mississippi River, and a great many farmers see it and object to it, and that was called to Secretary Hull's attention and he replied that of course it was entirely possible to make the tariff high enough to exclude the 12,000,000 bushels, in round figures, of corn that had come in over a period of several years—I have forgotten exactly how many—from the Argentine, but at the same time it might be necessary to shut into the United States our exports of corn and corn products to the extent, including corn and meat products, to the extent of the equivalent of over 2 billion bushels. Don't you agree that it is necessary for us to have some foreign trade in this country in order to prevent the sort of trade stagnation that we had in 1933 and 1934?

Mr. MOLLIN. Yes; I do.

Senator CLARK. Don't you think the cattle industry ought to be willing to make a contribution just like everybody else does to that end?

Mr. MOLLIN. Yes; but I don't think that the statistics show that agriculture is getting a fair break under this. There has been a decrease in agricultural exports in percentage, a sharp decrease in the percentage such exports are of our total exports.

Senator CLARK. But there has been a very material increase in the general amount of our agricultural exports, has there not?

Mr. MOLLIN. Not so very material.

Senator CLARK. It is \$190,000,000. Don't you agree further, Mr. Mollin, that any increase in the export of industrial materials, manufactured goods or anything else, which tends to build up the purchasing power of the American public as a whole and helps the American domestic market, to this extent helps agriculture?

Mr. MOLLIN. Yes; but I think that is putting the cart before the horse. I believe if you restored the American agriculture, that you would get ahead faster than the other way.

Senator CLARK. You think you can best restore it by going back to the Hawley-Smoot tariff of 1932 and 1934?

Mr. MOLLIN. As far as cattle are concerned, I would like to go back to those rates. But I would like to answer your question as to the increase in agricultural exports. The total agricultural exports for the year 1934, the beginning of the trade-agreements program, was \$668,000,000. For 1938, \$682,000,000.

Senator CLARK. About \$100,000,000, isn't it?

Mr. MOLLIN. No; \$14,000,000. These are figures from January 1, 1934, on.

Senator CLARK. That is not in accordance with the figures I have. I cannot lay my hand on them, but I will put them in the record.

Mr. MOLLIN. These are from an official table issued by the Bureau of Agricultural Economics.

Senator CLARK. I will get the table and put it in the record.

Now, Mr. Mollin, you spoke a while ago of the percentage of the federally inspected beef. What was the percentage of the total slaughter of the imports?

Mr. MOLLIN. It would probably be about 5 percent. The federally inspected beef is about 60 percent of the total. That table that I gave you is also an official Government table.

Senator CLARK. I will be glad to examine it.

Mr. MOLLIN. It is put out by the Department every few weeks, and this is their own figure. And the testimony that I put in before the House Ways and Means Committee, which was only from January to October, showed imports of 8.9 percent; and for the full year it is now reduced to 8.2 percent.

The CHAIRMAN. What would it be if you compared the slaughter of imported cattle, both small and large, with the slaughter of domestic cattle that is not federally inspected, as well as all of it on the farms and all?

Mr. MOLLIN. Do you mean excluding canned beef?

The CHAIRMAN. Yes.

Mr. MOLLIN. It would probably be in the neighborhood—for all cattle—it would be in the neighborhood of 3 or 4 percent. You see, there is just about as much beef comes in on the hoof as in the can.

The CHAIRMAN. When it is federally inspected, you do not count the cattle that is slaughtered on the farms by the farmers that go into the little meat shops?

Mr. MOLLIN. I think it is about 60 percent of the total—the federally inspected.

The CHAIRMAN. That would make your argument stronger?

Mr. MOLLIN. This is not my table. It is from the Department of Agriculture.

The CHAIRMAN. If you take the federally inspected beef as compared with the federally inspected slaughter in this country, that is more advantageous to your argument?

Mr. MOLLIN. Yes; it makes a better percentage, but that is the competition in the market. The federally inspected slaughter is where the competition is, and the other is more or less of a guess. The Department guesses how many cattle are slaughtered in the other places, but they know just how many are federally inspected. Therefore, the tables put out by the Department list the federally inspected.

Senator CLARK. When you go to figure a percentage on a percentage basis, it is a very material factor, isn't it?

Mr. MOLLIN. Yes; but we do not have any exact figures.

Senator CLARK. What I am getting at is that the beef which is not federally inspected goes into the general total of the beef consumed by the American public, and therefore a fair comparison, it seems to me, to find out the percentage of the imports is between the amount of the imports and the total slaughter?

Mr. MOLLIN. But there is not very much competition between a carload of cattle that comes in from Canada and a cow that somebody kills out on the farm, but there is a lot of competition between the cattle that come in from Canada and the cattle that are shipped to the market and are federally inspected. That is where the competition is. Of course, there is a substantial slaughter in the country aside from the Federal inspection.

Senator CLARK. If I go to a butcher shop in the little town where I was born and raised, I might buy a piece of beef from a cow that

some farmer killed out on the farm and shipped in to the butcher shop, or the butcher might have killed it himself, or I might have some beef that was shipped in from one of the packing houses.

Mr. MOLLIN. As far as the packing houses, that would be competition; but as far as what was killed on the farm, there would be no competition involved.

The CHAIRMAN. Let me ask you this: Did you appear before the Ways and Means Committee of the House in 1922 and ask for the tariff that is placed in the Fordney-McCumber tariff?

Mr. MOLLIN. That is before my time. I was there in April 1929.

The CHAIRMAN. Then your answer is that you did not appear?

Mr. MOLLIN. I did not appear.

The CHAIRMAN. I just wanted to find out if you did. Did you approve that rate at that time?

Mr. MOLLIN. Our association? I could not answer that. I know that they did not approve of the absence of a tariff on hides—

The CHAIRMAN (interposing). I am not speaking about hides.

Mr. MOLLIN. I don't know just what the situation was at that time. I do think that it was considered an improvement over the previous situation.

The CHAIRMAN. I may say at that time that Mr. Fordney—whom we all loved and highly respected—that he was about as high a protectionist as you are, and at that time he put these ad valorem duties in the Fordney-McCumber tariff in.

Mr. MOLLIN. Yes.

The CHAIRMAN. But you did advocate the rates that were put in in the 1930 bill?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. They are high enough for you now?

Mr. MOLLIN. Yes.

The CHAIRMAN. You are not advocating higher rates?

Senator CLARK. Except on canned beef. You want to have the Smoot-Hawley rates raised on that.

Mr. MOLLIN. That rate is out of proportion to the rates on anything else.

The CHAIRMAN. I understood you to say that in this last year, under the latter rate, the Smoot-Hawley tariff law, that more than 400,000 cattle came in at those rates.

Mr. MOLLIN. From Mexico alone, there were almost that, and if what would come in from Canada were added, there would be more than 400,000.

The CHAIRMAN. And they paid the regular rate?

Mr. MOLLIN. Yes.

The CHAIRMAN. So even if you had the old law, you would have gotten in some importations?

Mr. MOLLIN. Yes.

The CHAIRMAN. But that was due to a situation here at home?

Mr. MOLLIN. Yes.

The CHAIRMAN. Are there any other questions?

Senator CLARK. Mr. Chairman, I would like to read into the record an extract from the Foreign Crops and Markets for October 5, 1939, page 292, of the United States Department of Agriculture, giving the exports of cotton and other United States agricultural products,

by years and millions of dollars. For the year ended June 30, 1932-33—that would be ending 1933—all agricultural products, \$590,000,000; 1933-34, \$787,000,000; 1934-35, \$669,000,000; 1935-36, \$766,000,000; 1936-37, \$732,000,000; 1937-38, \$891,000,000; and 1938-39, \$683,000,000.

Also I will include in the record the break-down between cotton and other agricultural products.

The CHAIRMAN. Are there any other questions?

Senator JOHNSON. Yes; I have some questions, Mr. Chairman.

Mr. Mollin, I do not understand that you are opposed to foreign trade, but that you are opposed to the methods by which it is proposed to stimulate foreign trade under the current policy of enforcing the Reciprocal Trade Act. Is that correct?

Mr. MOLLIN. I think so. I don't know that we have ever had any resolution that recited our attitude on foreign trade. I think a great many people believe that there should be some foreign trade on an advantageous basis wherever it can be arranged, but I do know that the sentiment among the cattle raisers is unanimously opposed to this method of reducing tariff.

Senator JOHNSON. I heard your reply to Senator Clark a moment ago, but do you mind repeating what, in your opinion, will do more than anything else to increase foreign trade?

Mr. MOLLIN. I think to restore American agriculture to a prosperous basis. I gave the figures on the percentage of products that are consumed here at home, and I would like to call your attention to the fact that with practically 95 percent consumed here of everything that we produce it would take practically 100-percent increase in foreign trade to equal 5-percent increase in the domestic. It seems to me the best way to improve things is to get straightened out at home, and then the other will follow.

Senator BARKLEY. Do you think that is a true observation with respect to all of our products in the United States?

Mr. MOLLIN. Of the consumption?

Senator BARKLEY. About the 5 percent and the 100 percent to which you just referred, that the best thing to do is to get our own market straightened out before we attempt to send anything abroad?

Mr. MOLLIN. As a broad proposition, I say that I believe that more can be done to restore prosperity in this country by increasing the prosperity here at home than by seeking foreign markets.

Senator BARKLEY. How would you do that with regard to cotton and tobacco? What is your formula for straightening out the situation in the United States on the cotton and tobacco and wheat and crops like that?

Mr. MOLLIN. I don't know that I would try to write a farm bill.

Senator BARKLEY. But you are here advising us how to write a tariff bill.

Mr. MOLLIN. I am taking this country as a whole. I say, it would take 100 percent increase in foreign trade to be the equivalent of a 5-percent increase in the domestic.

Senator BARKLEY. You mean 100 percent increase based on our present foreign trade and a 5-percent increase in our domestic trade? That would be 100 percent of 10, and 5 percent of 90.

Mr. MOLLIN. No; it is about 100 percent of 5, and 5 percent of 95. We export about 5 percent.

Senator BARKLEY. It has been assumed generally that we export about 10 percent.

Mr. MOLLIN. Well, we do not.

Senator BARKLEY. Well, this 5 percent—if it is 5 percent, that is even better. You think, then, that 100 percent of 5 is equal to 5 percent of 100?

Mr. MOLLIN. Five percent of 95; yes. I said "in round numbers."

Senator JOHNSON. Mr. Mollin, regardless of how we may attain that objective, do not statistics show conclusively that when we do have high prices and prosperity in this country, imports greatly increase?

Mr. MOLLIN. Our exports increase.

Senator JOHNSON. And the imports also?

Mr. MOLLIN. In 1925, 1926, 1927, 1928, and 1929, our total domestic exports were up in the neighborhood of \$5,000,000,000. That would average right close to \$5,000,000,000 for those years, and they have not approached anything like that since. That is our total exports, including agriculture. Our total imports at that time were also very much more than they are now.

Senator JOHNSON. Of course, both exports and imports go up in this country when we have prosperity?

Mr. MOLLIN. Yes, sir.

Senator JOHNSON. I understood your answer to be that if we did have prosperity, that would be one way of stimulating foreign trade.

Mr. MOLLIN. Of course, I understand if you break it down to some certain commodity, you have to do something else, perhaps; but taking the country as a whole, I think that is a sound proposition.

Senator JOHNSON. And if we do have prosperity in this country, we are likely to sell more cotton than if we have depression and hard times here.

Mr. MOLLIN. I think they would consume more at home; yes.

Senator CLARK. There never has been a year when we did not have to export at least 50 percent of our cotton.

Senator JOHNSON. In your booklet, on page 4, What Price Foreign Trade, the table of total domestic exports shows that these exports exceeded \$4,000,000,000 each year from 1925 to 1929, inclusive, and that they have not approached that figure since that time. That would rather seem to support the statement you have just made.

Mr. MOLLIN. Yes; they would average pretty close to 5 billion.

Senator JOHNSON. You gave the percentages which our agricultural exports have been of total exports during recent years. What do these exports show in dollar value?

Mr. MOLLIN. The exports in dollar value in 1934—I will take the 5-year period. For the 5-year period beginning July 1, 1934, the exports of agricultural products averaged \$184,349,000 less per year than for the 5 years beginning July 1, 1929, so that there has been quite a decline there in dollar value as well as in percentage.

Senator JOHNSON. During this period, while the percentage of agricultural exports has declined, prices have been going up, have they not, Mr. Mollin?

Mr. MOLLIN. On the farm products?

Senator JOHNSON. Yes.

Mr. MOLLIN. Yes, I think there has been very close to a 50 percent increase in the index figure as to the value of farm products in that period.

Senator JOHNSON. Then if we considered the exports on a quantity basis rather than a dollar basis, would not the showing be even worse, relatively?

Mr. MOLLIN. I think it would be much worse, for the reason that while there has been almost a 50 percent increase in the index figure of farm prices, there has been not nearly so much increase in the index figure of industrial prices. That is due, of course, to the fact that farm prices took the big bump during the depression.

Senator JOHNSON. You just stated that agricultural exports for the 5-year period since the Reciprocal Trade Act has been in effect are considerably less than for 5 years previous thereto. What is the situation as to agricultural imports during that same time?

Mr. MOLLIN. Well, the importation of agricultural competitive products for the 5 years since July 1, 1934, averaged \$120,754,000 more per year than for the 5 years prior to January 1, 1934.

Senator JOHNSON. Is there a similar showing as to noncompetitive agricultural products?

Mr. MOLLIN. No, there is not. I do not quite understand that. It would seem if we had general prosperity, that they would be buying more of these noncompetitive things that we do not produce here, but for the 5 years beginning July 1, 1934, the imports of noncompetitive agricultural products averaged \$37,210,000 less per year than for the 5 years prior to July 1, 1934.

Senator JOHNSON. That is, such commodities as rubber and tea and coffee?

Mr. MOLLIN. Yes.

Senator JOHNSON. And cocoa, and things like that?

Mr. MOLLIN. Yes.

Senator JOHNSON. I understand there was some discussion before the Ways and Means Committee as to the different valuations used in reporting imports and exports. Will you tell us what was developed in that regard?

Mr. MOLLIN. It was shown over there—and I do not think it was denied—that all of our import statistics are on the basis of foreign value, and that we are practically the only country in the world that uses that basis.

Senator CLARK. You made that statement yourself, didn't you Mr. Mollin? It was not shown except by your statement.

Mr. MOLLIN. It was discussed with other people, too.

Senator CLARK. I read the testimony very carefully, and the only showing I saw was your statement to that effect. It may be true for all I know.

Mr. MOLLIN. I don't think there is any doubt about it. I have heard it discussed many times—that our imports are on a basis of foreign value, and that if you added to the foreign value the cost of getting the product into this market, you would have the true picture of what the competition in this market is.

The CHAIRMAN. Are you in favor of the American valuation plan, if the same product is coming in here, of putting our valuation to it and adding the tariff to it?

Mr. MOLLIN. For what purpose? I don't know just what you mean.

The CHAIRMAN. You are just doing what they do with cattle, for instance, would you pay the American valuation or not of cattle coming into the United States from Canada?

Mr. MOLLIN. If it is in competition with our product. I do not see the significance of your question.

The CHAIRMAN. It has this significance. Before we got on the present plan, they tried to impose upon this country the American valuation plan in fixing tariff rates.

Mr. MOLLIN. Was that solely in connection with ad valorem rates?

The CHAIRMAN. All rates.

Mr. MOLLIN. What difference does it make?

Senator CLARK. At the present it does not make any difference on the ad valorem plan.

Mr. MOLLIN. I have not studied that but in getting a picture of what the imports amount to, it does not seem to me that foreign value actually shows the full picture.

Senator JOHNSON. I notice that while you were on the stand before the House Ways and Means Committee a rather lengthy statement was put in the record by the State Department referring to the Argentine Sanitary Convention. The statement attempted to show that this convention could be ratified with perfect safety, and it stressed the fact that there was a region in the extreme southern portion of Patagonia which had never been known to have foot-and-mouth disease among its herds and flocks. Is the Argentine Sanitary Convention limited in its application to Patagonia or any subdivision thereof?

Mr. MOLLIN. Absolutely not. Under its terms we would be obliged to accept shipments of dressed beef or dressed lamb from any subdivision of the entire country which might temporarily be declared free of foot-and-mouth disease, if our sanitary officers could find no visible reason for refuting the claim of such freedom from disease.

I should like also to call your attention to the fact that when this treaty was signed, almost 5 years ago, officials of the State Department put out repeated statements to show that there was no foot-and-mouth disease in any part of Patagonia. The statement put in the record before the Ways and Means Committee now claims that only the southern part of Chubut, the Province of Santa Cruz, and the Province of Tierra del Fuego are now claimed to be in that preferred status. This certainly would imply that the northern part of Chubut and the Provinces of Rio Negro and Neuquen do have foot-and-mouth disease. It was our investigation here some years ago that first developed the fact that there had been recent outbreaks in Rio Negro and Neuquen, but this is the first admission I have seen that the northern part of Chubut is similarly affected.

The CHAIRMAN. How long has that treaty been signed?

Mr. MOLLIN. Almost 5 years.

The CHAIRMAN. It has been sleeping peacefully over in the Senate Foreign Relations Committee?

Mr. MOLLIN. I don't know why they put that long statement in, but I would like to call attention to one thing.

The CHAIRMAN. Are you afraid of it coming out of the committee?

Mr. MOLLIN. I know it has a definite relation to the Argentine trade agreement.

The CHAIRMAN. But you know it has been sleeping a good while?

Mr. MOLLIN. Yes.

The CHAIRMAN. You are thoroughly satisfied with that?

Mr. MOLLIN. With letting it sleep; yes.

Senator CLARK. That is one case where you are not afraid of Senate ratification.

The CHAIRMAN. You are not frightened at the reciprocal trade agreement with Chubut or any of those other small places?

Mr. MOLLIN. I am frightened at anything where there is foot-and-mouth disease. The State Department put this long statement in the record in the Ways and Means Committee for some purpose.

The CHAIRMAN. Senator Capper has put out some statements in his papers throughout the country, too.

Senator CAPPER. The State Department is probably as wrong on this sanitary matter as it is on the reciprocal trade agreements.

Senator CLARK. You have been very successful on the sanitary compact—

Senator BARKLEY (interposing). Are you more afraid of foot-and-mouth disease coming in or the foot and mouth?

Mr. MOLLIN. It is no laughing matter to our industry. They know what it is; they have had it.

Senator BARKLEY. I was detained in another committee and I did not get in here at the beginning of your testimony, which I regret, but let me ask you this: Beginning in 1920, we exported agricultural products, \$3,443,000,000. Running on up to 1930, the amount decreased until it was \$1,201,000,000. That is when the Smoot-Hawley bill was passed, and it gradually declined until 1939 with total exports of \$656,000,000. There were imported in 1920 of agricultural products not at all produced in the United States, \$1,092,000,000. It ran on down to 1929, and still it was \$1,200,000,000 of products not grown in this country at all. From 1929 down to 1939, a period of 10 years, there was a decline from \$1,201,000,000 to \$592,000,000. That is of the products that we do not produce at all in this country. Do you think that that sort of a showing indicates that this trade-agreement policy has hurt agriculture?

Mr. MOLLIN. How about competitive agricultural products?

Senator BARKLEY. They decreased from \$1,017,000,000 in 1929 to \$526,000,000 in 1939.

Mr. MOLLIN. Of course, they were much lower than that—

Senator BARKLEY (continuing). So that they have been on the decline all the time since 1930, in fact since 1920, the competitive agricultural imports have been on a decline. The last figure in 1939 was within a period of 19 or 20 years.

Mr. MOLLIN. The low spot in the figures I have, which came from the Bureau of Foreign and Domestic Commerce, the low spot was 1932. Your figures do not seem to exactly agree with mine, but there has been a substantial increase since that.

Senator BARKLEY. The low spot was in 1932 when there were only \$296,000,000 worth of competitive agricultural products imported in this country, and of course the low spot in everything was in 1932. That was the low spot of the depression and of our economic debacle. There has been an increase since 1932, but the increase in imports, even in competitive articles, has not been as much as the increase in the importation of competitive articles from 1930 to 1932. They dropped from \$701,000,000 in 1930 to \$296,000,000 in 1932.

Mr. MOLLIN. Yes; and then they increased substantially.

Senator BARKLEY. They have been gradually increasing until last year they were \$526,000,000, which is, of course, nothing compared to as much as were imported prior to 1931.

Mr. MOLLIN. Of course, world trade was on a very much larger basis prior to that time in everything. I call your attention to the fact that the total imports of competitive agricultural products for 1934 were \$50,000,000 more than they were for the previous years.

Senator BARKLEY. I have the figures here furnished me by the State Department, and it shows that in 1938 there were \$477,000,000 of competitive products imported.

Mr. MOLLIN. I got these figures yesterday from the Bureau of Foreign and Domestic Commerce of 476 plus for 1938 and 526 for 1939.

Senator BARKLEY. I find here that in the first 3 years of the Hawley-Smoot tariff, 1931, 1932, and 1933, the farmers received \$1,743,000,000 plus for their hogs. In 1936, 1937, and 1938, under the reciprocal-trade-agreements program, they received \$2,762,000,000 plus for their hogs, making a difference of more than a billion dollars. In tobacco, they received \$428,000,000 in 1931, 1932, and 1933, and \$858,000,000 plus in 1936, 1937, and 1938. Wheat, \$769,000,000 in 1931, 1932, and 1933, and \$1,452,000,000 in 1936, 1937, and 1938, a difference of \$683,000,000. Corn, they received in 1931, 1932, and 1933 \$435,000,000, and in 1936, 1937, and 1938, \$758,000,000, making a difference of \$322,000,000. Wool and mohair, in 1931, 1932, and 1933, they received \$168,000,000 plus, and in 1936, 1937, and 1938 \$309,000,000, making a difference of \$141,000,000. Cotton and cottonseed, in 1931, 1932, and 1933, \$1,535,000,000 plus, in 1936, 1937, and 1938, \$2,436,000,000 plus, making a difference of \$900,000,000. Fruits and vegetables, 1931, 1932 and 1933 they received \$2,294,000,000, in 1936, 1937, and 1938, \$3,161,000,000, making a difference of \$867,000,000 over and above the previous period.

Now, these figures do not include any Government benefits.

Mr. MOLLIN. But still they are away below parity.

Senator BARKLEY. That may be true, that some of them are below parity.

Mr. MOLLIN. Most of them.

Senator BARKLEY. But the point is, by this comparative figure, how do you take the position that the trade-agreements program has injured agriculture as a whole? We have got to take agriculture as a whole; we cannot just break it down into its constituent parts and say that although it may be helped as a whole, if incidentally it has hurt some particular product, how can we deal with that proposition from that standpoint, and I do not believe that you have been able to show or anybody has been able to show that the cattle industry has been hurt. You may be afraid it will be, but I do not see how you prove that it has been.

Mr. MOLLIN. Well, I offered pretty good evidence so far as 1936 is concerned, Senator. We are right at the point now where we are near the bottom of our marketing cycle.

Senator BARKLEY. In view of these figures here on these particular crops that I have mentioned, would you be able to say that the reciprocal trade agreements have hurt these products that I have mentioned?

Mr. MOLLIN. I have not examined the record on all agricultural products, but it is very disturbing to anybody who examines the total figures on—

Senator BARKLEY (interposing). I just mentioned here 8 divisions of agricultural products, cattle and calves, hogs, tobacco, wheat, corn, wool and mohair, cotton and cottonseed, fruits and vegetables, which takes in a pretty important segment of agriculture, and assuming that these figures are correct, would you be able to or would anybody be able to say that the trade agreements have hurt those branches of agriculture, referring to these figures that I have named?

Mr. MOLLIN. I don't think there is anything very important to be gained by taking prices and comparing them with the prices of the worst years in history—

Senator BARKLEY. (interposing). Those 3 years are included in the 5-year period that you compared awhile ago.

Mr. MOLLIN. That is right.

Senator BARKLEY. If you are going to eliminate them for one purpose, why not for the other?

Mr. MOLLIN. I have shown that the competitive prices of agricultural products have increased since that time, and the exports of agricultural products have decreased. There is something wrong there. It should be going all one way. If it is a revival of world trade, it should not be showing an increase in the current imports and a decrease in the current exports. I do not see how you are going to help the situation by lowering the tariff and encouraging importations. You have lowered the tariff on a good many products that the Surplus Commodities Corporation is buying. I have not gone into it very carefully, but take eggs and cheese.

Senator BARKLEY. We have practically 99 percent or even more than 99 percent of the domestic market for butter and cheese.

Mr. MOLLIN. I say I have not gone into the record on those other commodities. I do not attempt to keep posted on all of them, because it keeps a man pretty busy with his own commodity. I cannot understand the theory when agriculture is still in distress, and you are appropriating hundreds of millions of dollars annually for agriculture, that you think that you are going to improve the situation by lowering the tariff on competitive agricultural products.

Senator BARKLEY. What competitive agricultural products in your judgment have been injured by the lowering of the tariff?

Mr. MOLLIN. I am making no statement about anything except my own commodity.

Senator BARKLEY. Cattle?

Mr. MOLLIN. Cattle. And they propose to lower it on canned beef, on hides, on tallow, and all the other byproducts.

Senator BARKLEY. They have not done it yet.

Mr. MOLLIN. No; but we don't know when they will take it up again. They can do it, and that is what we don't like.

Senator CLARK. You don't know when the world will come to an end either, do you?

Mr. MOLLIN. No.

Senator BARKLEY. Is there any more uncertainty in that than there was in the writing of the Hawley-Smoot tariff bill, when they kept all sorts of business and agriculture in the air for 19 months while they were considering that bill?

Mr. MOLLIN. When the rates were established, we knew what the rates were going to be for a while.

Senator BARKLEY. Knowing what the rates were going to be and knowing what they were after they were established did not help you any, did it?

Mr. MOLLIN. We figured it was due to the depression.

Senator BARKLEY. Of course, the depression is always a convenient alibi, if that is what you want to use.

Mr. MOLLIN. I do not think the depression was an alibi. It was a serious occurrence.

The CHAIRMAN. But it is a beautiful thought that today livestock in this country is above the parity in agricultural products?

Senator CLARK. It has been for a year.

Mr. MOLLIN. For 1 year.

Senator JOHNSON. But, Mr. Mollin, the pending legislation that is before this committee and before Congress has nothing whatever to do with the existing trade agreements. It has to do entirely with what is going to happen in the future and the purpose of it is entirely to not make any more agreements. That is the very thing that you folks are afraid of; isn't that true?

Mr. MOLLIN. Yes. Of course, we don't like the fact that when we go into a heavy marketing situation, we are going to have a tariff of only 1½ cents on cattle.

Senator JOHNSON. Of course, you do not like to object to legislation that is not pending before us?

Mr. MOLLIN. That is right.

Senator JOHNSON. It is not here. We are not considering it. I have two or three more questions, Mr. Chairman, if I may put them.

The CHAIRMAN. Proceed.

Senator JOHNSON. You state that the stockmen of the West are unanimous in their opposition to the trade-agreement program, is that right?

Mr. MOLLIN. Practically unanimous. Phil Ferguson is the only one I know that is not.

Senator HERRING. Do you have any protests from the stockmen in Iowa?

Mr. MOLLIN. I am speaking for my own territory.

Senator HERRING. So am I. We raise quite a few.

Mr. MOLLIN. I am not attempting to speak for your people.

Senator JOHNSON. Do you know anything about the attitude of the farmers of the West?

Mr. MOLLIN. Yes; I have seen a great many resolutions adopted by the Western farm bureaus that indicate their attitude is very much in line with ours; in fact Mr. Brock, our president, gave me a clipping from a Sheridan, Wyo., paper recently which quoted the president of the Wyoming Farm Bureau in stating that 12 Western farm bureaus in the Farm Bureau Conference at Chicago last December were unanimous as favoring Senate ratification.

Senator CLARK. Will you pardon me just a moment in connection with what Mr. Mollin just said? Mr. Chairman, I have a table here on cash farm income from Wyoming which I forgot to put in the record when Senator O'Mahoney was here this morning, that I would like to insert in the record.

The CHAIRMAN. Yes.

(The same is as follows:)

Cash farm income, excluding Government payments, in Wyoming, 1932-39

(In millions of dollars)

Year	Income from crops	Income from livestock and livestock products	Total	Year	Income from crops	Income from livestock and livestock products	Total
1932.....	4.9	10.4	21.3	1936.....	10.1	34.9	45.0
1933.....	7.9	18.0	25.9	1937.....	11.2	38.0	49.2
1934.....	6.0	28.4	34.4	1938.....	8.6	33.1	41.7
1935.....	9.4	29.6	39.1	1939.....	7.8	37.1	44.9

Source: Official Statistics, U. S. Department of Agriculture.

Senator BARKLEY. I have just been handed a table here showing the latest available exports and imports for 1939. \$656,000,000 for exports and \$592,000,000 imports, in which there is no production in the United States and therefore noncompetitive.

Mr. MOLLIN. Does that correct your first figure?

Senator BARKLEY. And \$526,000,000 of imports on competitive agricultural products, which makes a difference of \$130,000,000 of exports on competitive in excess of the imports not competitive.

Mr. MOLLIN. Yes. But you are comparing competitive imports with total exports?

Senator BARKLEY. That is right.

Mr. MOLLIN. Yes.

Senator BARKLEY. Noncompetitive imports do not hurt any producers in this country, do they?

Mr. MOLLIN. No.

Senator BARKLEY. So it does not make any difference and you don't have to compare them.

Senator JOHNSON. Mr. Mollin, you referred to a table issued by the Department of Agriculture showing that the imports of cattle, canned beef, and other beef all reduced to a dressed weight basis were equivalent to 8% percent of the federally inspected slaughter. If you were to figure those combined imports back into a live weight basis, using the formula followed by the Department in that table, approximately how many cattle would it indicate were imported into this country last year?

Mr. MOLLIN. I figured that out on this table, using the same conversion basis, and it comes out, in round numbers, just 1½ million cattle.

Senator JOHNSON. Now I want to ask you the same question that I asked Mr. Brock a while ago. Figured down into replacement of acres, how many acres of hay land will such an importation replace, and of grazing land?

Mr. MOLLIN. I think it has to be a pretty good hay meadow—an average meadow, not a bottom meadow—that would produce more than a ton an acre, so that if you figure on that basis, it would take 1½ million acres—it takes about a ton of hay to winter an animal, so it would take about 1½ million acres to produce 1½ million tons of hay.

Senator JOHNSON. And how many acres of range land?

Mr. MOLLIN. That would depend altogether on what type of land it is. In Nebraska, in the sand hill country, it takes less than 10 acres. If you take it up in the poorest range country of the West, it takes as much as 50 or 60 acres.

Senator JOHNSON. The average would be about what?

Mr. MOLLIN. A little over 30. You cannot hardly average the country.

Senator JOHNSON. The reason I am asking you that—

Mr. MOLLIN (interposing). It would take a lot of land.

Senator JOHNSON. Mr. Wallace is going to put some figures into the record showing the displacement of land in this country due to the imports of agricultural commodities, and I wanted to have your estimate.

Mr. MOLLIN. I think it could be worked out on about that basis.

The CHAIRMAN. You said something about that you got some information the other day from one of the Departments that showed there had been an increase for the year 1939 in the importation of agricultural products?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. That is what I understood you to say?

Mr. MOLLIN. Yes.

The CHAIRMAN. About \$80,000,000, wasn't it?

Mr. MOLLIN. \$50,000,000 competitive. The figures they gave me yesterday for competitive agricultural imports for the year 1939 were \$526,000,000 plus, and for the year 1938 were \$476,000,000 plus, which would indicate an increase of just \$50,000,000.

The CHAIRMAN. Was silk included as a noncompetitive item?

Mr. MOLLIN. I could not answer that. I don't know about that.

The CHAIRMAN. There was \$32,000,000 increase in silk last year, wasn't there, and \$48,000,000 in rubber?

Mr. MOLLIN. In the competitive?

The CHAIRMAN. I am asking you whether or not it is competitive. Of course, they are beginning to make a great many different articles out of rubber in this country, and as I say, there was an increase of \$48,000,000 in that item alone in importations last year.

Now, are there any other questions?

Senator BARKLEY. In your tables and figures, you are using fiscal-year figures, aren't you?

Mr. MOLLIN. These figures that were given me yesterday were for the calendar year—I believe. The tables in my booklet are fiscal-year figures. These (later figures) were given to me as just compiled, and I assumed that they were calendar years.

Senator BARKLEY. I think it should be stated that the figures given by the State and Agricultural Departments both are calendar-year figures.

Mr. MOLLIN. But those figures you just read in this last statement—

Senator BARKLEY (interposing). Those were what you got yesterday?

Mr. MOLLIN. Yes.

Senator BARKLEY. They were calendar-year figures.

Mr. MOLLIN. Yes.

Senator BARKLEY. I understood you had used fiscal-year figures.

Mr. MOLLIN. The figures in my booklet are fiscal-year figures.

Senator BARKLEY. That would make some difference?

Mr. MOLLIN. Yes.

The CHAIRMAN. You spoke of having a very broad knowledge of the West and its sentiments about a continuation of the reciprocal trade agreements. You have not tried to create any sentiment to kill off this continuation?

Mr. MOLLIN. I have tried to carry out what has been the policy of our association for many years. I attend many meetings in the West, and I am generally on the program, and I generally talk about the reciprocal trade agreements and give the facts.

The CHAIRMAN. And you are very efficient.

Mr. MOLLIN. I don't know about that.

The CHAIRMAN. But you have taken quite a good deal of interest in stirring up opposition to the reciprocal trade agreements.

Mr. MOLLIN. If you call that stirring up opposition, I have been asked—

The CHAIRMAN (interposing). Oh, you have a perfect right to do it.

Mr. MOLLIN. I have been asked many times to speak on that subject, and when I do speak on that subject, I naturally give the views that I believe in.

The CHAIRMAN. And when anybody writes to you, you acknowledge it and naturally give your views?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. And when any paper asks you for your views, you gladly express yourself?

Mr. MOLLIN. Yes.

The CHAIRMAN. And when the political organization of which you are a member asks you to donate something and throw some light on the subject, you do it?

Mr. MOLLIN. Yes; anybody can have it.

The CHAIRMAN. That is all.

Senator CLARK. In reference to what Mr. Mollin said in regard to unemployment and the total purchasing power of industry, I would like to put some figures in the record. These are from the United States Department of Commerce, National Income Section, Division of Economic Research. Wages and salaries in the manufacturing industries rose from \$7,400,000,000 in 1932 to \$12,600,000,000 in 1939.

In 1933 it was \$7,463,000,000; in 1934, \$9,311,000,000; in 1935, \$10,494,000,000; in 1936, \$11,878,000,000; in 1937, \$13,965,000,000; in 1938, \$11,155,000,000, and as I said a moment ago, for 1939, \$12,600,000,000.

Now, Mr. Mollin, don't you think that that increase income in industry necessarily reflected some benefit to agriculture?

Mr. MOLLIN. It might be.

Senator CLARK. And therefore an increased foreign trade by industry is also to be considered in determining the effect on agriculture in this country, is it not?

Mr. MOLLIN. I suppose you can argue both ways as to which is the most important and which comes first. But agriculture is still very much in distress.

Senator CLARK. Do you think agriculture would be better off if we built a Chinese wall around this country?

Mr. MOLLIN. No.

Senator CLARK. That is what you do if you prohibit the imports of anything until you consume 100 percent of the domestic production.

Mr. MOLLIN. But I cannot see at all this argument of reducing the tariff on commodities that are already in distress, or on any other commodity that is a competitive commodity. I do not see how you can maintain the American standard of living on that basis. This market is the envy of the whole world; everybody wants this market. There is not anything like it in the world.

The CHAIRMAN. Thank you very much.

The committee will recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:15 p. m., a recess was taken until Thursday, February 29, 1940, at 10 a. m.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

THURSDAY, FEBRUARY 29, 1940

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, in the Finance Committee room at 10 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will come to order.

The first witness this morning is Mr. F. R. Marshall, secretary of the National Wool Growers Association.

STATEMENT OF F. R. MARSHALL, SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION

Mr. MARSHALL. My name is F. R. Marshall. I reside in Salt Lake City, Utah. I am secretary of and speak for the National Wool Growers Association. I am also a wool grower myself; in fact, all of the debts I have incurred were incurred in an effort to demonstrate what I thought was my superior knowledge of growing wool. So far, I have only the debts to show for it.

Our association is the oldest agricultural organization in this country. The president of our association is Mr. C. B. Wardlow, of Texas. He was scheduled to appear, but found that he could not. Likewise, the secretary of the Wyoming Wool Growers Association is present. He was scheduled, but he has authorized me to state that he has read my statement and would adopt the testimony as though it were his own.

As I understand it, the matter before the committee is House Resolution, 407, the joint resolution, which was passed by the House last Friday?

The CHAIRMAN. That is right.

Mr. MARSHALL. So that you may know for whom we attempt to speak, ours is the oldest agricultural organization in this country. It consists, mainly, of an affiliation of associations in the 13 so-called range States, including Texas. There are no other similar organizations in these States. The 13 States have 33,814,000, or 69 percent, of all sheep in the United States. There are about 100,000 sheep owners in these States. In the unorganized States, or those not affiliated with the national body, there are over 500,000 owners with 31 percent of the total sheep population, or 14,600,000 head.

On January 25, in its seventy-fifth annual convention, our association adopted by unanimous vote this statement:

2. TRADE TREATIES

During the past year we have observed the detrimental effect on the wool-growing industry by reason of the trade agreements negotiated with Great Britain and Canada, and the proposed trade agreement with Argentina. They have deprived the citizens and taxpayers of this country of their own markets to the advantage of Great Britain, and the anticipated trade agreement with Argentina has adversely affected the demand for the coarser wools and mohair.

We again place ourselves on record as opposing the Reciprocal Trade Agreements Act and demand that it be permitted to lapse on June 12, 1940; that the terms of the Constitution of the United States be complied with wherein all acts pertaining to revenue originate in the House of Representatives, and that all treaties be approved by the Senate of the United States before becoming effective.

The CHAIRMAN. Has that been the policy of the Wool Growers Association for the last 15 years?

Mr. MARSHALL. I do not think it goes back as far as that.

The CHAIRMAN. Since the Reciprocal Trade Agreements Act, it has been opposition?

Mr. MARSHALL. Oh, yes.

The CHAIRMAN. You were against the policy then?

Mr. MARSHALL. Yes, sir.

The CHAIRMAN. You were against it in 1937?

Mr. MARSHALL. Yes.

The CHAIRMAN. And you are against it now?

Mr. MARSHALL. Yes. We are at least consistent, I think.

The CHAIRMAN. Were you with the organization in the same capacity that you are now, in 1922?

Mr. MARSHALL. I held the same position in 1920 and 1921, and was here a good deal when the Fordney-McCumber bill was written, and a great deal when the Hawley-Smoot bill was written.

The CHAIRMAN. Did you approve of the rates in the Fordney-McCumber tariff?

Mr. MARSHALL. We did not get quite what we were entitled to, but we were glad to get that much, and the same about the Smoot-Hawley.

The CHAIRMAN. What did you advocate at the time of the Fordney-McCumber?

Mr. MARSHALL. I cannot recall clearly. I think we got 31 there. I think our figures on the basis then employed seemed to us to indicate a justification of 35 or 36 cents. In the Smoot-Hawley, while we got 34 finally, we submitted to the committee a record of the difference in cost production which showed about 40 cents as the best we could compute at that time.

The CHAIRMAN. I understood that what was enacted in the Smoot-Hawley bill was what you suggested, 34 and 35?

Mr. MARSHALL. No; we had suggested more than that. We gave figures which were the best that we could produce, to show the difference in cost production was around 40 cents, and the Congress gave us 34. That is on the principal grade, Senator. You must always remember, and it comes up in connection with the Argentine business, that there are parts of the imported wool that come in now at the rate of 29, and which were reduced in the Smoot-Hawley bill from 31 in 1930, and there are some other wools that come in under paragraph 1101 at the 24-cent rate, but the main duty is the 34-cent rate.

The CHAIRMAN. What rate did you advocate in 1922 on rags and waste?

Mr. MARSHALL. We had not awakened to that, Senator. I don't remember the issue, but you remember what we advocated in 1929 and 1930.

The CHAIRMAN. Yes; some of us thought it was remarkable that we had to have a high rate on rags.

Mr. MARSHALL. That is one difficulty I complained about on what the State Department has done to us, and which I will come to.

The CHAIRMAN. That is your main contention now, isn't it?

Mr. MARSHALL. That is the principal point on which we have actually been hurt. Our main concern is the anticipation of what we feel sure is ahead of us in case you extend this act, but I must confess frankly that we have gotten off pretty well so far, but we are awfully afraid of the future.

The CHAIRMAN. You did not appreciate in 1922 and in 1930 that the high rate on rags and waste would hurt the wool-growers of the United States? Of the West?

Mr. MARSHALL. You know how we found out about it—through your good friend, Joe Grundy. You know what happened in 1930.

The CHAIRMAN. I was in line with what he was doing then.

Mr. MARSHALL. I knew you were in line with him on some things, but I did not know whether you were on that. We still think he was a statesman.

The CHAIRMAN. He was the one that picked the flaw in that and showed the wool people of the West that you might be hurt by this high rate on rags and waste.

Mr. MARSHALL. Yes; and over the opposition of most of the Republican Senators from manufacturing States the rates in paragraph 1105 were raised. Senator Grundy, I think, was in the Senate at that time. I don't think he voted on that schedule. He took his seat just before they voted on 1103, I believe.

The CHAIRMAN. All right.

Mr. MARSHALL. If it is in order, Mr. Chairman, I would like to read for the record something that just reached me in this morning's mail from Boston. It is a resolution in this connection adopted on February 27 by the Boston Wool Trade Association. I do not find their appearance scheduled on the calendar, and if it is permissible, I would just like to leave their statement for the record as coming from the Boston Wool Trade Association with this explanation.

The Boston Wool Trade Association, properly the executive committee, in a meeting on February 27, passed the following resolution:

Being firmly of the belief that the authority to make reciprocal trade treaties with foreign governments which has been delegated by Congress, has proved to be detrimental to the best interests of the country and in particular to the growers and manufacturers of wool,

The executive committee of the Boston Wool Trade Association has today voted; unanimously, to recommend to the Congress;

That ratification by the Senate of the United States be required in respect to all trade treaties which may be negotiated in the future.

I think there is something of considerable interest in that, because you will notice the authors of that resolution do not claim that their industry has been hurt. They are dealers, and some of them are commission men; they just take the market as they find it, but they are in

the market all the time. This particular association handles over 80 percent of all of the wool grown in the United States.

The CHAIRMAN. What is the name of the association, did you say?

Mr. MARSHALL. The Boston Wool Trade Association.

The CHAIRMAN. You say they endorse the agreements?

Mr. MARSHALL. No, sir.

The CHAIRMAN. They do not?

Mr. MARSHALL. No. They say that it is injurious to the growers and the manufacturers.

The CHAIRMAN. Both?

Mr. MARSHALL. Yes. They do not claim they have injured them, because they are dealers, dealing in domestic wool and foreign wool and selling it to the mills, but they are in the position to be the best judges of what affects the market and how it affects it.

Senator WALSH. The Boston Wool Growers Association handles both domestic green wool and imported wool?

Mr. MARSHALL. Yes, sir.

Senator WALSH. What percentage do they handle of each kind?

Mr. MARSHALL. It is hard to get at that exactly. I have a table here later on which will show that in 1937, the wool used by the mills in that year was 72.7 percent domestic and the balance foreign. In 1939, it was 88 percent domestic and the balance, 12 percent, foreign.

That, Senator, however, has no regard for the carpet wools, because they are free and we never figure them. But much of the carpet wool, which amounts to around 120,000,000 pounds, I think, is handled in Philadelphia.

Senator WALSH. No carpet wool is raised in this country?

Mr. MARSHALL. No, sir; not of any account.

Senator WALSH. Has there been any reduction in the tariff duties on imported wool under these agreements?

Mr. MARSHALL. Not on the wool itself, but on the waste, which the chairman and I have just been talking about.

Senator WALSH. On raw wool as such, or virgin wool, has there been any change?

Mr. MARSHALL. It has not been touched yet, but we think it is in serious jeopardy. I will touch on that a little later on.

In 1935 and 1936 we appeared in defense of our industry before the Committee for Reciprocity Information when negotiations were in progress for trade agreements with Canada, Belgium, and France. In those days we had no information as to what duties were being considered for reduction. We had to shoot at everything that could come from the other country. We were lucky at those times because the only injury we received was through some reductions in duties on some wastes that, when cheap enough, are used by American manufacturers as substitutes for our wool.

Then in 1938 we appeared and testified in regard to the duty on lamb, which was scheduled for a reduction in favor of Canada, and which would have, of course, been available to New Zealand, Australia, or Argentina if that country's standards of animal health had been as good as those of the United States. We escaped that time.

At about the same time we also had to appear before the Committee for Reciprocity Information in the hearings on proposals from the United Kingdom that the United States lower its duties upon wool wastes, rags, and cloth. That time we got hurt. The duty on rags

was cut 50 percent and the 1939 imports were over 8,000,000 pounds, an increase of 785 percent over 1938 imports, this material coming in direct competition with our wool in the Boston market.

I will not go into the increased imports of the other wastes, or of cloth, except to say that in 1939 imports of fabrics were around 7,000,000 pounds greater than in 1938, which means that the equivalent of 21,000,000 pounds increased imports of wool came in in manufactured form.

A summary of the increased imports of wool wastes and goods, caused by the trade agreement with the United Kingdom, appears in this statement as table 1.

(Table 1 is as follows:)

TABLE 1.—Comparison of imports under schedule 11, Tariff Act, for calendar year of 1938 compared with calendar year of 1939

[The increase in imports may be attributed to the trade agreement with the United Kingdom which became effective Jan. 1, 1939]

Item	January-December 1938, inclusive		January-December 1939, inclusive	
	Amount	Value	Amount	Value
Noils, pounds.....	2,279,032	\$1,164,682	6,031,620	\$2,412,981
Wastes, pounds.....	729,737	205,074	3,903,672	1,270,016
Rags, pounds.....	794,436	262,201	8,417,818	2,321,943
Yarn: Mohair, pounds.....	2,698	3,082	7,230	8,363
Fabrics, worsteds:				
Under 4 ounces, square yards.....	352,874	130,395	736,559	262,364
Pounds.....	70,003		149,277	
Over 4 ounces, square yards.....	955,630	837,256	2,055,694	2,055,770
Pounds.....	418,720		1,580,408	
Woolens:				
Over 4 ounces, square yards.....	4,847,859	4,100,878	8,100,126	6,368,257
Pounds.....	2,841,044		4,827,495	
Wearing apparel.....		4,965,181		315,658

Item	1939 Increase over 1938		Percent increase, amount	United Kingdom duty differential
	Amount	Value		
Noils, pounds.....	3,742,597	\$1,248,209	164.22	7 to 9 cents.
Wastes, pounds.....	3,173,935	974,041	434.04	3 to 10 cents.
Rags, pounds.....	7,623,382	2,059,742	785.56	9 cents.
Yarn: Mohair, pounds.....	4,532	4,411	167.98	5 to 15 percent average.
Fabrics, worsteds:				
Under 4 ounces, square yards.....	383,685	131,000	108.73	12½ percent average.
Pounds.....	79,274		110.39	
Over 4 ounces, square yards.....	2,100,064	1,218,624	219.76	} 5 to 25 percent average.
Pounds.....	1,191,688		277.44	
Woolens:				
Over 4 ounces, square yards.....	3,312,267	2,201,370	68.94	} Do.
Pounds.....	1,966,451		69.92	
Wearing apparel.....		-649,623	-13.08	(See.)

Now I wish to refer to two possible agreements, one of which has been started, that with the Argentine, and discontinued. The other is the Australian agreement.

Last October we testified before the Committee for Reciprocity Information in opposition to reduction of duties on wools coarser than 44's. We showed that the duty on such wool had been lowered by the Tariff Act of 1930 and that 80,000,000 pounds, or 20 percent of the American clip was composed of, or competitive with, the kind of wool then listed for a possible duty reduction.

I shall not remind you that that proposed agreement dealt almost exclusively with agricultural products grown in this country and some

of them in the surplus class. The Argentine agreement has been dropped, but we do not know when negotiations may be reopened. While it was under consideration, wool manufacturers and dealers naturally delayed purchases of 44's wools or demanded a lower price because a reduction of duty seemed probable.

In 1938 a more serious injury was worked upon the wool grower's market because of conversations relating to a trade agreement with Australia and reduction of wool duties. True, there was no official announcement of intention to negotiate with Australia. But it was known and admitted that there had been unofficial conversations between representatives of the Australian Government and our State Department pertaining to the duty on wool from Australia.

We cannot know when these conversations will be resumed and when the news may leak out to the trade, nor when there may be official announcement of negotiations with Australia.

I am sure you will agree that the showing made in table 2 of my statement is conclusive evidence that the present duty on apparel wool is fairly and scientifically adjusted.

I have here a table setting forth the wool production in the United States for the years 1930 to 1939, inclusive, the total mill consumption in each of those years, that is only of the apparel wools, with no regard to carpet wools, and the percentage each year of that consumption which was domestic. It runs as low in 1932 as 95 percent domestic, and in 1937, 72.7 percent domestic, or 27.3 percent foreign.

Senator DAVIS. What is the total production of wool in the United States?

Mr. MARSHALL. In 1939, it was 441,000,000 pounds. That includes the pulled wool from the packers, all converted into the same basis, what we call the greasy shorn wool basis, the same way that the farmers sell it. We have been increasing our production very steadily.

Senator DAVIS. What were the total imports during that same period?

Mr. MARSHALL. I haven't those figures. This table just shows the proportion of the annual consumption. They have been running some years as high as 80, 90, and 100 million for apparel purposes in the good consuming years, and in years like 1932, they were, of course, very very low, but I should say probably an average of around 50,000,000.

Senator JOHNSON. Does your table also show the carry-over?

Mr. MARSHALL. No, sir; I have not given that in here. I did not think, Senator Johnson, that the wool rates themselves were directly at issue. I realize now that while they are not before this committee, the question before this committee does directly go to the possibility,

and I would say the probability, of a reduction in the wool rates in case the committee recommends the House resolution and it becomes a law, because we have found that any action under this law means reduction.

The CHAIRMAN. You make that statement, and yet you say that on raw wool there has been no reduction in any of the negotiated trade agreements?

Mr. MARSHALL. That is correct.

The CHAIRMAN. The only reduction has been on the rags and waste.

Mr. MARSHALL. And the cloth which affects us indirectly.

The CHAIRMAN. If these reciprocal trade agreements have been going on for 6 years without reducing rates at all, why do you make the statement that you think they should be lowered?

Mr. MARSHALL. We think that we are next on the list, from the information we get second-hand from the State Department. Our information is that they considered the United Kingdom trade agreement as the crowning point of the trade-agreements program, and we think that is perfectly natural and proper. We know they have attempted and started trade-agreement negotiations with Australia. If you could just give us assurance even for 3 years that they will leave our wool schedule alone, we would get out of here pretty quick.

The CHAIRMAN. This committee can not give anybody any assurance like that, but it seems to me that you have pretty good assurance that if in 6 years it has not been touched, and you are frightened now because of some conversation you say somebody said that they heard between some people from other countries, if that is all that you have to go on—

Mr. MARSHALL (interposing). No, sir. We know that Commissioner McGregor, the Australian Commissioner at New York, was several times present at the State Department in what the State Department later officially said were preliminary conversations to see what the prospects were for reaching agreeable terms on negotiations for a trade agreement. We know from some of the people who work with the State Department that the chief subject of those conversations was the duty on wool. Our opinion is, and it may be wrong, that if it had not been for the war conditions, the intention or plan of negotiating with Australia probably would have been announced before this time. We think our fears are pretty well grounded, but I strongly hope that we are wrong.

The CHAIRMAN. As between the western sheep producer and the Boston wool dealers—those Boston people were the dealers?

Mr. MARSHALL. Yes. The manufacturers have their men on tomorrow.

The CHAIRMAN. Who is helped by virtue of getting a little reduction on these rags and on these wastes?

Mr. MARSHALL. The manufacturers of cheap woolen goods. We do not think that the consumer is helped. Of course, that is a matter of argument.

Senator WALSH. As I understand your position, you are not affected—the dealer—because of any reduction in duties on wool, but you fear that in the future the reduction that has already been made on woolen cloth may reduce the wool consumption market, and therefore indirectly you will be affected?

Mr. MARSHALL. I am representing the growers, not the dealers. I go a little further, Senator Walsh. The increased imports of cloth in 1939 necessarily reduced the volume of the demand for wool, including our wool. We anticipate that will go further, and what we chiefly anticipate is the reduction in the wool duty prescribed in paragraph 1102.

Senator WALSH. You or somebody else, I suppose, will attempt to show that the reduction in certain grades of woolen cloth has led to an increase in imports?

Mr. MARSHALL. I feel certain that Mr. Besse, representing the National Association of Wool Manufacturers, will go into detail on

that tomorrow. I might speak on that, but I am sure that Mr. Besse can do it much better than I can.

Senator WALSH. Very well.

Mr. MARSHALL. Wool imports come in freely when needed. In 1932 when the tariff could not help the growers our mills imported but 5 percent of their wool, but in 1937 they imported 27.3 percent, and in 1939, 12 percent.

Table 2 shows, for the last 10 years, the annual production and total consumption of apparel wool, and the proportion of the latter that was of domestic origin.

TABLE 2.—Domestic wool production: Consumption for apparel and percentage of domestic (all figures for equivalent of greasy shorn wool including pulled wool)

(Thousands of pounds)

	Production	Consumption, total	Percent domestic		Production	Consumption, total	Percent domestic
1930	414, 029	447, 000	81. 2	1935	430, 067	744, 400	61. 8
1931	442, 401	543, 200	89. 6	1936	420, 327	606, 400	83. 6
1932	418, 096	430, 800	95. 0	1937	427, 850	579, 500	72. 7
1933	438, 352	572, 200	94. 0	1938	436, 000	513, 000	92. 5
1934	430, 820	381, 400	90. 4	1939	441, 000	673, 300	88. 0

It is my duty to again ask you to consider whether these attempts and beginnings at lowering the principal wool duty are in harmony with our President's plainly announced policy so clearly expressed in his letter to a member of this body.

I know you are familiar with that letter, Senator, but I must put it in the record again. It is as follows:

THE WHITE HOUSE,
Washington, June 5, 1934.

MY DEAR SENATOR O'MAHONEY: My concern that agricultural prices should be protected and where possible substantially raised, ought to be well known by this time. This is why I was surprised that a question should be raised about wool. The new tariff bill has been thought of as one of the emergency measures which would help in the general effort to rehabilitate agriculture and industry together.

The new tariff bill which the President referred to there, of course, was the Reciprocal Trade Agreements Act, which was then before the Congress.

Continuing with the letter:

The wool industry is one of those which need price protection and the suggestion that the new tariff bill might be used to lower those prices is one which would not have occurred to me. That is the thought I expressed to you, Senator Costigan, and others on May 19. I have read the statement which you issued and as I might expect, it correctly reports the facts.

I hope you will have no further concern for fear that something damaging to the industry may result from this legislation.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

I will not read the statement which is in my manuscript and which resulted in the President's sending Senator O'Mahoney this letter, but I should like the privilege of inserting it in connection with my remarks.

The CHAIRMAN. Yes.

(The statement by Senator O'Mahoney, to which the President referred, was issued on May 9, 1934, and reads as follows:)

STATEMENT TO THE PRESS MAY 9, 1934, BY UNITED STATES SENATOR JOSEPH C. O'MAHONEY, WYOMING

President Roosevelt today gave renewed evidence that he is in complete sympathy with the West. Immediately after signing the sugar bill which stabilizes the price of sugar for all domestic producers, the President in the presence of Senator Costigan and Assistant Secretary of Agriculture Tugwell, authorized me to say that he and his administration are as much concerned in maintaining the price of wool as they are in maintaining the price of wheat, cotton, and other agricultural commodities.

I told the President that wool buyers recently have been making low offers on wool and that there has been considerable apprehension lest the reciprocity policy would mean sweeping reduction in the tariff on wool and an adverse effect upon the market. I told him that I have been advising the people of my State that an administration, the primary object of which is to improve the condition of agriculture, could be depended upon not to take any hostile action toward the wool industry. The President replied that in this position I was exactly correct. Both he and Secretary Tugwell agreed that this administration should do everything possible to maintain the price of wool and the President said that he recognized wool growing as one of the fundamental agricultural industries and desired to be helpful to it.

Mr. MARSHALL. Now as to import restriction and animal health—on October 2, 1939, we appeared before the Committee for Reciprocity Information in opposition to reductions of duty proposed to be made in negotiation of a trade agreement with Argentina. Duties on fresh meats, or live meat animals, were not under consideration then, because, as the Department of State had announced, the Argentine sanitary convention had not been acted upon by the Foreign Relations Committee of the United States Senate.

There was some discussion at that meeting with members of the Committee for Reciprocity Information, as to existing import restrictions, relating to the health of animals in meat-exporting countries, as now carried in section 306-a of the present tariff act.

Some good lawyers, and apparently some lawyers in the Department of State, are of the opinion that the Reciprocal Trade Agreements Act does empower the President to deal as he chooses with all import restrictions such as that contained in section 306-a of the Tariff Act of 1930.

I strongly urge that your committee amend House Joint Resolution 407, so as to amend the act of 1934, by definitely taking section 306-a of the present law out of the import restrictions as defined in the act of 1934.

In other words, I ask you to make sure that the Department of State shall not interfere with the directions given by Congress for safeguarding the health of livestock in this country. At first you will think my imagination has gone wrong, but just let me get the facts before you.

On June 5, 1935, the President sent to the Senate a document containing a proposed Argentine sanitary convention, signed on May 24, 1935, by Secretary Hull and the Argentine Ambassador. That convention is still where we like to see it—in the files of the Committee on Foreign Relations.

The CHAIRMAN. If it were going to be considered by the Senate, it would have to be sent there?

Mr. MARSHALL. Yes.

The CHAIRMAN. And considered by the Foreign Relations Committee?

Mr. MARSHALL. Yes.

The CHAIRMAN. And nothing has been done about it?

Mr. MARSHALL. Which is very pleasing to us.

The CHAIRMAN. Then why should you get so fearful about it?

Mr. MARSHALL. I think I can tell you. I think we have good grounds for our fears. Since you have asked it, I had better read the language that is in that convention, which I propose to ask you to consider further. The paragraph in the proposed convention contains this language:

In the event that the Government of either of the contracting countries makes representation to the Government of the other country in respect of the application of any sanitary law or regulation for the protection of human, animal, or plant health or life, and if there is disagreement with respect thereto, a committee of technical experts on which each contracting Government will be represented shall, on the request of either Government, be established to consider the matter and to submit recommendations to the two Governments.

Of course, as I say, Mr. Chairman, the Senate has not approved that proposal nor any part of the Argentine convention, and I hope they never will.

The CHAIRMAN. Not only that, but it has not even come up, as I recall, and I think I am a member of that committee and I have been for a long time, and I do not think it has come up.

Mr. MARSHALL. The funny part of it is, Mr. Chairman, that that same language is in effect binding on the United States in the Canadian agreement.

The CHAIRMAN. Are you afraid of Canada?

Mr. MARSHALL. If the State Department has the power to put that into effect with Canada, they have it with respect to Argentina.

Senator JOHNSON. In other words, you are not afraid of the Foreign Relations Committee of the Senate?

Mr. MARSHALL. They are our friends.

Senator JOHNSON. But you are afraid of the State Department with all of these restrictions all taken off and with the power given to them to extend the making of trade agreements?

Mr. MARSHALL. Yes, sir. I said here a moment ago that apparently some lawyers in the State Department considered that import restrictions, in the act of 1934, would permit the President or the Secretary of State to nullify section 306 of the act, and I think the argument of that legal opinion of the State Department is well shown in the fact that they have written in the trade agreement with Canada, the first agreement, and again in the second one, such language; and my point is, Mr. Chairman, that if they can bind the United States in that in a trade agreement with Canada, they can also bind the United States to the same thing in a trade agreement with Argentina or any other country, and that is not what the Foreign Relations Committee wants, we are sure.

The CHAIRMAN. Have you ever heard of the Interdepartmental Committee, or the committee that is negotiating these agreements and having the matter up, intending to do that?

Mr. MARSHALL. We had some discussions with Mr. Diemer, of the State Department, at the Argentine hearings last fall. You see, Senator, fellows like myself and others representing industries rarely, if ever, contact the men who sit in these negotiations. We get these little boys down in the Committee for Reciprocity Information, and the clerks around the various offices of the Tariff Commission. Perhaps we have been too diffident in not going to the Secretary of State's

office for original information, but our best information is that the State Department lawyers claim that the language of the act of 1934 does give them that power. I think there is some room for doubt as to the legal status of the matter, and that is why I simply ask and urge that this committee amend the act of 1934, the element of which, I presume you will report, so that it will clearly provide that action shall be in accordance with the express wish of the Foreign Relations Committee expressed by its enactment.

The CHAIRMAN. You have a great deal of confidence in this corps in the State Department who have been negotiating these trade agreements, haven't you? You think that they have done a pretty good job?

Mr. MARSHALL. Well, I won't go quite that far.

The CHAIRMAN. Well, they have done a pretty good job so far as the woolen people are concerned? They have not affected it?

Mr. MARSHALL. They have been pretty good to us. I wish we could feel assured of as good treatment in the future from them, but I do think, if your committee will go into that matter, Mr. Chairman, that you will agree with me that it is highly desirable if you are going to extend this plan, that that matter of section 306-a should be protected. Now, I am going to venture a short discussion of what might happen and what we would like to see the committee do. As I understand it, the question you have before you in effect is: How shall import duties be prescribed after June 12, 1940? I would say that you have four alternatives:

1. Take no action and thereby return to Congress the duty and responsibility of writing the tariff law.
2. To merely extend the act of 1934.
3. To extend the act of 1934 with a requirement that trade agreements must be ratified as treaties, by the Senate. This plan is now before your committee as Senate Resolution 69.
4. The plan outlined in S. 3238 by Senator Vandenberg.

The CHAIRMAN. You say you are for the bill of the Senator from Michigan?

Mr. MARSHALL. To the extent that it seems to look for protection rather than reduction. Some parts of it with regard to the granting of powers I cannot go with.

Senator JOHNSON. I notice you do not state in your possible alternatives the proposal of Senator O'Mahoney.

Mr. MARSHALL. Thank you for calling that to my attention. When I wrote this, I had not known that Senator O'Mahoney had changed his position. I supposed that he was still standing on the resolution which was before the committee, in which he proposed that these agreements should be ratified as treaties by a two-thirds vote of the Senate.

The CHAIRMAN. Do you know that Senator O'Mahoney made a very eloquent speech in 1934 along that line?

Mr. MARSHALL. Well, I thought that he got out of it pretty well yesterday when he was confronted with that by the Senator from Missouri. I think he did a pretty good job. However, I wish that some of the other Senators were progressing in their thinking as rapidly as we think Senator O'Mahoney is. Perhaps you are not all sufficiently Irish. [Laughter.]

Now, discussing these alternatives:

1. Take no action now: The membership of our association asks that the Congress resume the work of writing tariff laws. We recognize the magnitude of the task, but it has been well done in the past.

Much is said of the necessity of having duties set in a scientific way by experts and economists. To that argument I say: Employ all the experts and economists you wish, but let them be directed by and report to men who have been elected to write the laws and not to one or two individuals already overburdened with numerous and extremely important affairs of government. In short, I think the most statesmanlike thing this committee can do would be to keep this resolution in the files indefinitely, to exercise statesmanlike inactivity. The next—

2. Extend the act of 1934: Testimony before the Ways and Means Committee disposed of the notion, born of the panic, that the act of 1930 was in any way responsible for the international collapse of business in 1930.

On page 2128 of the report of the House hearings one of the most highly respected economists of this country shows that increases in four large classes of exports in 1937 as compared with 1934 amounted to 14.9 percent for four countries at war, 117.9 percent for the trade-agreement countries, and 109.9 percent on the much larger volume of exports to non-trade-agreement countries not at war. The witness concluded that:

We gained substantially nothing in exports as a result of foreign concessions to us in reciprocal trade agreements.

We do not consider that the present method is in harmony with the policy of reasonable protection for American production as written in the act of 1930, which still is in force. Certainly the present method has so far operated solely to reduce protection.

Of course, if you do extend the Trade Agreements Act, Congress could still change any duties not covered by reciprocal agreements and could only change those, if the President consented, by giving 6 months' notice of termination after an agreement had been in effect for 3 years.

3. Ratification by the Senate: Of course I shall not attempt to add to the legal argument upon Senate ratification of trade agreements.

As I explained to Senator Johnson, my material was prepared without being aware that Senator O'Mahoney, for good reason, no doubt, had changed to having it ratified by both Houses, and much to my disappointment, his proposal now only would call for a majority vote. I had hoped it might be two-thirds.

You will remember, Senator Harrison, very well that in December 1929 after our mutual friend, Mr. Grundy, took his seat, paragraph 1105 was under consideration—that was the one that carried that rag duty. I am rather inclined to think you voted with us at that time. I know Senator George and several other of our good friends from your part of the country voted that way.

The CHAIRMAN. No; I illuminated the Congressional Record by opposing taxing rags. In the Underwood Tariff bill, we put rags on the free list.

Mr. MARSHALL. Yes; but not mohair at that time. If the act of 1934 is to be extended, we hope that Senate ratification by a two-thirds vote will be required.

I must point out that the treatment of our import duties with one country at a time is largely a nullification of the policy of protection which I believe more than a majority of the voters and of the Members of Congress, except "spot-protectionists," subscribe to. And this, I think, would still be true under Senate ratification.

I did not finish my thought when I called your attention to 1929 and paragraph 1105. I wanted to bring that in to support my thesis that in voting on single items or paragraphs or single schedules, that even staunch protectionists are sometimes outweighed in their thinking about what they think are the peculiar conditions in their constituencies. Certainly all but two of the protectionist Senators from New England's wool-manufacturing States, voted against paragraph 1105 and the rag duty, and it only became the law through the help of many southern Senators, even though some of them voted subsequently, no doubt, against the bill as a whole.

My argument is that when you are taking up one matter at a time and passing on them that way, that you cannot get a fair democratic writing of a list of import duties as a whole. I know that leads up to logrolling ideas, but I regret that. But, I am sure it is the only fair and the only democratic way to adopt a set of import duty rates. Any other system, and the present one, simply means a continuous process of whittling down of duties without regard to the amount of protection justifiable or to differences in costs of production.

If time permitted and if it were necessary, I am sure I could convince you that the trade-agreement plan is trading off agriculture to increase exports of factory products.

If the power over tariffs cannot be restored to Congress, then by all means let there be Senate ratification. That will do some good, though I still hold that it will continue to mean inexpert and unscientific reduction of duties and a negation of the policy of fair protection which I still believe a majority desires.

The CHAIRMAN. What was the price of raw wool in 1932?

Mr. MARSHALL. Some we sold out on the range as low as 8 cents, but I think the farm price in the United States as a whole was between 11 and 12 cents. Of course, that was a condition under which no protective tariff could do the producer any good.

The CHAIRMAN. That was the reason I asked you if that was the year you passed the Hawley-Smoot Tariff Act?

Mr. MARSHALL. No; that was 2 years after the passage of that act.

The CHAIRMAN. Oh, yes; it was passed in 1930?

Mr. MARSHALL. Yes.

The CHAIRMAN. What is the price now?

Mr. MARSHALL. The last I have heard on the sale this year was 27 cents, the week before last.

The CHAIRMAN. It has gotten above parity price, hasn't it?

Mr. MARSHALL. No, sir.

The CHAIRMAN. What is the parity price?

Mr. MARSHALL. I am glad you mentioned that parity price business. We are having a heck of a time with the Commodity Credit Corporation loan over there, in the Agricultural Department all the time. We are up against this all the time, and Secretary Wallace in a very friendly way always admitted it, that so few of them over there know anything about the wool business at all. The trouble is with—you referred to the Underwood-Simmons bill—the parity-base period of

1904 to 1919, including 1912 and 1913 when wool was placed on the free list, and it gives us a most highly inequitable base period for computing the pre-war value of our product. Other things were good then; hogs were good; corn was good; cotton, too; but wool was just in that tariff change, and it just ruins us, that parity period, every time.

The CHAIRMAN. It does not seem to have ruined you much; you seem to have gotten along pretty well by maintaining a good price for wool and not having raw wool touched by the reciprocal trade agreements, and I notice in this publication on the agricultural situation as presented here, December 1939, entitled "Brief Summary of Economic Conditions," that as against the parity price as of November, 1929, it is 23.4, but the wool people were getting at that time on raw wool 27.6, so it is above it.

Mr. MARSHALL. We would have gotten 27.6 if we were selling wool, but that is wool at Boston. There was no wool in this country at that time. We had all sold out before the war and before the price went up. I got 22 cents last year, and the market is not as high today as your report shows it was in November or December, but the grower did not get that increase in 1939, which was a price that came partly as a result of the outbreak of the war.

The CHAIRMAN. Are there any questions?

Senator JOHNSON. I would like to emphasize, if I may, the fact that Mr. Marshall is not complaining about past experience very seriously, at least, but he is apprehensive about the future and the pending legislation deals with the future entirely. We are not repealing anything in the pending legislation. The existing trade agreements will continue in full force and effect, and the only matter that is before us is whether there shall be new trade agreements. Is that not correct?

Mr. MARSHALL. Yes, sir; that is my position exactly.

Senator JOHNSON. And is it not a fact that the wool market is a very sensitive market, and the prospect of trade agreements—just even the prospect of them—unsettles the market and causes the producer heavy losses; and would it not be a fine thing for the producer if this thing could be settled and settled permanently on some kind of a permanent basis so that the prospect of unsettlement would not often be hanging over the market?

Mr. MARSHALL. That is exactly what we would like, Senator Johnson; although the old fashioned way of changing these things by congressional action as not complete stability, it was much superior to the constant threat that anything can be done in a few months or weeks without the consultation of Congress, as it is at present. We think we have a much greater measure of stability if this plan were not in effect—we would have.

Senator JOHNSON. Yes; but that is not the question that is before the Congress at the present time. The question before us now is whether we shall extend the agreements.

Mr. MARSHALL. If you do extend them, you just renew that complete instability and uncertainty and apprehension, which, as you bring out, the woolen trade is very much apprised of and takes advantage, and properly so, of every prospect there may be to reduce the duty on wool by reflecting it in the prices we get.

I believe, Mr. Chairman, that that matter that I brought out about that language in the Canadian agreement which has not been passed upon by the Foreign Relations Committee, will, on further study, commend itself to you, and that the committee should clarify that point by an amendment such as I have suggested, which will exempt section 306-a from the present provisions of the act of 1934, if extended. Again I urge that your committee adopt a policy of statesmanlike and masterly inactivity.

The CHAIRMAN. Thank you very much, Mr. Marshall.

The next witness is Mr. B. C. Budd, of Detroit, Mich.

**STATEMENT OF B. C. BUDD, CHAIRMAN, EXPORT COMMITTEE,
AUTOMOBILE MANUFACTURERS' ASSOCIATION, DETROIT**

The CHAIRMAN. Mr. Budd, you are the chairman of the export committee of the Automobile Manufacturers Association?

Mr. BUDD. Yes.

The CHAIRMAN. And you are appearing here on behalf of the board of directors of that association?

Mr. BUDD. Yes, sir.

The CHAIRMAN. You may proceed in your own way.

Mr. BUDD. I would like to say at the beginning that the association includes practically all of the motor-car manufacturers of this country with the exception of the Ford Co.

The Automobile Manufacturers Association respectfully urges that House Joint Resolution 407, renewing the Reciprocal Trade Agreement Act, be favorably reported by this committee and passed by the Senate.

Following its enactment in 1934, our association has consistently endorsed this legislation, believing in the soundness of its principles and its benefits to the country as a whole.

I would like to take this opportunity of emphasizing a few basic facts about our business which substantiate this endorsement.

Through a period of some 30 years, the automobile industry has worked to broaden its markets through the development of international trade. I do not think anyone can question the success of these efforts which culminated in total business in 1929 of nearly 1,000,000 motor cars and trucks. Then, in the short time of 3 succeeding years, we saw this volume shrink to 180,000 units, a loss of 82 percent.

Naturally, we welcomed the Reciprocal Trade Agreements Act, which was designed to reverse this downward trend.

Between that period and 1937, our export business made a substantial recovery and again reached the appreciable figure of 683,000 units, a net gain from the low of a half million cars and trucks.

We do not attribute this entire gain to the Trade Agreements Act alone, but we are convinced it was a most important factor.

I would also like to emphasize that under normal conditions, between 10 and 15 percent of our total production is exported, while from 85 to 90 percent is sold in the home market.

Senator WALSH. Was that true during the depression?

Mr. BUDD. Yes, sir; it has been true right straight through.

Senator WALSH. Even during the poorest years of the depression, was your export business 10 or 15 percent of the total?

Mr. BUDD. Yes; it stayed fairly steady. It varied a little due to local conditions and foreign conditions, but that has been a fair average during that period.

Senator WALSH. You may proceed.

Mr. BUDD. The 15 percent that goes to export represents hundreds of millions of dollars and is of extreme importance to successful operations. My main purpose, however, in citing these percentages is to define the relative size of the two portions of our market and assure this committee that we give full weight to their relative importance.

It would be suicidal for us to try to increase our business in 15 percent of our market by methods which would jeopardize 85 percent of our market.

The main criticism we have heard of the Reciprocal Trade Agreements Act is that it may prove harmful to domestic agriculture. We do not share this view and, as a group, the American farmers are our best customers.

To the contrary, we believe that the duty reductions that have been made have had no serious effect on agriculture, while increased exports have widened the market for farm products.

In our industry alone, raw materials, as well as finished products from every State in the Union, go into the manufacture of cars and trucks: 15 million pounds of wool, 10½ percent of our cotton, 65 percent of our leather, 53 percent of our malleable iron, 69 percent of our plate glass, and from 9 to 35 percent of such metals as tin, copper, aluminum, and lead, are consumed by this one industry annually.

In addition to the thousands of men directly engaged in the manufacture and transportation of the increased number of exported cars and trucks previously mentioned, other thousands of farmers and industrial workers are benefited through sales of the products they grow or produce, and the still wider market their incomes provide.

Motorcar exports are but one example—all other exports contribute equally.

We accordingly believe that increased exports of manufactured goods means increased sales of farm produce to the people engaged in making these goods, and, in the same way, the export of farm surpluses reflects better business in the farm areas for the manufacturers. Agriculture and industry thus have a common stake in foreign trade.

Another reason why we desire the renewal of the Trade Agreements Act is that the question of the alternative is a serious one.

Certainly a policy of excessive protectionism would again lead to retaliation, reprisals, and a closing of the markets which we must depend upon for the disposal of our surplus production.

An extension of the act at this time is urged because we believe the benefits already gained will continue. We also believe other large and important markets for our products may be added to the 22 that have already signed agreements.

It is double important now, with such unsettled conditions abroad, and so many of our normal markets closed to us, that maximum sales be secured in the countries that remain open.

Senator VANDENBERG. Mr. Budd, I do not need to tell you how deeply I respect your opinions and those whom you represent nor how deeply I am interested also in automotive exports.

Mr. BUDD. I recognize that.

Senator VANDENBERG. And that I recognize the importance of it. I want to ask you a few questions to explore the subject rather than to invite any controversy, because I am deeply interested in finding out what really will encourage automotive exports.

Now, you have referred to the great recovery in automotive exports subsequent to 1932 when you hit a low, according to the figures presented to the House, of \$76,000,000 in dollar value.

Mr. BUDD. Yes.

Senator VANDENBERG. The trade agreements did not become generally effective until 1936, so it would be almost the first of 1937 before they were generally effective. Your recovery from the low of \$76,000,000 in 1932 reached \$250,000,000 in 1936. That certainly was a substantial recovery without the benefit of trade agreements, wasn't it?

Mr. BUDD. That is right. Not that whole period, though, I do not think, Senator. The Trade Agreements Act went into effect in 1934, didn't it?

Senator VANDENBERG. It was passed in 1934, but there were no agreements negotiated in 1934, only two or three in 1935, and only four or five in 1936. I know it was spread down through the years. Your export in 1938 was \$282,000,000. That was when you had had the advantage of 2 fairly full years of trade agreements. The big increase, in other words, from 76 million to 250 million would indicate, would it not, that your increased exports were due chiefly to a recovery of buying power in the world?

Mr. BUDD. Yes; I think that is generally true. In that period that you mentioned?

Senator VANDENBERG. Yes.

Mr. BUDD. Yes, I think that is right.

Senator VANDENBERG. And the increase from two hundred and fifty to two hundred and eighty-two million is the only increase which is represented by the active operation of the trade-agreements program, and I do not find that to be a truly impressive increase.

Mr. BUDD. I don't agree with that.

Senator VANDENBERG. That is what I would like to have you discuss.

Mr. BUDD. In 1937, it reached a total of 360 million from 250 million in 1936. That is a 110-million-dollar increase, which is very substantial. The reason that our exports dropped again in 1938 was due to the unsettled conditions in Europe, mainly, and I think that you will all recall the Munich agreement and the nervousness that existed, and naturally people just did not buy cars in that period.

Then again, through the 1938 and 1939 period. I think that other conditions and influences have outweighed the possible advantages we might have had from the reciprocal trade agreements.

Senator VANDENBERG. In exploring your figures, which is the thing I want to do at the moment—for instance, your biggest increase is to Canada, which rises from \$1,800,000 in 1934 to \$12,000,000 in 1938—

Mr. BUDD (interposing). These figures do not include Canada.

Senator VANDENBERG. I am reading from the table that you presented to the House of Representatives. You have Canada in the figures.

Mr. BUDD. The exports to Canada, but not the Canadian trade.

Senator VANDENBERG. That is what I am talking about—the exports to Canada. The biggest increase was the Canadian increase. The Canadian agreement did not go into effect until January 1, 1939, so that could not be affected by the figures in this table.

Your second biggest increase was Venezuela——

Senator CLARK (interposing). That was the second Canadian agreement, wasn't it?

Senator VANDENBERG. No; that is the first one. The second Canadian agreement was January 1, 1940. Your second biggest increase was Venezuela, from \$1,000,000 to nearly \$6,000,000, but the Venezuelan agreement did not go into effect until December 16, 1939, so that could not have been affected in any way by the trade agreements.

In other words, in breaking down your figures, I am forced to the conclusion that your chief reliance in this increased export trade has been this resumption of foreign buying power. I am wondering to what extent that conclusion is justified.

Mr. BUDD. I think that is altogether possible. You can pick out certain individual countries like that, but we are looking at the thing more or less as a whole. The first Canadian agreement was made in 1936, and there was an improvement in Canadian sales since that time.

Now, as to the Venezuelan situation——

Senator CLARK (interposing). Pardon me just a moment. I am informed by the Tariff Commission that the first Canadian agreement went into effect on January 1, 1936, the second Canadian agreement went into effect on January 1, 1939, and that a supplementary agreement went into effect on January 1, 1940.

Senator VANDENBERG. That is correct.

Senator CLARK. So that the cycle of Canadian trade agreements went effect on January 1, 1936.

Senator VANDENBERG. That is correct. I find that this has been erased in this book, and you are entirely correct about that.

Now, the nature of the benefits also interest me in respect of this question of what is really responsible for your increased exports. Take your big increase to Sweden, for example, which jumps from \$4,000,000 to nearly \$11,000,000 between 1934 and 1938. The trade-agreement benefit you got from Sweden was merely a binding of the duty where it was; isn't that correct?

Mr. BUDD. That is right.

Senator VANDENBERG. So that there was no reduction in the Swedish tariff against you. You have the same tariff straight through.

Now, since that is the fact, wouldn't that indicate that your increased Swedish export was essentially a recovery of Swedish buying power?

Mr. BUDD. Yes; but Swedish buying power, or in any of these foreign countries—the ability to buy over here depends a great deal on what we buy from them. Through the trade agreements, if we purchase more, if we increase our purchases from them, they can buy more from us, even though the duties are bound.

Senator VANDENBERG. I think you can make a point of that.

Senator CLARK. That is one of the essential purposes of the trade agreements, is it not, to enable foreigners to buy our goods?

Mr. BUDD. That is absolutely right.

Senator VANDENBERG. To what extent—you probably know as much about this export problem as anybody who will be before us—to

what extent do you collide with other things than tariffs by way of barriers in international trade, embargoes, blocked exchange, and so forth?

Mr. BUDD. We have plenty of that. We have almost everything you could conceive of.

Senator VANDENBERG. Is it not a fact that your highest hurdles are other things than tariffs in respect to interrupted foreign trade?

Mr. BUDD. At the moment. Our greatest hurdle at the moment is restriction on exchange.

Senator JOHNSON. What is that?

Mr. BUDD. Restriction on exchange, I said.

Senator VANDENBERG. In your judgment, are we not calculated throughout the continuation of the war period, and then the period of the post-war readjustment, are we not likely to continue to confront that type of barrier in increasing degree?

Mr. BUDD. Well, that all depends. I would say that the answer to that is that in the belligerent countries, or in the dominions, we are liable to, on account of the war reasons. In other words, there is a concerted action at the moment in some of the British possessions to conserve all exchange for absolute war necessities. In the other neutral markets, it depends pretty much on what we buy from them. If we can increase our purchases from those countries and increase exchange, we can increase our exports to them.

Senator VANDENBERG. What I am getting at is that so far as physically leveling the barriers that you confront other than tariffs, we have got a problem that is very serious to you and is not touched by the trade-agreements program at all.

Mr. BUDD. Well, it is touched in general. If we can negotiate treaties or trade agreements, and as I say, increase our purchases from them sufficient to create this exchange, then we can expect to widen our export market.

Senator VANDENBERG. I am conceding that argument to you.

Mr. BUDD. I don't know whether you quite understood the point I want to make there. In many countries, and particularly in South America, where the difficulty of securing exchange has increased recently due to the war, that has been mainly because many of the European markets have been shut off to them.

Senator CLARK. In many cases, these trade agreements do treat with quotas, licenses, foreign exchange restrictions, as well as tariffs, do they not?

Mr. BUDD. That is right.

Senator CLARK. In other words, they bind against exchange restrictions in some cases, and they also treat with licenses and other systems of trade barriers, and also quotas?

Mr. BUDD. That is right.

Senator CLARK. Not in all instances?

Mr. BUDD. Yes.

Senator CLARK. But they are the subject of negotiation and agreement in the trade agreements?

Mr. BUDD. Yes, sir.

Senator VANDENBERG. Do you recall any of the 22 agreements of these, what Senator Clark describes, in respect to your exports?

Mr. BUDD. I don't believe that I understand your question there, Senator.

Senator VANDENBERG. In any existing trade agreements, have there been any corrections in embargoes, blocked exchange, and so forth?

Mr. BUDD. Yes; we have had quotas in some of the markets, and we have had quotas increased in some of the agreements over what they were. Is that what you mean?

Senator VANDENBERG. Have any of the agreements touched the question of blocked exchange?

Mr. BUDD. I don't know.

Senator CLARK. It could not touch the question of blocked exchange with regard to a particular commodity.

Mr. BUDD. I don't know exactly what you mean. Those things change as the minutes go by, almost.

Senator VANDENBERG. I am simply exploring the question as to whether or not there is effective supplementary action that you might anticipate to further increase the benefits we could give your export trade.

Mr. BUDD. I don't think I can answer that right off, but we will be glad to check the point and give you the information later.

(Mr. Budd supplied the following:)

The problem of exchange availability is one which is met through the slow but sure building of good trade relations through trade agreements, and the removal of trade barriers at the same time. It is our observation that exchange restrictions and blocked exchange in general arise from prior restrictions upon the flow of trade.

The present practice in the negotiation of trade agreements is to provide for equal treatment for all countries in the matter of obtaining the available exchange. This clause is designed to prevent discrimination against American exporters.

No particular supplementary action is suggested at this time.

Senator VANDENBERG. All right.

Mr. Budd, do the branch factories that have been built abroad, which I suppose are now mostly, superficially at least, independently owned units, do they in turn ever provide competition for our exports in your line of business?

Mr. BUDD. Generally not. I don't think so. You mean assembly plants abroad?

Senator VANDENBERG. Yes.

Mr. BUDD. No; I would not say so. I will tell you one thing they do do—they force more or less all the companies to assemble in those particular markets. There has been an attempt on the part of many countries to build up domestic labor, I mean increase the employment of domestic labor and make certain concessions in duties to foster that movement, and if you do not ship unassembled units and assemble under those conditions, then it would be pretty difficult for you to do business in those markets. It depends entirely on the individual country and how high the preferential tariff is. But on the other hand, where there has been a sincere desire, as I say, to increase employment, the concessions have been quite large, and as a result the delivery prices of the cars have been lowered, and we get a wider margin under assembly than we would or than we did have prior to assembly.

Senator VANDENBERG. My question was inspired by something I noticed in Mr. Gifford's testimony before the House, in which he said:

For example, German cars were going into South America. It is true that they were General Motors cars, but they were being made in the plant there and being sold into South America in substantial quantities.

Does that represent a major competitive factor in exports; in other words, are we competing with ourselves?

Mr. BUDD. It has not as yet reached those proportions. The sale of German cars has been mainly on a basis of Government subsidy. Without that subsidy, I do not think that we would have much competition from European cars in any of the foreign markets outside of the market where they are manufactured.

Senator VANDENBERG. I notice the Australian Government has just enacted legislation and provides a bounty on motor-car engines of 15 horsepower or over, manufactured in Australia containing not less than 90 percent of Australian material. This legislation provides a bonus on 60,000 motors in the following rates, \$120 up to 20,000; \$120 for the second 20,000; and \$80 for the last 20,000. A 5-year monopoly has been granted to the Australian Consolidated Industries in that connection.

Mr. BUDD. Yes.

Senator VANDENBERG. Is that not typical of the trend in the direction of self-protective, self-containment which we are bound to confront all over the world?

Mr. BUDD. You will always have that. You will have the attempt, at least. We do not think that those attempts are going to be very successful.

Senator VANDENBERG. Is that not emphasized first by war conditions, and secondly, won't it be by post-war conditions?

Mr. BUDD. In the Australian case, it is mainly war conditions and the protection of Australia in the east. In other words, they feel that they must have a manufacturing development there for their own protection. As far as the automobile manufacture is concerned, they have taken testimony there for the last 2 or 3 years, and pretty conclusively proven that it is economically unsound to build the motorcar, and the subsidy is not based today on the economic basis, but on the necessity of building up a manufacturing industry for self-protection.

Senator VANDENBERG. Has the Japanese effort to produce a cheap car succeeded in any fashion?

Mr. BUDD. No, sir.

Senator LODGE. Mr. Budd, I notice by your statement that in 1937 there was an export of 683,000 units?

Mr. BUDD. Yes, sir. That figure covers overseas sales including production in Canadian plants.

Senator LODGE. And judging by what you said to Senator Vandenberg, all of those were assembled in foreign countries, is that right?

Mr. BUDD. No.

Senator LODGE. Not all?

Mr. BUDD. No. That 683,000 includes complete units and parts assembled.

Senator LODGE. How many were completely assembled over here?

Mr. BUDD. I don't know the exact quantity. Better than half I would say.

Senator LODGE. Then about half were completely made in this country, and a little less than half were not completely made in this country?

Mr. BUDD. I would not venture to say that offhand, because I don't know, but in our own company—that varies according to the companies. We probably shipped two-thirds of our cars or more, completely assembled. Some of the other companies have a different figure.

Senator LODGE. Can you find that out for the record?

Mr. BUDD. Yes, sir.

(The information was furnished, and is as follows:)

Based on dollar volume (foreign assembly not available in units) 74 percent of American car exports were assembled in the United States in 1938. In 1939 the figure was 73 percent assembled here and 27 percent assembled abroad.

Senator LODGE. Do you believe that the American demand for cars is so saturated that 683,000 units could not be absorbed here?

Mr. BUDD. Well, the domestic market—we are certainly not losing any opportunity to sell all we can here.

Senator LODGE. I know, but that is not what I asked you. Do you believe that you are selling all the cars that can be sold in this country today?

Mr. BUDD. Yes; under present conditions.

Senator LODGE. You do not think there is any possibility for growth?

Mr. BUDD. Oh, yes; surely.

Senator LODGE. You do not think that everybody who wants a car in this country has got one? You don't think that?

Mr. BUDD. No; what I do mean is that we are selling all the cars that we can sell today in this country.

Senator LODGE. With the present amount of wealth that exists in the hands of the American citizens?

Mr. BUDD. And whatever we get for export is additional business. When you say, "Is that the limit of absorption of the domestic market?" I say "No"; conceivably in 1942 or 1943 or something like that, this country may absorb another million cars, but that would have no effect—the cars that we export would still be in excess of that extra million.

Senator LODGE. Wouldn't you rather sell a car to a man in Massachusetts, let us say, or in Missouri, or Colorado, than to a man in Europe; wouldn't you rather do it; wouldn't it be a better thing to do?

Mr. BUDD. I don't know. We are not particularly interested in that point. Our main interest is to sell cars wherever we can and broaden our market as much as possible.

Senator LODGE. Is it not a fact, though, that a man in Massachusetts buys parts and he buys oil and gas and lunch at the wayside food stand, and buys all of that in this country?

Mr. BUDD. Yes.

Senator LODGE. And the fellow who sells him sandwiches may in turn buy a car from you?

Mr. BUDD. That is true.

Senator LODGE. That is true, isn't it?

Mr. BUDD. Yes.

Senator LODGE. That is not so in Europe, is it? Why isn't it much better to sell those cars here?

Mr. BUDD. I think that is a rather technical point.

Senator LODGE. Well, it is a very important point.

Mr. BUDD. No; because there are advantages on the other side, too.

Senator LODGE. What are they? That is what I want to know?

Mr. BUDD. I am talking about building up international trade. I can see advantages in certain exports and in certain imports here, and I think the two-way trade like that is an advantage for better conditions throughout the world.

Senator LODGE. How?

Mr. BUDD. Because we cannot stand alone here against the rest of the world. Our prosperity depends too much on world conditions.

Senator JOHNSON. We may have to stand alone.

Senator LODGE. Don't you think it much better if our prosperity only depended on ourselves, and then we could control the situation?

Mr. BUDD. It might be if it did, but I don't think it does.

Senator LODGE. Certainly a European who buys an American automobile does not buy parts in this country; he does not buy tires and gas and oil.

Mr. BUDD. He does buy parts, and although he does not buy gasoline, a good part of that comes from here, too.

Senator LODGE. But he does not buy his tires and parts in this country; he does not buy his tires and parts from an American dealer.

Mr. BUDD. No; but he buys them from American factories.

Senator LODGE. I think we have gotten as far on that as you and I can. I have one more question. On page 4 you say:

Another reason why we desire the renewal of the Trade Agreements Act is that the question of the alternative is a serious one.

Then you say:

Certainly a policy of excessive protectionism would again lead to retaliation, reprisals, and a closing of the markets which we must depend upon for the disposal of our surplus production.

Why do you think that the alternative to this policy is a policy of excessive protectionism?

Mr. BUDD. That has been our past history. I think we have got to go one way or the other.

Senator LODGE. Do you think we have to be excessive about it?

Mr. BUDD. It has been in the past.

Senator LODGE. But you imply that you think it is going to be.

Mr. BUDD. That is exactly the way the trend leads on tariff issues, in my opinion, and by the past experience.

Senator LODGE. You think it is either this or else we are right back to the Smoot-Hawley?

Mr. BUDD. Yes; I do.

Senator LODGE. Here is one who does not care this much about the thesis of Smoot-Hawley. That is all I have.

Senator CLARK. Mr. Budd, on this matter of excessive protection and retaliation, is it not a fact that by our original or initial system of excessive protection, as you say, your experience has been, and certainly it has been my observation, culminating in the Smoot-Hawley bill, we started a system of retaliation all over the world which we cannot ourselves control now except by reciprocal-trade agreements of some sort?

Mr. BUDD. That is absolutely correct.

Senator CLARK. In other words, the rest of the world having followed our evil example in setting up a system of prohibitory tariffs, we have no assurance that if we were to start in and rectify our course and reduce our tariffs that the rest of the world would follow our good example as they followed our evil example.

Mr. BUDD. We do not have any assurance in that regard, and, in fact, on past experience, I would say that we would get retaliation. There is no question about it.

Senator CLARK. On this matter of foreign plants of these automobile industries—and the other industries, of course, are in the

same situation. Those plants were not built because the American manufacturers particularly desired to build branch plants in foreign countries, were they? They were built, were they not, because it was necessary to do it to get behind the tariff walls in your retaliatory system of tariff rates; isn't that correct?

Mr. BUDD. Yes; it was because the tariffs were so formulated that we had to do it. We did not do it because we wanted to.

Senator CLARK. In other words, we passed a very high tariff and Canada promptly proceeded to retaliate by enacting a very high tariff, to use one example, and in addition to that, and brought about very largely through its influence, the British Empire system of preferential tariffs followed, among other things, with a higher tariff on assembled cars than on nonassembled cars, and it was necessary in order to get in the Canadian market at all to go and build branch plants; is that correct?

Mr. BUDD. That is correct.

Senator CLARK. I will read you a statement, which I will ask to have inserted in full in the record. I will just take the trouble to read a couple of paragraphs from an article in the New York Times of January 26, 1936, headed "Trade Pacts Curb United States Units Abroad," by Charles E. Egan. I will also ask to insert in the record an article entitled "Our Many Factories Abroad," by Herbert Lawrence, appearing in the National Financial Weekly under date of September 19, 1938. I will read the first two paragraphs of the article by Charles E. Egan and will ask to have the entire article inserted in the record [reading]:

Revising a trend which has disturbed economists since the middle 1920's, the reciprocal-trade policy of the administration has curbed the establishment of American branch factories abroad, leaders in foreign trade agreed here yesterday.

The value of foreign units for the manufacture of American goods, it was held, is steadily diminishing, as tariff and trade barriers in foreign countries give way before the reciprocal-trade agreements being negotiated by the Department of State. Economies possible in the mass production of home factories, together with the freer access now being accorded goods in foreign nations, are given as the major reason for the change.

(The entire article is as follows:)

TRADE PACTS CURB UNITED STATES UNITS ABROAD

FOREIGN BRANCH PLANTS' VALUE FOUND STEADILY DECREASING ACCORDING TO TRADERS—ECONOMIES POSSIBLE HERE—MANY COMPANIES DEALING DIRECTLY WITH BUYERS IN ALL PARTS OF BRITISH EMPIRE

By Charles E. Egan

Reversing a trend which has disturbed economists since the middle 1920's, the reciprocal-trade policy of the administration has curbed the establishment of American branch factories abroad, leaders in foreign trade agreed here yesterday.

The value of foreign units for the manufacture of American goods, it was held, is steadily diminishing, as tariff and trade barriers in foreign countries give way before the reciprocal-trade agreements being negotiated by the Department of State. Economies possible in the mass production of home factories, together with the freer access now being accorded goods in foreign nations, are given as the major reason for the change.

FEW UP-TO-DATE FIGURES AVAILABLE

Few up-to-date and reliable figures covering the number of foreign branches maintained by American companies are available, but recent estimates of foreign-

trade groups place the number around 3,000. This figure compares with an official Government estimate of 1,819 submitted to Congress in 1932 by the Department of Commerce, which also estimated at that time that 450,000 workers were employed in the foreign branches.

The difference between the recent unofficial estimates and the Government report on the number of plants in 1932 is accounted for by a rise of almost 100 percent in the number of Canadian branches and increases of 10 to 20 percent in the number of branch factories in Europe and other parts of the globe.

Immediately after the Empire trade agreements were concluded in Ottawa in 1932, a scramble of American producers to establish branch plants in Canada and other parts of the British Empire ensued and continued until the reciprocal-trade program of the American Government was well under way.

Canada now, according to export-trade groups, is no longer drawing branch plants, and a number of the smaller American units have been closed. In England fewer branches are now in operation, and no new ones have been opened in months. Many of the companies which formerly used English or Canadian plants for the manufacture and shipment of goods to other parts of the Empire are now dealing directly with all parts of the British Empire.

The situation has progressed to the point where, according to private advices reaching exporters from London last week, a number of producers have become alarmed and are urging a new Empire trade agreement under which goods not manufactured in a colony or dominion would be admitted duty free when shipped from another part of the British Empire. The suggestion is not taken seriously here.

OPERATING PLANTS IN GERMANY

Factories are still being operated by American interests in Germany, Italy, and several other countries where it is next to impossible to ship in nonessentials from abroad, but there has been a noticeable decrease in the operations of plants in other parts of Europe and in Latin America.

Manufacturers of automobiles, office equipment, and electrical products contend that their branch factories went up originally to escape tariff and trade barriers thrown up against American products and will be closed as the necessity for such safeguards disappears. Foreign branch factories, they add, are not satisfactory under the most favorable conditions, namely, because the unit costs of production are extremely high, expenses of administration and supervision are heavy, while the profits realized are small.

[Source: Barron's, The National Financial Weekly, September 19, 1938]

OUR MANY FACTORIES ABROAD

By Herbert Lawrence

BUSINESS HANDLED BY SUCH UNITS MUST BE RECKONED WITH EXPORTS IN ASSAYING EFFECTS OF WAR

Our interests in foreign markets are only partly measured by our total 1937 exports of \$3,345,158,000. To an increasing degree in recent years, American companies have built or acquired manufacturing and assembly plants abroad in order to overcome the handicaps of foreign tariffs and quotas. Because the amount of business handled by these foreign units, and the amount of earnings derived therefrom, are seldom stated in financial reports, it is impossible to determine how large our stake is in foreign business.

Even if foreign subsidiaries of American industrial companies in belligerent countries should have good business in the event of war, it is likely that earnings could not be transferred out of the country. And after another serious war, currencies of the belligerents would almost inevitably be devalued, thus causing foreign exchange losses on the transfer of funds.

Our biggest customers abroad.—Europe was by far our most important customer last year, taking \$1,356,000,000 of our merchandise exports. Latin America ranked next taking \$640,000,000 of our goods. To Asia we exported \$580,000,000, and to Canada \$509,000,000. No other single country exceeded Canada in importance except the United Kingdom, which took \$534,564,000, this sum being included above in the European total.

Some measure of the importance of export business to individual industries is revealed in the following table of 1937 merchandise exports. The items in this table represent 87 percent of United States exports in 1937. Figures are in millions of dollars:

Electrical machinery and apparatus	112.6
Industrial machinery	240.5
Agricultural machinery and implements	75.4
Petroleum and products	376.3
Cotton, unmanufactured	368.7
Autos, parts, and accessories	346.8
Iron and steel mill products	299.9
Chemicals and related products	139.4
Tobacco	134.5
Copper, ore, and manufactures	93.5
Fruits and nuts	82.2
Coal and coke	67.4
Wheat, including flour	61.2
Cotton manufactures	59.7
Sawmill products	53.7
Iron and steel manufactures	52.1
Packing-house products	42.6
Aircraft and parts	39.4
Rubber and manufactures	32.1
Paper and manufactures	31.1
Paper base stock	23.0
Books and printed matter	22.8
Photo equipment and goods	22.5
Naval stores, guns, resins	22.1
Wood manufactures	20.2

Petroleum leads the list of 1937 exports. It is safe to say also, that American investments in foreign oil properties are greatly in excess of American investments in any other single industry abroad. For example, both Standard Oil Co. of New Jersey and Socony-Vacuum Oil Co. have world-wide refining and marketing organizations. Both companies have holdings in the company controlling the Iraq petroleum fields. The New Jersey company also has producing interests in Rumania. Texas Corporation and Standard Oil of California each has a 50 percent interest in Bahrain Petroleum Co. which has large crude oil reserves on the island of Bahrain in the Persian Gulf, and which refines and markets oil abroad.

Third largest item in our merchandise exports is automobiles, parts and accessories. In addition, the large motor companies have plants abroad. General Motors Corporation not only manufactures in Canada but also has interests in the Vauxhall Motors in England and the Adam Opel Co. in Germany. Chrysler has assembly plants in Great Britain and Belgium, but manufactures abroad only in Canada.

United States office appliances favored.—In the item of "Industrial machinery" is included the value of office-appliance exports. Few American industries have a larger stake in foreign business than the office-equipment companies. For the larger companies, from 25 to 45 percent of total volume is accounted for by foreign sales. A number of these companies also have plants in Europe, including International Business Machines Corporation, Remington Rand, Inc., and National Cash Register Co. Foreign sales of the latter in 1937 were about 46 percent of total volume. Sales in the British Empire account for almost half of Cash Register's total foreign sales.

Our machine-tool industry does a large export business. In this group, E. W. Bliss has plants in London and Paris. The company makes metal-working machinery, rolling-mill equipment, and various military supplies.

Another representative of the industrial machinery group is Ingersoll-Rand which has plants at Quebec and at Manchester, England. Its foreign business accounted for 40 percent of its total volume in 1937.

Our chemical companies have stayed pretty much at home, although their export business is quite substantial. Union Carbide & Carbon Corporation has a ferro-alloy plant in Sweden. Monstanto has a chemical subsidiary in England. Hercules Powder Co. has subsidiaries in England and Holland. E. I. Du Pont de Nemours Co. has a number of subsidiaries in Latin America but none in Europe. Commercial Solvents Corporation owns the majority stock in an English solvents

company. Taken as a whole, foreign business of the chemical industry is of minor importance.

The table indicates that export business of the rubber industry is negligible. Firestone Tire & Rubber Co., Goodyear Tire & Rubber Co., and B. F. Goodrich Co. all have manufacturing interests in Britain, but such commitments are relatively small. United States Rubber Co. has plants in Canada, but not in Europe.

While export business of the agricultural-machinery companies is substantial, a very large part of such sales are made in Latin America and Canada. However, International Harvester Co. has plants in France, Germany, and Sweden.

Building equipment companies' stake.—Both American Radiator and Standard Sanitary Corporation, and Crane Co. have a considerable stake in the foreign market. Radiator has 41 plants in the United States and 16 in England and Europe. Crane has plants in France and England as well as Canada.

Corn Products Refining Co. does a considerable foreign business. Its domestic factories have a corn-grinding capacity of 155,000 bushels daily, while foreign factories have a capacity of 65,000 bushels. Plants are in England, Germany, Italy, France, Holland, Yugoslavia, and Czechoslovakia.

Well down in the list of exports is photographic equipment and projection goods. Net sales of Eastman Kodak Co. alone for 1937 were \$136,114,878, compared with exports for all companies of \$22,500,000. Nevertheless, Eastman's foreign stake comprises not only its exports but also its five plants in Europe and one each in Canada and Australia.

The table of exports doesn't give recognition to the importance of foreign film rentals to the American motion-picture companies. Probably about 35 percent of their total film income is derived from the foreign market—a sufficient volume, in all likelihood, to represent the difference between profits and losses. However, by far the biggest portion of these rentals comes from the British Empire and Latin America, rather than continental Europe. Of course, a protracted and exhausting war might seriously impair theater attendance in Great Britain.

Senator CLARK. Has what I have read been in accordance with your observation, Mr. Budd?

Mr. BUDD. Yes, I would say that we would prefer to build complete cars here. We have only started the assembly plants abroad to overcome the high tariffs that have been passed there. Under the existing conditions, as I said to Senator Vandenberg, under the tariffs as they have been passed, we have been able to increase our business in those markets over and above the tariffs that have existed before, but on a basis of the reciprocal agreements and negotiation, if those tariffs could be lowered to a reasonable basis, we would prefer to build our cars here complete, and I am sure that we would get more business through that type of negotiation.

Senator CLARK. Now, as a matter of fact, Mr. Budd, is not true that so far as the automobile industry is concerned, that in the foreign markets—I am not speaking of the manufacturers in the country in which you might be competing—but so far as the foreign markets in general are concerned, there is no nation in the world that can compete with the American automobile trade if the American automobile trade gets an even break in the foreign market, is that correct?

Mr. BUDD. That is correct.

Senator CLARK. That is due to the greater skill and greater organization and advance in the facilities that has been made in the trade in this country?

Mr. BUDD. That is correct.

Senator CLARK. Now, Mr. Budd, I put in the record here yesterday some figures showing the increases in wages and salaries in the manufacturing industries in the United States over a period of years beginning in 1932. Of course, that has reflected the prosperity to agriculture and every other business in this country, has it not?

Mr. BUDD. Yes.

Senator CLARK. You said a moment ago that the American farmers were your best customers. It is also true that your employees and officers in the industry as a whole in this country are the best customers of American agriculture. That is equally true, isn't it?

Mr. BUDD. That is why I say I think we both have a common stake in this.

Senator CLARK. And if by increasing the export business of the automobile industry and other industries in this country they are made more prosperous, it is necessarily reflected in agriculture and every other element in the country?

Mr. BUDD. By increased buying in the home market, yes.

Senator CLARK. I notice in your statement here that you say:

I would also like to emphasize that under normal conditions, between 10 and 15 percent of our total production is exported, while from 85 to 90 percent is sold in the home market. The 15 percent that goes to export represents hundreds of millions of dollars and is of extreme importance to successful operations. My main purpose, however, in citing these percentages is to define the relative size of the two portions of our market and to assure this committee that we give full weight to their relative importance. It would be suicidal for us to try to increase our business in 15 percent of our market by methods which would jeopardize 85 percent of our market.

Now, on yesterday we had testimony from a gentleman, Mr. Mollin, of the Cattlemen's Association, who took precisely the contrary view. He said that our foreign trade only amounted to 5 percent, and that it would be necessary to increase our foreign trade a hundred percent in order to make up for the damage done by the relatively small importation of say 5 percent. You do not agree with that theory at all, do you, from your experience?

Mr. BUDD. No; I do not agree with it.

Senator JOHNSON. Do they import any automobiles into this country?

Mr. BUDD. Very few, if any. The quantity is negligible.

Senator JOHNSON. That is the difference between your position and Mr. Mollin's position. In Mr. Mollin's industry, they import 8.9 percent of our total consumption of beef—

Senator CLARK (interposing). There was some dispute about those figures, Senator. That is based on the Federally inspected slaughter and not on the total slaughter in the United States.

Senator JOHNSON. That is right.

Senator CLARK. As Mr. Mollin admitted during his examination.

Senator JOHNSON. He did not pretend anything else. His testimony did not show anything else. But in the automobile industry, we receive no importations. Now, I am glad that you make reference in your testimony here showing your gratification at your home market, but I would like to give you this illustration. In my State of Colorado, we find that in our sugar-producing section, that for every 15 tons of sugar that we produce, our people in that section buy one automobile, we find also that for every 415 tons of sugar that Cuba sells on the American market, that Cuba buys one automobile. Now, you have 15 tons versus 415 tons. Do such statistics mean anything to you?

Mr. BUDD. No; not a great deal.

Senator JOHNSON. Why?

Mr. BUDD. Well, I think you have got to look at it in a much broader sense than that. This country absorbs some 4½ or 5 million

tons of sugar a year, doesn't it? We do not produce all of that sugar. Now, it does not necessarily mean that if the State of Colorado produced 4,000,000 tons, that we would sell one car for every 15 tons in that State.

Senator JOHNSON. Yes; you would. We are curtailed in the production of our sugar by the administration and by the Congress. They do not let us produce sugar; they curtail us and stop us and place an embargo on it and give our market to Cuba.

Mr. BUDD. Well, I don't know—

Senator JOHNSON (interposing). And the automobile industry suffers.

Mr. BUDD. You are getting me into a business that I don't know much about. I am not a sugar man.

Senator JOHNSON. It is your business to know and sell automobiles.

Mr. BUDD. That is true, but not sugar.

Senator JOHNSON. But sugar has a very definite bearing upon the sale of automobiles?

Mr. BUDD. What I mean is, that I do not pretend to be an expert on sugar, and I do not think I would argue that point.

Senator JOHNSON. You do not believe that you are losing the sale of so many automobiles by having sugar purchased in Cuba as against in Colorado and other domestic producing sections? I do not think that you can laugh down that testimony.

Mr. BUDD. I do not think you can balance one business against another in that respect.

Senator CLARK. Senator, will you permit me to interrupt to ask you a question on your statistics?

Senator JOHNSON. Yes.

Senator CLARK. How do you arrive at those statistics? It is necessary to do that simply to take all of the figures for sugar production in Colorado and all of the figures for automobiles purchased in Colorado—

Senator JOHNSON (interposing). Not in all of Colorado. We only produce sugar in certain sections.

Senator CLARK. You certainly make the assumption that every dollar of revenue from sugar goes directly into the purchase of an automobile, don't you?

Senator JOHNSON. No.

Senator CLARK. It is necessary to do that in setting up any such formula without reference to the actual purchase or what actually happens to the money.

Senator JOHNSON. As a matter of fact, Senator, the producer of sugar does not receive all of the revenue from that sugar.

Senator CLARK. I understand.

Senator JOHNSON. In our sugar-producing area, we have little cities and towns where business flourishes and every one gets a portion of the sugar dollar and, by the way, others get a larger portion than the actual farmer who produces it, but it is spread around among the lawyers and the dentists and every one else.

Senator CLARK. That is usually true under the high protection tariff.

Senator JOHNSON. And the merchants everywhere receive a portion of that sugar dollar, and naturally of course they buy automobiles, too, but it is very much in the interest of the automobile industry that all of these professional men and business men and industry as a whole

in this country have an opportunity to make these dollars and spend them, because when they do make a dollar, they spend it for an automobile.

Senator CLARK. Let me finish my question, Senator. In arriving at the number of sugar automobiles, let us say, in Cuba, what you do is simply take the amount of sugar exported from Cuba——

Senator JOHNSON (interposing). The importation.

Senator CLARK. I mean the importation of Cuban sugar into the United States, and divide into it the number of automobiles sold in Cuba?

Senator JOHNSON. From the United States.

Senator CLARK. From the United States.

Senator JOHNSON. That is exactly right.

Senator CLARK. In other words, you arbitrarily and violently assume, it seems to me, that there is a direct ratio between the automobile business and the sugar business which does not necessarily hold good at all. In other words, the revenue from sugar might go into a great many other American commodities as well as automobiles, and the revenue from sugar in Colorado might equally as well be spread over several other different commodities, so that it seems to me that by taking just two sets of figures without any apparent relationship to each other, you present a false picture.

Senator JOHNSON. We give credit for all the automobiles they buy.

Senator CLARK. And you divide into it——

Senator JOHNSON (interposing). We give the Colorado sugar-beet section credit for all of the automobiles they buy.

Senator CLARK. But you divide into that only the amount of sugar imported into the United States.

Senator JOHNSON. That is right, and I think it makes a startling and vivid concrete example.

Senator CLARK. I think startling is a very mild word. I think it is a grotesque picture.

Senator JOHNSON. It shows the advantages to the automobile manufacturer. Now, just one more question. You indicate that you are very well satisfied with the conditions as they are under the reciprocal-trade agreements now existing?

Mr. BUDD. Yes.

Senator JOHNSON. You are very well satisfied with your foreign market?

Mr. BUDD. No. With the foreign market as a whole?

Senator JOHNSON. Yes. You are very well satisfied with your export of automobiles, aren't you? You are very well satisfied with that situation?

Mr. BUDD. I don't think I understand your question. Naturally we are satisfied with the trade agreements that are signed; yes.

Senator JOHNSON. Of course you are. But are you satisfied with the automobiles which you are selling at the present time? Are you satisfied with your present exports?

Mr. BUDD. No.

Senator JOHNSON. You are not satisfied?

Mr. BUDD. No.

Senator JOHNSON. How much do you want to increase them?

Mr. BUDD. All that we can increase them. Isn't that natural? We try to create as wide a market as we can.

Senator JOHNSON. Yes; but what are your reasonable expectations for increasing them? You work a year ahead and you know about what you are going to sell next year and the year after that.

Mr. BUDD. I don't think anybody could answer that question today, with existing conditions, because too much of it depends on what is going to happen in Europe. We cannot anticipate today more than 30 or 60 days ahead. The world markets, the export markets today, are too greatly affected by the European conditions to forecast far in advance.

Senator JOHNSON. Are you likely to sell more automobiles next year than you sold last year abroad?

Mr. BUDD. No; if conditions exist—do you mean in 1940?

Senator JOHNSON. Yes; your present expectations.

Mr. BUDD. If your present conditions continue, and I mean conditions as they are today, we will probably sell less cars in 1940 than we did in 1939.

Senator JOHNSON. And the next year you probably will sell still less?

Mr. BUDD. Well, it all depends on what happens. We are under a restricted market at the moment. If these conditions change, we would go back up to a much larger market.

Senator JOHNSON. Isn't your home market the thing that you have to tie to the thing that you can depend upon?

Mr. BUDD. Yes; to the extent of 85 percent. I agree with that, and I have said that in my testimony that we won't try to increase that 15 percent at the expense of the 85 percent. What we are attempting to do is to expand our whole market, the 100 percent, and we try abroad to do that just as we try in the domestic market. Practically all of the companies in the industry have two divisions, one an export division, and in the export division we do not pay a great deal of attention to the domestic market. The domestic division attempts to get all of the market it possibly can, and we try to get all that we can. On top of that, you might say that the company as a whole is trying to expand its total market, regardless of where it may be expanded in any place where we can expand it.

Senator JOHNSON. And entirely regardless of what may happen to the rest of the country?

Mr. BUDD. Oh, no, no. I think I covered that point, that we certainly are conscious of the relative importance of the 85 percent of our market and that we would not attempt to increase our export market at the expense of our domestic market.

Senator JOHNSON. You say you still want to go out and sell more and expand more, knowing that that means more imports into this country of competitive commodities, and still you want to sell more automobiles abroad?

Mr. BUDD. We would not want to sell more if the imports jeopardized the home market. We do not believe they do. They have not to date, in our opinion.

Senator JOHNSON. That is your opinion only?

Mr. BUDD. That is all I stated it as—as my opinion.

Senator JOHNSON. That is all.

The CHAIRMAN. Thank you very much, Mr. Budd.

Mr. R. W. Gifford, representing the Detroit Board of Commerce, was scheduled to appear today, but sent a wire indicating that he would not be present. The committee has received a statement

from him, approving the pending legislation, which I will insert in the record at this point.

DETROIT, MICH., February 28, 1940.

To the Senate Finance Committee:

RECIPROCAL TRADE AGREEMENTS

You are now holding hearings on extension of the act which authorizes the negotiation of reciprocal trade agreements. The board of directors of the Detroit Board of Commerce on recommendation of our foreign trade committee has voted to give this foreign trade policy its wholehearted support.

We had reserved time with your committee for personal testimony but upon receipt of a telegram from Mr. F. M. Johnston, clerk of the Committee on Finance, stating the record of the House Ways and Means Committee is in the hands of you gentlemen and that there is a desire to avoid duplication and shorten the hearing as much as possible, we have canceled that appointment.

At pages 1452 to 1483, you will find the formal statement presented in behalf of this organization together with a rather extended discussion between the House Committee members and myself.

We ask that you favorably report the joint resolution in question.

Yours very truly,

R. W. GIFFORD,

Chairman, Foreign Trade Committee.

The CHAIRMAN. The next witness is John G. Lerch, of New York City, representing the Wool Hat Manufacturers' Association of America, and other domestic interests.

STATEMENT OF JOHN G. LERCH, REPRESENTING WOOL HAT MANUFACTURERS' ASSOCIATION, OF AMERICA, AND OTHER DOMESTIC INTERESTS, NEW YORK CITY

Mr. LERCH. I have been advised by the clerk that you desired the appearances to be as brief as possible. I have here, representing three different groups, a statement of the Wool Hat Manufacturers of America, which I would like to submit for the record without taking the time to read it.

The CHAIRMAN. It will be placed in the record.

(Same is as follows:)

Re extension of the Trade Agreements Act:

CHAIRMAN, SENATE FINANCE COMMITTEE,

United States Senate, Washington, D. C.

SIR: The wool felt hat industry is opposed to the Doughton resolution to continue for 3 years the administration's reciprocal-trade-agreement program. It is opposed generally as uneconomic, unconstitutional, and impregnated with tendencies destructive of our objectives to remain at peace with foreign powers.

Specifically, we object on the grounds following:

The organic law (sec. 350 amending the Tariff Act of 1930, approved June 12, 1934, H. R. 8687) by section 2 (a) thereof repeals section 516 of the Tariff Act of 1930. Section 516 provides the only remedy at law to which a domestic producer can resort in matters affecting customs. Without it, the producer is at the mercy of the Committee for Reciprocity Information and the other administrative officials whose activities are secret and whose determinations are not subject to judicial review. Nevertheless, they are exercising a power after proclamation by the President directly affecting the general welfare and our economic and social existence.

The act erects a plenary power divorced from judicial review. Congress, by its delegation of its power over taxation and foreign trade, divests itself of powers granted exclusively to it by the Constitution and by the same token removes from the exercise of the power all possibility of judicial review.

The above is true as manifested by the fact that practically the last amendment in the Senate when the bill was originally before that body for enactment was the amendment sponsored by the chairman of the Finance Committee, who, upon question, explained to the Senate that the purpose of the repeal of section 516

in connection with this act was to prevent interference by anybody in the administration of this law by the proper officials. We believe this act to be unique in this respect, since we know of no other legislation where Congress has deliberately deprived a citizen of his constitutional right of judicial review, thereby making the action of a government official final and conclusive upon one who believes he has been deprived of his rights.

It will also be noted that this action was limited to section 516, which is the only section under which one might test the validity of the administrative officials' acts. Section 514, giving to the importer the right to litigate, has not been affected. Obviously, the only interest an importer would have would be to further reduce the duty which he believed the wording of the treaty imposed.

In this connection it is important to compare the language and the intent of this act to the language of the so-called Flexible Tariff Act (sec. 336 of the Tariff Act of 1930) wherein Congress prescribed a definite rule or yardstick within which the administrative officials must act. The present law contains no such criterion, merely establishing limits to which the officials may go. Section 336 by the same section 2 (a) was repealed insofar as this act is concerned.

We further believe that an extension of the reciprocal-trade-agreement program will perpetuate by congressional action a law brought into being under a state of facts which have completely changed and will make the same law apply and operate in a world situation which defies analysis, and in so doing sacrifice constitutional safeguards and relinquish powers attained by our founders only after long and bitter sacrificial cost.

The administrative provisions of our tariff act have been carefully framed over our entire national existence so as to supply safeguards and to prescribe remedies and define the rights of our citizens in their dealings with customs. The present act not only permits the administrative officials to change tariff rates established by Congress but it also permits them to remove restrictions, modify or remove excise taxes, and by its broad language would permit the removal of restrictions placed upon imports by our Department of Agriculture in all of its branches that deal largely with the health of animal and vegetable life in the United States.

For the reasons above stated, we believe the Reciprocal Tariff Act should be allowed to expire and the resolution defeated. In the event Congress takes a different view, we believe the resolution should be amended so as to restore to the citizen his right of judicial review and the rights heretofore guaranteed the citizen by amending section 2 (a) of the said act in order to eliminate therefrom the language which repeals sections 336 and 516 (b) of the Tariff Act of 1930.

Respectfully submitted.

WOOL HAT MANUFACTURERS ASSOCIATION OF AMERICA,
(Signed) W. G. EVERETSON, *Secretary.*

MR. LERCH. I also want to offer for the record the statement of the toy manufacturers of the United States.

THE CHAIRMAN. That will be placed in the record.
(Same is as follows:)

Re extension of the Trade Agreements Act.

CHAIRMAN, SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIR: The toy industry expresses its opposition to the Doughton resolution to continue the administration's reciprocal trade-agreement program for 3 years, on the following grounds:

Section 516 of the Tariff Act of 1930 provides the only remedy at law to which a domestic producer can resort in matters affecting customs. Without the protection of this section, the producer is at the mercy of the Committee for Reciprocity Information and the other administrative officials whose activities are secret and whose findings are not subject to judicial review. Yet, this committee and these administrative officials are exercising a power after proclamation by the President which directly affects the general welfare and our entire economic and social existence.

By delegating its power over taxation and foreign trade, Congress divests itself of powers which were granted exclusively to it by the Constitution and removes from the exercise of the power all possibility of judicial review.

It is our belief that if this reciprocal-trade-agreement program is extended, there will be perpetuated by congressional action a law which was brought into being by one set of conditions and facts which conditions and facts have completely changed and yet the same law will apply and continue to operate in a world

situation entirely different from that upon which the original reciprocal-trade-agreement program was based.

Under the present act administrative officials are permitted not only to change tariff rates established by Congress but also to remove restrictions and to modify or remove excise taxes. The administrative provisions of the Tariff Act have been carefully framed over a long period of years so as to provide safeguards, prescribe remedies and define the rights of our citizens in dealings with customs.

For the reasons stated above, we believe that the resolution should be defeated and the Reciprocal Tariff Act allowed to expire but if Congress takes a different view, we believe that the resolution should be amended so that the right of judicial review and the rights heretofore guaranteed the citizen will be restored by amending section 2 (a) of the said act in order to eliminate therefrom the language which repeals sections 336 and 516 (b) of the Tariff Act of 1930.

Respectfully submitted,

TOY MANUFACTURERS OF THE U. S. A., INC.,
JAMES L. FRI, Secretary.

Mr. LERCH. I also want to place into the record the statement of a group of woven-wire-netting manufacturers spread over the United States.

The CHAIRMAN. That will be placed in the record.
(Same is as follows:)

Re extension of the Trade Agreements Act.

CHAIRMAN, SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIR: Take away any part of the legitimate profit to which a business is entitled and you curtail the employment of labor to an equal if not greater extent.

Curtail employment and you decrease the consumption of farm products to an equal if not greater extent.

All of the generalities and platitudes about peace and good-neighbor policies that can be thought up by all of the master minds in this or any other country cannot change those truisms.

This country has yet to see the man who has the acumen to say that by taking away volume from one division of industry in order to make possible an increase in some other direction, will ultimately redound to the benefit of the division of industry which has been deprived of a part of its hard-won and expensively developed markets.

With a threat of having markets autocratically taken away as soon as it develops them to the point where they are reasonably profitable, what incentive can there be for industry to invest its capital and devote its time to new enterprises?

The poultry-netting-manufacturing industry is opposed to a continuance of the reciprocal-trade-treaty law because:

1. It is self-evident that the operation of that law during the past 6 years has not promoted peace.

2. The act denies to citizens the right to judicial review of grievances and autocratic determinations which may be imposed upon them by the Committee for Reciprocity Information, thus creating a political situation rather than a purely administrative responsibility.

3. The Committee for Reciprocity Information now has the power to ruin any industry in this country without giving an injured party the right to judicial determination of the justice or economic necessity for the curtailment of his honest endeavors to hold domestic markets against foreign competition.

4. Whether that power has been or will ever be abused is beside the point; the fact that such power exists is sufficient warrant for its withdrawal.

5. Failing outright repeal, this industry believes that the law should be amended in such manner that--

(a) No reciprocal-trade agreement could be consummated without ratification by Congress; or--

(b) No commodity could be placed on a list for negotiation until after a competent Government agency such as the United States Tariff Commission has actually and affirmatively determined beyond question of doubt that domestic costs of production would justly permit the sacrifice of any part of the protection now afforded by existing tariff rates.

(c) The power to reduce tariff rates should be limited to one reduction of not more than 50 percent of the rate in the Tariff Act of 1930 as amended under section 336 by Presidential proclamation, without power to make further reductions in succeeding agreements.

(d) It should restore the right to litigate by removing from section 2 (a) of the Reciprocal Act the provisions of section 336 and section 516 (b) of the Tariff Act of 1930.

Respectfully submitted by the following committee from the poultry-netting-manufacturing industry.

THE GILBERT & BENNETT MFG. Co.
INDIANA STEEL & WIRE Co.
NORTHWESTERN STEEL & WIRE Co.
JOHN A. ROEBLING'S SONS Co.
WICKWIRE BROTHERS, INC.
WICKWIRE SPENCER STEEL Co.
G. F. WRIGHT STEEL & WIRE Co.

Senator WALSH. These industries whose statements you have placed in the record are all against the resolution?

Mr. LERCH. All of them are against the resolution.

Mr. Chairman, I was not here yesterday and hence I did not have the privilege of listening to Senator O'Mahoney's argument against the constitutionality of this resolution and the bill.

The CHAIRMAN. You agree with it, don't you?

Mr. LERCH. Most thoroughly, inasmuch as I read the report of his arguments in the New York Sun of yesterday, so that I won't have to repeat the arguments here this morning.

The CHAIRMAN. You had those views in 1934, didn't you?

Mr. LERCH. And I have not changed a bit.

The CHAIRMAN. And you had them in 1937?

Mr. LERCH. Again; and still I have them. I would like to repeat what I said then and what the Senator said yesterday.

I have just one more thought, however, in connection with this bill, and that is that it seems a little bit strange to us that this bill should erect a different standard for a tariff rate more or less arbitrarily fixed by Government officials than it prescribes for its own tariff rates adopted by Congress. I mean by that, that this committee, or rather on behalf of this committee, in the closing hours of the debate in the Senate when this bill was originally up, it adopted an amendment striking out the application of sections 336 and 516 (b) of the Tariff Act of 1930. That is the so-called flexible-tariff provisions, and the American producers' right to litigate. In other words, by this bill it has placed in the hands of administrative officials a more or less arbitrary authority without permitting the citizen the right of review which your own action would have if you adopted the same rate.

We do not believe that that is in accordance with the tenets of our Federal Government.

We believe, Mr. Chairman, that this resolution should not be adopted, but if it is adopted, we believe that at least the citizen should be given the same right that he would have or does have if the Congress adopted the same rate.

Moreover, the Reciprocal Trade Agreements Act goes a good deal further, inasmuch as it permits the modification of import restrictions, and as we read the definition of those import restrictions, his action is almost unlimited. Therefore, we believe that it is of great necessity and in order to bring back tariff legislation to what our forefathers fought so hard for, we should have restored in any resolution adopted by the Congress, those provisions.

I think that is the only point I want to make in addition to those made in the statements submitted.

The CHAIRMAN. Thank you, Mr. Lereh.

The next witness is Walter R. Peabody, of New York City.

**STATEMENT OF WALTER R. PEABODY, SECRETARY, AMERICAN
TARIFF LEAGUE, NEW YORK CITY**

The CHAIRMAN. You are here representing the American Tariff League?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. You may proceed.

Mr. PEABODY. I am here to supplement my statement before the Ways and Means Committee in opposition to an extension of the Trade Agreements Act. As stated before that committee, this opposition does not imply the adoption of the policy of isolation the use of the old flexible provision, or a return to congressional tariff making. At the conclusion of my statement I shall elaborate briefly on the recommendation which we made at the time of our earlier appearance. We believe this recommendation to be constructive and very much in the national interest.

There are a great many points which we believe should be brought before this committee and I sincerely regret the fact that the committee deems it necessary to restrict the time. I appreciate that it is unnecessary to repeat the testimony given before the House committee. There were, however, many points made before that committee which can and should be answered. I shall, however, respect the committee's request and will confine my statement to a consideration of three main points from among the many that I should like to discuss. These are exports under the program; the lack of flexibility, and as a third point I shall offer a recommendation for your consideration.

Senator WALSH. Pardon me. I want to inquire whether your organization is composed solely of manufacturers, or both manufacturers and consumers?

Mr. PEABODY. Manufacturers and some individuals.

Senator WALSH. Mostly manufacturers?

Mr. PEABODY. Mostly manufacturers.

Senator WALSH. Does it represent a great variety of manufacturers?

Mr. PEABODY. A very wide variety; including, I may say, some who export as well as some who import.

Senator WALSH. Excuse me for the interruption.

Mr. PEABODY. The first of these points relates to the extensive discussion before the Ways and Means Committee as to the achievements of the trade-agreements program in the way of rehabilitating our export market. Apparently I did not make myself clear in my earlier testimony. From the record it is obvious that some concessions must have benefited exports. From the record, however, it is equally obvious that these concessions have played a comparatively minor role in the large expansion which has taken place in our export trade. In this connection, I would like to place in the record a short table containing a summary of the figures which appear in detail in the House hearings (exhibit 1). The table was not included with the previous evidence. So that it may be properly understood without reference to our previous testimony, I would explain briefly that we undertook an analysis of the exports of our principal agricultural and nonagricultural products, comparing 1934 with 1938.

The record shows the increase or decrease to nonagreement countries, to agreement countries granting no concession on the products in question, and to the agreement countries making concessions. In this tabulation we interpreted concessions to mean improved customs treatment. It is significant that of our 27 major nonagricultural exports (and this represents over half of our nonagricultural exports) there was an increase in 1938 over 1934 to nonagreement countries of \$286,000,000. This is an increase of 72 percent. The increase in exports of these products to agreement countries granting no concessions was \$106,000,000, an increase of 63 percent. While the increase to all agreement countries granting concessions, that is improved customs treatment, was but \$58,000,000, and the rate of increase was but 50 percent.

If this can go into the record, I would be content not to elaborate on that table now.

The CHAIRMAN. It will be placed in the record.

(Same is as follows;)

EXHIBIT I. COMPARISON OF INCREASE IN EXPORTS OF MAJOR PRODUCTS TO NON-AGREEMENT COUNTRIES, TO AGREEMENT COUNTRIES GRANTING CONCESSIONS, AND TO OTHER AGREEMENT COUNTRIES, 1934 TO 1938

NOTE.—These 27 major nonagricultural exports accounted for about half of our total nonagricultural exports in 1938. The 14 major agricultural exports accounted for, roughly, three-fourths of our total agricultural exports in 1938. For the detailed figures on which these totals are based, see pages 2308-2324 of hearings before the Ways and Means Committee on House Joint Resolution 407.

	Value of exports		Increase	
	1934	1938	Value	Percent
1. 27 major nonagricultural products:				
To nonagreement countries	\$305,037,000	\$601,419,000	\$286,382,000	72
To agreement countries:				
Granting no concession	168,388,000	273,000,000	105,000,000	63
Granting concession (more favorable customs treatment)	115,787,000	178,844,000	58,007,000	50
2. 14 major agricultural products:				
To nonagreement countries	401,616,000	468,483,000	66,827,000	17
To agreement countries:				
Granting no concession	80,927,000	114,844,000	33,927,000	42
Granting concession (more favorable customs treatment)	28,083,000	96,283,000	68,200,000	243

¹ Includes a drop of \$147,504,000 in exports of cotton to nonagreement countries. Most countries admit cotton free of duty or subject to nominal duties only.

² Over half of this increase, \$38,000,000, was accounted for by corn shipped to Canada, the one country which granted a reduced duty on corn. According to the Department of Commerce most of this corn was probably transhipped to other countries.

Senator VANDENBERG. In connection with this table, have you anywhere identified what the major products are to which the table refers?

Mr. PEABODY. The House committee record contains the whole table which supplements this in detail. I included it, and I intended to put this in the House committee hearing record. They are all listed in the detail, exports to agreement and nonagreement countries, and concession countries, with the total figures.

I must also refer to a statement in the majority report from the House committee. The committee states that it was particularly impressed by the testimony presented by Dr. Lubin, Commissioner of

Labor Statistics. Se were we. Dr. Lubin's figures submitted to the Ways and Means Committee support in a very emphatic way our contention that the increase in exports resulting from trade-agreement concessions have not amounted to much. In Dr. Lubin's testimony, he submitted figures for employment for eight industries. These eight industries represent one-half of our industrial exports to agreement countries. Dr. Lubin's figures were introduced in the form of percentage increases of total employment and of employment in manufacturing these goods for export to trade-agreement concession countries, and for export to all other countries. He called attention to the fact that in the case of five of the eight products, employment engaged in production for export to agreement-concession countries increased at a greater rate than employment engaged in production for export to other countries. In the case of the other three the reverse was true.

I wish to submit for the record a table which I obtained from Dr. Lubin showing the figures of the number of wage earners employed in each of the categories (exhibit 2). These figures, which were not introduced at the Ways and Means Committee hearings, are the basic figures from which Dr. Lubin's percentages were derived. For the five industries cited by Dr. Lubin, the increase in number of workers employed in producing exports to concession countries between 1934 and 1938 was: Agricultural machinery, 2,743 workers; office machinery, 627 workers; electrical machinery and apparatus, 1,906 workers; paper and manufactures, 166 workers; leather manufactures, 545 workers.

In the 8 industries combined, employment in production for exports to trade agreement concession countries in 1934 totaled 17,882 individuals. In 1938 the total employment in these 8 industries for export to trade agreement concession countries had risen to 28,523 individuals. This is an increase of 10,641 jobs. In 1934 there were employed in production for export to all other countries a total of 36,746 workers. In 1938 the number employed for export to all other countries was 64,959. This is an increase in employment for export to other countries of 28,213 workers. Stated in terms of percentage increase, the increase in employment for agreement-concession countries was 60 percent while the increase in employment for export to all other countries amounted to 77 percent.

It would be easy to comment at length on the implications of these revelations. It seems to me, however, that the record is so painfully clear that it does not need further comment. Using eight major industries, which represent one-half our industrial exports to agreement countries, we find a total increase in employment for exports in 4 years' time to agreement-concession countries of but 10,641 workers. "Agreement-concession countries," as used in this tabulation, include not only countries which improved customs treatment on some products, but also include countries which merely bound existing customs treatment. For example, four of the seven concession countries in the case of agricultural machinery did not grant any improved customs treatment.

I do not wish to dwell at undue length on this point. But in view of the fact that Dr. Lubin's testimony is already being cited by trade-agreement spokesmen in public addresses, I believe the evidence which I have offered here merits your most serious attention.

I come now to the second point I want to discuss as briefly as possible. It is this. The trade-agreement program is not adequate for post-war needs. As I have read the newspaper accounts of the administration's testimony, during the early part of the week, it appears there has been a shift in emphasis and that you are being urged to continue the Trade Agreements Act as a valuable foundation stone for the reconstruction of world trade in the future. There has also been some discussion as to the importance of the trade agreements during the present upset conditions of the world. If I interpret the newspaper reports correctly, the point has already been made and demonstrated that the trade agreements are very impotent instruments at the present time. The rigid control which has been imposed by various foreign governments on their exchange, together with drastic regulations as to the type of commodities that may move in trade between various countries is a matter of common knowledge. Inevitably these controls and regulations will become more and more drastic. No one is going to question seriously the necessity of these various foreign governments exercising such rigid control over their foreign exchange and foreign trade, but I have not seen any evidence that the trade agreements have been or can be made to function successfully in the face of these controls.

I shall not repeat the testimony offered before the Ways and Means Committee dealing with the inadequacy of the trade-agreement program for post-war needs. I would, however, supplement these observations with further comments on the lack of flexibility inherent in the program. In the first place, despite much recent discussion of the so-called escape clauses in the agreements, it must be borne in mind that it is impossible to correct many situations even where there might conceivably be agreement that the correction was in order. There is no need to dwell on the fact which you all know that no adjustments can be made because of differences in costs of production and that no appeal may be taken under section 516 (b) to correct apparent errors in classification. I wish time permitted to undertake a rather careful and critical summary of the general provisions of the various trade agreements so that you might see just how many situations might arise in which it would be impossible to correct a bad situation. Such a summary would be even more enlightening in connection with those situations where an out apparently exists through one of the so-called escape clauses. In connection with the operation of these escape clauses, there are three points to be considered which tend to make them ineffective for the protection of domestic industries which may suffer as the result of a concession. They are as follows:

In the first place, one has to appeal for relief to the individuals who have made the concession. Inasmuch as the law has provided no formula to determine the basis for the concession, it is extremely difficult to argue one's case before the group which has already passed judgment on the question. In the second place, there is a very understandable objection on the part of the negotiators to reopen an agreement. Once an agreement has become operative, it is easy to take the position that the agreement as a whole is more important than the fate of a single group which may be affected by the agreement. The argument will be made over and over again that even if injuries

exist in one quarter, it is more important to maintain the status quo of an agreement rather than to throw it open for renewed discussions.

This last observation explains in part the third point which I wish to make. It is this. The small industries as a whole feel very helpless in the face of the existing procedure. In addition to some of those industries which testified before the Ways and Means Committee and which may appear before your own group, I know of other small industries that feel it is utterly futile to go to the trouble and expense of appealing to the Committee for Reciprocity Information for relief from concessions which they believe to be harmful. The fact remains, gentlemen, that there have been no adjustments to date under the escape clauses of any trade agreement. The recent action taken in connection with imports of fox furs from Canada was done in the form of a supplementary agreement. When the present conflicts are over, it is inevitable that there will be a mad scramble on the part of warring nations to find export outlets for their products. It is inevitable that a wide variety of trade promotion devices will be resorted to. An inflexible program is impotent even for bargaining purposes in the face of conditions which lie ahead. An inflexible program carries with it the most serious type of threat to our own economic stability in the post-war period.

Much has been made in recent testimony of the fact that Congress is discharging its full obligations and responsibility by a periodic 3-year review of the trade-agreement program. If you are prepared to accept this position, I think you must then admit that in the face of the present world situation, with its uncertainties, and in the face of the record, which has been made before your own committee and that in the House, that you would be remiss in endorsing a continuation of the program without more adequate information. Many important questions have been asked in the course of these proceedings which remain unanswered. I believe you ought to know to what extent foreign exchange controls have upset advantages received in trade agreements. You ought to know to what extent other forms of discrimination have been exercised against the United States without penalty. You ought to know to what extent differences in cost of production have been put aside in making concessions by the United States. You ought to know to what extent concessions have been made on noneconomic grounds. You ought to know in far more specific detail just what conditions would be necessary before escape clauses would be exercised or agreements terminated. You ought to know just how extreme a condition would have to exist before any recognition would be taken of the provisions for depreciation of currency. You ought to know more of the nature of the bilateral trade and clearing agreements which have been in operation during the past few years.

I could add many more points to the above list. These certainly are sufficient to explain the basis for the recommendation which I made to the Ways and Means Committee and which I would like to elaborate on for a moment. Briefly stated it is this. No trade agreements should be negotiated in the face of present world conditions. We do need to be prepared with a program that will be adaptable to

conditions in the post-war period. Therefore, we propose that Congress create a commission of thoroughly qualified experts recruited from within and without the Government to study the whole question and to make recommendations to Congress for a permanent tariff policy. This commission might be modeled something after the manner of the advisory committee on economic security. As you will recall, prior to the passage of the Social Security Act, a committee was set up to study the whole field of possible operation. In addition to an advisory counsel, there was a technical board and several advisory committees dealing with various fields of interest. The work of these committees was supplemented by a small staff of competent investigators. The work of such a commission as we propose should be divided into two parts: First, there should be an objective review of the operation of the various tariff procedures which we have followed in recent years, to prepare reports covering topics such as those I outlined a moment ago, and many others. Second, on the basis of these findings, to prepare a recommendation to Congress for a policy that would be adaptable to the post-war conditions with which we will be confronted. Obviously, the personnel of such a commission would be a matter of utmost importance. We do not believe that any one man or organization has the wisdom or experience to define a policy such as is needed. We do believe that a properly constituted representative committee of thoroughly competent people could prescribe a policy which would be both constructive and nonpartisan in character.

The CHAIRMAN. You think pretty well of the personnel invested with the negotiation of these agreements, don't you?

Mr. PEABODY. That is a broad question, Senator. I have a great respect for the work of certain individuals, as far as I know.

I am sorry that in the majority report they saw fit only to speak of that and to neglect the point that I tried to emphasize that under the present procedure you have very little relief.

The CHAIRMAN. But you do think pretty well of the personnel of this committee?

Mr. PEABODY. I don't know the personnel of many of the committees, Senator. I would not pass judgment. I think they have made some serious mistakes.

We submit that it is particularly timely to undertake such a study, and we make this recommendation in the sincere hope that you will recognize its constructive and timely character.

I ask that my exhibit 2 be made a part of my testimony.

The CHAIRMAN. That will be done.

Let me read to you and ask you if this is not what you said at that time:

I would pause to say that actually in observing the record of what has been done, I frankly think that it is surprising that so few mistakes have been made in the trade agreements that have been concluded. I think on the whole that those individuals who have had the first responsibility of making commodity studies and doing the detail work have done a pretty good job, but mistakes exist, and it is only because of the—you might say—devotion of a few individuals connected with the program that it has not been a colossal tragedy.

Mr. PEABODY. I stand on that.

(Exhibit 2 is as follows:)

EXHIBIT 2.—Estimates of total employment and of employment in the manufacture of exports to trade agreement concession countries and to all other countries in specified industries, 1934 to 1938¹

Industry	Year	Number of wage earners			Number of man-hours in production of exports to—	
		In total production	In production of exports to—		Trade agreement concession countries	All other countries
			Trade agreement concession countries	All other countries		
Agricultural machinery (agricultural implements, including tractors).....	1934	32, 118	1, 285	2, 629	2, 519, 000	5, 152, 000
	1935	52, 918	1, 847	8, 074	3, 785, 000	8, 142, 000
	1937	77, 540	3, 710	6, 634	7, 657, 000	13, 603, 000
	1938	56, 408	4, 028	6, 331	7, 590, 000	11, 788, 000
Office machinery (cash registers, etc., and typewriters and parts).....	1934	20, 365	2, 028	3, 775	4, 080, 000	7, 596, 000
	1935	31, 512	2, 141	4, 485	4, 331, 000	9, 073, 000
	1937	42, 068	3, 323	5, 290	7, 061, 000	11, 245, 000
	1938	35, 804	2, 655	3, 985	4, 707, 000	7, 071, 000
Electrical machinery and apparatus.....	1934	162, 250	4, 189	8, 239	7, 408, 000	14, 557, 000
	1935	170, 421	4, 704	9, 420	9, 176, 000	18, 030, 000
	1937	257, 224	6, 546	11, 306	13, 413, 000	23, 168, 000
	1938	183, 091	6, 095	10, 102	10, 837, 000	17, 901, 000
Paper and manufactures.....	1934	101, 000	959	1, 781	1, 815, 000	3, 372, 000
	1935	103, 244	1, 073	1, 906	2, 171, 000	3, 856, 000
	1937	110, 809	1, 301	2, 293	2, 774, 000	4, 888, 000
	1938	101, 100	1, 125	1, 872	2, 229, 000	3, 708, 000
Rubber manufactures.....	1934	118, 191	1, 423	2, 258	2, 436, 000	3, 868, 000
	1935	114, 600	1, 472	2, 274	2, 555, 000	4, 103, 000
	1937	129, 800	1, 835	2, 872	3, 378, 000	5, 288, 000
	1938	100, 447	1, 522	2, 460	2, 604, 000	4, 210, 000
Iron and steel advanced manufactures.....	1934	171, 685	2, 071	3, 308	3, 769, 000	6, 621, 000
	1935	189, 585	2, 811	3, 736	4, 543, 000	7, 345, 000
	1937	234, 705	3, 471	5, 409	7, 095, 000	11, 240, 000
	1938	176, 272	2, 820	4, 638	5, 234, 000	8, 608, 000
Industrial machinery.....	1934	(²)	5, 667	13, 892	10, 342, 000	25, 353, 000
	1935	(²)	6, 250	17, 968	12, 219, 000	35, 127, 000
	1937	(²)	10, 044	23, 210	23, 076, 000	61, 172, 000
	1938	(²)	9, 473	34, 144	17, 336, 000	62, 483, 000
Leather manufactures (including boots and shoes).....	1934	255, 000	250	864	466, 000	1, 550, 000
	1935	259, 378	334	966	617, 000	1, 783, 000
	1937	281, 268	557	1, 480	1, 084, 000	2, 778, 000
	1938	265, 800	805	1, 418	1, 436, 000	2, 530, 000

¹ These estimates are intended to indicate only the comparative trends of employment and as such were used for constructing the indexes of the table on p. 1932 of hearings before the House Ways and Means Committee, 76th Cong., 3d sess., on H. J. Res. 407, Extension of Reciprocal Trade Agreements Act.

² Not available.

Senator VANDENBERG. You are very familiar with tariff procedures. Has the use of the so-called elastic tariff been practically abandoned in the last 2 or 3 years?

Mr. PEABODY. Yes. I think the record is in the House hearings, with the exception of perhaps only half a dozen cases chiefly of Japanese competition, no other action has been taken on that. There is a gentleman in the back of the room who can give you exact information.

Senator VANDENBERG. In connection with these escape clauses, which interest me very much, is there any limitation upon our freedom of action under them?

Mr. PEABODY. There is a very tremendous limitation as I interpret the record. Very seriously, I think here, not there, is a place where this whole committee ought to preferably interrogate the members of the admin-

istration who have written these things to check them. I have seen cases where in my judgment very serious injury has been done, and when the argument has been presented to the trade-agreement people, their answer has been "In some instances"—of course, I have not been present, and I take it as I have gotten it, that their answer has been: "In this particular instance, you have to have substantial injury or you had to show certain conditions which did not then exist."

I have a very sincere feeling that the loopholes, of which there has been a great deal of discussion, just do not exist, in fact, and the only way you could really get the whole story of that is to read some of these administrative provisions and to ask the question: What do you mean by some of these general statements? There is no formula. The law prescribed no basis. I am speaking very candidly, and it is one of the most serious criticisms I would make of the procedure as it has gone to date, that once a fellow is hurt, if he is a small fellow, he has not got a chance.

Senator VANDENBERG. The difficulties you now define related to the attitude of the State Department itself. I am inquiring whether there is anything textually about the escape clauses which rob us of freedom of action?

Mr. PEABODY. In a good many ways, yes. When I spoke of the fact, I wish I could have given you an extended analysis of the so-called escape provisions.

Senator VANDENBERG. Can you give me one example which might be typical?

Mr. PEABODY. The use of expressions like substantial injury. It reads well, but the burden of proof, as I see the thing, is 100 percent on the industry, and they have not only to show substantial injury, but continuing injury.

Senator VANDENBERG. What I want to know is—let us assume for the sake of the argument that the employment of the term "substantial injury" is a barrier to the use of the escape clause. Do we collide with the requirement for substantial injury in the text of the escape clause itself, or in the attitude of the State Department; which?

Mr. PEABODY. Both. I have nothing but a summary of the general provisions with me, and this summary relates more to bases for the termination of agreements than the escape clause itself, but for example, this would illustrate it although I think it is a comparatively poor illustration. There are four agreements that you could not even terminate on the basis of wide fluctuation in exchange.

Senator VANDENBERG. What are those? Do you know what they are?

Mr. PEABODY. Cuba, Brazil, Haiti, Colombia. That is a terribly poor illustration, but it is the first one that catches my eye.

Senator VANDENBERG. How about arbitrary depreciation of currencies? Can we escape in the face of depreciated currency if we want to, under these agreements?

Mr. PEABODY. Not under those four. And there are a larger number where the agreement could not be terminated—I have a tabular summary. The detail of the individual agreements would necessarily vary, and in that sense this is approximate. There are 11 or 12 agreements which could not be terminated in the event of failure to agree with the complaining country in respect of the application of the agreement provisions for exchange controls. This is one

of those features which I am trying to cover by the statement that I feel that your committee should investigate further.

Senator VANDENBERG. You mean that if we made a trade agreement with a given country which was today entirely equitable and tomorrow this country nullified our benefits through the arbitrary exchange control, that we would still be tied to the agreement and the escape clause would not allow us to get out?

Mr. PEABODY. I think that would be true of about half of the agreements. The agreements contain elaborate provisions about what can be done in the case of the imposition of quotas and things of that sort, but I think it would be extremely interesting to have a record of some of the actions that have been taken by certain foreign governments that apparently are quite compatible with the conditions of the existing agreements.

Senator VANDENBERG. Are there any collateral powers which the President has under the general tariff act which he could invoke by way of reprisal?

Mr. PEABODY. That is probably a matter of interpretation, and I think that that is one of the things you ought to have an answer to. What the interpretation would be of the binding character of the most-favored-nation clause in the trade agreements, as to whether that would take precedence over the other general provisions of the tariff act, I don't know. I suspect as a matter of practice that the President would not invoke any of those other powers, that the first step would be a putting of an offending country on the black list.

Senator VANDENBERG. I agree with you that it is theoretically important to be sure that we are not in a straitjacket when we face the post-war economic adjustment, and I think it would be interesting to know precisely how much of a strait jacket it is. I have assumed that the escape clause was a reasonably available antidote.

Mr. PEABODY. I will say in all sincerity that I think that this committee would be very remiss not to pursue this question a lot further than we are in any position to. All we are able to do is to see what has happened and reading the general provisions of the act. I get the story of the feeling of some of those who have talked and made an appeal to the Committee for Reciprocity Information for relief. I feel as though the thing is very very weak indeed.

The CHAIRMAN. Secretary of State Hull and Dr. Grady, who are rather high authorities, stated to this committee that they are watching every move of these countries who have agreements with us in order to protect the interests of this country and see that they live up to the agreements.

Mr. PEABODY. I appreciate that, Senator, but—

The CHAIRMAN (interposing). You have no doubt of that, have you?

Mr. PEABODY. I have very grave doubts as to whether there will be agreement as to what constitutes living up to the agreement. Again, to give you specific example, and I suspect it is not the best one, we made an agreement with Brazil—one of the first ones. It is common knowledge in general terms that for a long time after that agreement went into effect, Brazil was exercising exchange controls and diverting exchange, for the payment of German merchandise and thus using up the exchange available, to the United States. I am very

certain that that was in direct contravention of the implications of that agreement. I suspect, but I don't know—the information has never been made public on a lot of these things—that the United Kingdom, with which we made an agreement, as you know, which went into effect last year, was at that time involved in certain clearing agreements with the other countries which, technically, were in violation of their commitments to the United States.

Frankly, I think we have been too soft in our interpretation. I am not suggesting and I do not want my observations to be construed to mean that I think that we should crack down at the first moment for certain small technical offenses, because they are innumerable, and just as we all probably are guilty every day of our lives of violating some laws, but I do think that we have been very seriously remiss in not setting some kind of a standard and maintaining it for action on the part of certain other governments, some of which we have agreements with and some with which we do not have agreements. I certainly could not agree, as far as I am aware of conditions as they have gone on, under the administration of the Trade Agreements Act that we have taken the proper action in the case of certain countries that have discriminated against the United States.

I might add there, for the first 2 or 3 years of the trade-agreements program, the story used to come which seemed quite plausible, and it was: "Well, you have got to wait until you get enough agreements so that the countries will see some value in not being put on the blacklist." That time has come, and we have had it for a long time now, but we still have not added other countries to the blacklist. They go on and capitalize on the easy treatment we give them and practice continuous discriminations against the United States.

The CHAIRMAN. We will take a recess until 2 o'clock and continue with the witnesses who are on the calendar.

(Whereupon, at 12:15 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

(Hearing was resumed at 2 p. m.)

The CHAIRMAN. The committee will come to order. Mr. Hugo N. Schloss, of New York City.

STATEMENT OF HUGO N. SCHLOSS, PRESIDENT, AMERICAN LACE MANUFACTURERS' ASSOCIATION, NEW YORK CITY

The CHAIRMAN. You are the president of the American Lace Manufacturers' Association?

Mr. SCHLOSS. Yes.

The CHAIRMAN. Did you appear before the Ways and Means Committee of the House?

Mr. SCHLOSS. Yes, sir.

The CHAIRMAN. Have you some new material to present?

Mr. SCHLOSS. Yes; I would like to present some new facts.

The CHAIRMAN. You may proceed, Mr. Schloss.

Mr. SCHLOSS. Mr. Chairman and gentlemen of the Committee on Finance, what I have to say to you today supplements the statement which I made before the Ways and Means Committee on January 30, when I expressed opposition to the extension of the Reciprocal Trade

Agreement Act as it has been administered since its enactment in 1934 and its extension in 1937.

I appear in behalf of the American Lace Manufacturers Association. The membership of this association consists of the domestic manufacturers of Levers laces and bobbinets.

The contention of the proponents for the extension of the Reciprocal Trade Agreement Act is that tariff rates should not be made by Congress as provided in the Constitution. It is suggested that a different method of establishing tariff rates is desirable. If this is so, and if the method is to be that exemplified in the Reciprocal Trade Agreement Act as it has been administered, I respectfully submit that that method has proved itself to be imperfect, unjust, and dangerous.

All changes in method and procedure are apt to be fraught with errors, and if the Reciprocal Trade Agreements Act is extended, an attempt should be made to eliminate or correct errors as far as possible. Errors have been made.

It is, therefore, my purpose in making this statement to point out to you how an American industry has been seriously injured under the administration of the act since it has been in effect and what may happen to any other industries, if the existing act is extended, as is.

Statistics have been furnished and are available to you from the files. They clearly demonstrate how importations of laces and nettings have increased tremendously under the reduced tariff rates provided for in the French and United Kingdom agreements, to the serious injury of the American lace manufacturing industry.

The CHAIRMAN. Is that hand-made lace?

Mr. SCHLOSS. No, sir; machine-made.

The CHAIRMAN. All of it?

Mr. SCHLOSS. Yes.

The CHAIRMAN. You can make it up much cheaper by machine than you can by hand?

Mr. SCHLOSS. We can make it cheaper by machine than it can be made by hand in the western European countries, but China makes lace by hand—

The CHAIRMAN (interposing). I mean in the United States.

Mr. SCHLOSS. In the United States, definitely cheaper by machine than by hand.

The CHAIRMAN. That is why you people went into the machine-made laces?

Mr. SCHLOSS. Yes; but of course, they have machines also in Europe, in France, and in England, and we are in competition with them.

The CHAIRMAN. You have people in your organization who make the same laces over there?

Mr. SCHLOSS. No; but they import some. Some of our domestic manufacturers now have been compelled to go into the importing business, because we cannot compete with importations coming in from France and England.

The CHAIRMAN. Were you with your organization in 1922?

Mr. SCHLOSS. Yes, sir.

The CHAIRMAN. Did you appear before the Ways and Means Committee that year?

Mr. SCHLOSS. Yes, sir.

The CHAIRMAN. Did they adopt the rates that you recommended?

Mr. SCHLOSS. Yes, sir.

The CHAIRMAN. What were they? They were very kind to you?

Mr. SCHLOSS. Well, they were very fair to us.

The CHAIRMAN. Very fair. Then in 1930, did you appear before the Ways and Means Committee?

Mr. SCHLOSS. Yes, sir.

The CHAIRMAN. And they gave you what you wanted?

Mr. SCHLOSS. They left the rate as it was established in 1922.

The CHAIRMAN. What is that rate?

Mr. SCHLOSS. Ninety percent ad valorem.

The CHAIRMAN. How many of the agreements now have changed that rate on lace?

Mr. SCHLOSS. The Belgian agreement, the French agreement, and the United Kingdom agreement. There are different changes in each one of those treaties. The paragraph has been split up into various different rates.

The CHAIRMAN. What was the importation from all countries under these concessions?

Mr. SCHLOSS. For the 11 months—I have not got the 12 months.

The CHAIRMAN. Let us take it in 1937.

Mr. SCHLOSS. I would have to refer to some memoranda.

The CHAIRMAN. Was it \$36,000?

Mr. SCHLOSS. \$36,000?

The CHAIRMAN. I am asking you.

Mr. SCHLOSS. In 1937, without referring to my figures, it would be, in foreign value, \$2,747,000.

The CHAIRMAN. So it would not be \$36,000 in our own money?

Mr. SCHLOSS. I don't quite follow what you mean.

The CHAIRMAN. You mean from all the countries now, or just from the countries with which we have got trade agreements that the importations came from.

Mr. SCHLOSS. Those are trade-agreement countries. I do not think China is included in that.

The CHAIRMAN. That is lace of all kinds that you are talking about?

Mr. SCHLOSS. Yes, sir.

The CHAIRMAN. How much was the importation of hand-made lace?

Mr. SCHLOSS. Very small. I don't know what the Chinese importations were. That would be the hand-made. And some from Italy, but very small.

The CHAIRMAN. Do you think it has affected you any?

Mr. SCHLOSS. The Chinese importations certainly have affected us.

The CHAIRMAN. It amounted to \$36,000 in 1937, and \$29,000 in 1938, of hand-made laces valued over \$50 per pound, to which the agreement rate applied. You say most of those came from China?

Mr. SCHLOSS. Yes.

The CHAIRMAN. Any other country? Japan?

Mr. SCHLOSS. Italy, possibly; not Japan.

The CHAIRMAN. But they had their effect on the price of lace in this country?

Mr. SCHLOSS. Certain types of laces.

The CHAIRMAN. If it had been \$5,000 instead of \$29,000, it would have had an effect, to some extent.

Mr. SCHLOSS. Well, I suppose it may have some effect on certain classes of lace. Laces are of so many different varieties.

The CHAIRMAN. Well, as a matter of fact, the lace industry depends a good deal on fashions, doesn't it?

Mr. SCHLOSS. It does to a large extent.

The CHAIRMAN. If we could revert to the days of the Victorian period, and so on?

Mr. SCHLOSS. Not quite.

The CHAIRMAN. You would not have to go that far back?

Mr. SCHLOSS. No.

The CHAIRMAN. The more laces that we wear in this country or that we use in this country, the more prosperous the lace business is?

Mr. SCHLOSS. That is self-evident, surely. But lace, since the industry was established in this country in 1910, laces have been popularized and have been put to a great many uses that they formerly had not been put to. Formerly, before the industry was established here, they were all luxury articles. Today they have gotten to a point where they are part of the textile industry. It is a fabric today and used in a great many different ways.

The CHAIRMAN. But it depends largely on style?

Mr. SCHLOSS. It does to a large extent, as anything does.

The CHAIRMAN. I agree with you, but particularly lace? It is a little more so than others, isn't it?

Mr. SCHLOSS. Possibly, yes.

The CHAIRMAN. Thank you very much.

Senator DAVIS. The lace industry in Scranton and Wilkes-Barre, and as far as I know in Rhode Island, has been very successful in the last few years, has it?

Mr. SCHLOSS. It has not been successful?

Senator DAVIS. Has it?

Mr. SCHLOSS. Definitely not, and as I would like to say, laces have been very much in fashion for the last 3 or 4 years.

Senator DAVIS. I have had petitions coming to me from Pennsylvania calling on us to get a little more protection for them, and they also say in the letters that I received from them that the lace industry in France and in England is seemingly working full time.

Mr. SCHLOSS. Of course, during the war things have changed somewhat, but I have some French newspapers here showing that 95 percent of the laces that are being manufactured in Calais, France, which is the center of the lace industry, it shows that it is running at a 70 percent of normal in spite of the war, and it is sending its entire production to this country.

Senator DAVIS. And our factories in Scranton are working at what percentage of the time?

Mr. SCHLOSS. Thirty-five or forty percent in Rhode Island; and then at starvation prices to meet the foreign competition. We have been practically eliminated from the picture. We can only get a little quick business occasionally, color and so forth, but 70 percent of the business today in lace is foreign.

Senator DAVIS. Do you recall any statement from the governmental officials saying that we ought to get out of the lace business in America and let England and France make it, that we may be able to export some of our farm products and other industrial products to those countries in exchange for lace?

Mr. SCHLOSS. Yes, sir. Secretary Wallace made that statement.

Senator DAVIS. How many employees in the United States in the lace industry?

Mr. SCHLOSS. In the lace industry itself, in normal times, between 9,000 and 10,000.

Senator DAVIS. The service organizations to the lace factories, how many of those are there?

Mr. SCHLOSS. I would not like to guess, but we use cotton, we use rayon, and we use dyeing and finishing chemicals and dyestuffs, and our wage rates are practically the highest of the textiles—for any industry probably—in this country.

Senator DAVIS. What is the difference in the wage as between the lowest worker in France and the lowest worker here, say in Scranton, Pa.?

Mr. SCHLOSS. In normal times, our lace weavers or twist hands as we call them, earn on an average of \$52 a week. That is an average. Some weeks they go higher and some weeks lower. In France, we have letters in our file saying that if they earn \$13 to \$14 a week they consider it a very good week.

Senator DAVIS. Is the freight transportation from Calais to New York City, and the freight by train from Scranton to New York City, do you know what that difference would be?

Mr. SCHLOSS. I don't know; I could not answer that.

Senator DAVIS. Could you furnish us that for the record?

Mr. SCHLOSS. Yes; I would be glad to. Senator, Scranton is really not lace; it is lace curtains. But Philadelphia is important in lace.

(Information requested is as follows:)

Freight rates are as follows:

From Calais to New York: 700 francs per cubic meter plus 50 percent or 1,050 francs. Minimum bill of lading 300 francs plus 50 percent—450 francs.

From Scranton to New York: 73 cents per 100 pounds from door to door, via Erie Railroad.

Senator DAVIS. But the foreign competition is practically destroying the lace industry in America?

Mr. SCHLOSS. Definitely destroying it, sir. We are all running on short time and very few machines, whereas the importations in spite of the war, are tremendous and at landed prices that are about half the cost of what our manufacturing costs are.

The CHAIRMAN. How does it compare with the rates before the Fordney Act?

Mr. SCHLOSS. I believe before the Fordney Act, we had the Underwood tariff, and that was 60 percent, and of course, there was not any Hitler at that time, but it was Kaiser Wilhelm that helped the lace industry in this country, because they could not ship over here, but in spite of that lowering, we got along, but then when the 1922 tariff came along, we were given 90 percent, and the rate has been at that since, until Mr. Hull's treaties.

Senator DAVIS. What is the difference between the Underwood tariff for revenue and these reciprocal trade agreements?

Mr. SCHLOSS. In rates, you mean?

Senator DAVIS. Yes.

Mr. SCHLOSS. Well, the trade agreement with France has reduced some articles from 90 to 50 percent; others from 90 to 60 percent, and others from 90 to 65 percent, and the United Kingdom treaty reduced the tariff from 90 to 45 percent.

Senator DAVIS. I remember being in London when that treaty was signed, and the newspapers were very very jubilant over the fact that they had this trade treaty—that it meant so much to them over there.

Mr. SCHLOSS. We have those papers from France.

Senator DAVIS. What I am trying to get at is, what was the rate in the Underwood tariff that was known throughout the country as a kind of a free-trade bill?

Mr. SCHLOSS. Sixty percent.

The CHAIRMAN. That was not free trade, was it; 60 percent?

Mr. SCHLOSS. Well, Senator, 60 percent ad valorem seems a high rate—

The CHAIRMAN (interposing). I understand, but that is not free trade.

Mr. SCHLOSS. No; it is not.

Senator DAVIS. It is more or less free trade as far as competition is concerned.

The CHAIRMAN. Why do you people put out that kind of an impression as an argument, that it is a free-trade bill when it carries a 60-percent rate?

Mr. SCHLOSS. I think it is worse than free trade, for this reason, that it simply acts as a tax on the people, on the consumer. It does not protect an American industry when the goods imported carry a tariff of 60 percent and bringing up the cost of the imported article and not helping the American industries or American labor at all.

The CHAIRMAN. You think all around then it would be better to let it come in free rather than 60 percent?

Mr. SCHLOSS. Well, don't ask me that question, because I don't like to answer it. I would not like to take away what we have got. We try to struggle along and hope for—I won't say a change of administration—but a change in the tariff.

The CHAIRMAN. What do you mean by a change in the administration?

Mr. SCHLOSS. Possibly a protection administration.

The CHAIRMAN. I think now I understand you. All right, proceed.

Mr. SCHLOSS. I am quite ready to concede that the lace manufacturing industry does not compare in size with some of the larger industries of the country. However, it is a part of the textile industry which is one of the largest industries of the country and if the various branches of the textile industry are to be exterminated, the goal of reestablishing employment and prosperity will certainly not be brought nearer.

The procedure as you know, in writing trade agreements, is for the Committee for Reciprocity Information to give a hearing to a certain industry. After that hearing, the industry has no further opportunity to defend itself against the attacks by foreign negotiators and when the treaty is finally promulgated, the industry is handed the treaty, resulting from the secret negotiations between the so-called Government experts and the foreign negotiators.

When errors have developed, there has been no redress, although the treaties do contain certain escape clauses. The State Department has absolute power in the matter and an injured party can go no further than to the State Department where the treaty was written and where first and last decisions are made.

Senator DAVIS. Were you called in when the committee had up the lace schedule?

Mr. SCHLOSS. We had a hearing before the treaty was written.

Senator DAVIS. Did the Secretary of State give you a hearing? Did you discuss this matter with him?

Mr. SCHLOSS. No.

Senator DAVIS. Whom did you discuss the matter with?

Mr. SCHLOSS. The Committee for Reciprocity Information.

Senator DAVIS. Who is the Committee for Reciprocity Information?

Mr. SCHLOSS. At that time I think Mr. Fox was the chairman.

Senator DAVIS. Who is Mr. Fox?

Mr. SCHLOSS. He is a member of the Tariff Commission.

Senator DAVIS. Very well; proceed.

The CHAIRMAN. He treated you courteously, did he not?

Mr. SCHLOSS. Oh, yes; certainly.

Upon publication of the treaty with France, there were pointed out to the Committee for Reciprocity Information three flagrant errors due to indefinite and misleading phraseology. These errors resulted in reductions in tariff duties which the negotiators themselves did not intend.

We called these errors to the attention of the Ways and Means Committee and, therefore, I will not repeat them here, but I wish to state that after the Committee for Reciprocity Information granted our industry a hearing, on June 9, 1938, in order that we may point out the errors referred to, it took more than 1 year from the time of that hearing to receive the decision of the committee in a letter dated June 23, 1939, from Dr. Grady, then chairman of the committee. In that letter Dr. Grady wrote as follows:

The CHAIRMAN (interposing). That would indicate that they were giving a long consideration to it?

Mr. SCHLOSS. Yes, indeed.

The CHAIRMAN. So it was careful.

Mr. SCHLOSS. I don't know how careful it was. It was long.

Senator DAVIS. In the end, it was not satisfactory to you?

Mr. SCHLOSS. I am going to tell you what they told us. This is a quotation from Dr. Grady's letter:

On the basis of these studies the committee on trade agreements has reached the conclusion that it would not be appropriate to request a modification of the trade agreement with France under article XI of that agreement. The committee was of the opinion that such influence as the depreciation of the French franc has had on imports by the United States of manufactures of lace benefiting from the provisions of the trade agreement with France has been but one of various factors which contributed to the difficulties experienced by the industry in 1938 and has not been of a character to warrant action of the sort requested.

The facts developed during the course of this investigation include evidence of shifts which have taken place in the character of our lace imports since 1936 and, in particular, the significant change which has occurred in the nature of our imports of silk levers lace from France. In the event the agreement with France should be subject to revision those concerned with the preparation for such negotiations would of course have this data before them for consideration and will give it their careful consideration.

In the meantime, the value of the French franc had depreciated 66% percent, from 6.65 to about 3 cents.

Senator DAVIS. With the depreciation of the franc, it makes the goods that much cheaper by this act, because you get more francs for our dollar than you get otherwise?

Mr. SCHLOSS. Surely.

Senator DAVIS. That means just like a lowering of the tariff, doesn't it?

Mr. SCHLOSS. Very much so. It is exactly that in effect

At the hearing preceding the negotiations with the United Kingdom we were asked to suggest to the Committee for Reciprocity Information what concessions could be made to the United Kingdom which could do the least injury, if any at all, to the American Lace Manufacturing Industry. We accordingly made the suggestion that a reduction in the rate of duty on the better quality of cotton nets would not be injurious to the American industry. When the United Kingdom treaty was finally concluded, it contained a very serious error inasmuch as the language of the treaty, instead of reducing the duty on cotton nets, reduced the rate of duty on nets wholly or in chief value of cotton. The phraseology made the reduction apply to goods which were never intended. They were not the product of the United Kingdom but were being produced principally in France and Switzerland. We immediately called this error to the attention of the Committee for Reciprocity Information before the effective date of the treaty.

Under date of January 6, 1939, the committee wrote as follows:

This matter * * * had the immediate consideration of the committee, and after careful examination the British were sounded out on the possibilities of making a change prior to January 1. This was found, however, to be impossible in that the British authorities required some investigation to be necessary, work which could not be completed in the time at their disposal. It was therefore found impracticable to carry the matter further at this time.

And again under date of January 9, the Committee for Reciprocity Information wrote us as follows:

Following receipt of your letter of January 6, I have taken up with the Government departments concerned the question of providing special classifications in 1939 for reporting the imports of nets and nettings made on the Bobbinet machine, on which a concession was made in the trade agreement with the United Kingdom.

Arrangements have been made to provide headings under this class to show separately the imports of nets and nettings containing rubber and not containing rubber.

Accordingly, we have been watching the importations of these goods during the year 1939 and these importations have been entirely from France, with the exception of one importation from Switzerland. Not any from the United Kingdom.

The treaty provides that if the major benefits of concessions go to other foreign countries, each high contracting party reserves the right to withdraw or to modify any concession granted.

Accordingly on February 5 of this year, we took up the matter with the Committee for Reciprocity Information and asked whether anything could be done to alleviate the situation. In response to this, we received a letter from them under date of February 9 in which they state:

It should be appreciated that until some evidence can be given of substantial damage to the domestic industry, the fact that a small amount of imports comes from France and Switzerland, rather than from the United Kingdom, affords little basis for revision of the United Kingdom agreement as affecting these products.

We concede that importations of the item referred to have been small up to this time. This is entirely due to the fact, however, that the bobbinet machines in France have been fully occupied manufacturing other goods for the American market which goods were formerly made in American factories and by American labor.

This product has given full employment to the French manufacturers and it has not, as yet, been necessary for them to develop other articles for their machines.

However, this is only a temporary condition and it will not take long before these imports will increase by leaps and bounds.

Senator CLARK. Your contention is, that while you have not been hurt, that you may be hurt?

Mr. SCHLOSS. On this particular item, which was never intended to be reduced in the treaty, and concededly so.

To continue: This will happen as soon as market conditions make it desirable for the foreign manufacturers to use their machines for the manufacture of other articles for which the American manufacturers, at great expense, have done the experimenting and have created a market.

However, the statistics already show, that during the month of December 1939 the importation of these goods from France rose to 59 percent of the entire importations during the year, thus proving that there is already evident a building up of importations of these goods.

The letter from the Committee for Reciprocity Information also mentions the fact that we have not given any idea of what domestic prices or costs of this kind of material are. In the first place, they have never asked for it and in the second place, why do they mention this fact at all at this time, when Secretary Hull and Dr. Grady and Mr. Noble insist that the differences in costs of production should not form the basis for tariff rates.

The inference from this letter is clearly that until some evidence can be given of substantial damage to the domestic industry, we are helpless.

Senator CLARK. Where did you ever see a statement from Dr. Grady or any of these other gentlemen that the cost of production should not form the basis for tariff rates? Where they said that it should not form the basis? They said, did they not, that it should not form the sole basis for tariff rates, but I have never read or heard that they said that it should not form a basis.

Mr. SCHLOSS. One place where I heard it was at a debate in the Town Hall in New York. I was present there, and I am very sure—

Senator CLARK (interposing). Who said that?

Mr. SCHLOSS. Dr. Grady. He never used the word "sole". He said they could not use that as a basis. He said that the cost of production cannot be used as a basis.

Senator CLARK. Do you mean to say that he said it was not one of the elements that should be considered?

Mr. SCHLOSS. He did not.

Senator CLARK. Do you contend it should be the sole basis?

Mr. SCHLOSS. No; I do not.

Senator CLARK. For instance, how would you go about finding what the cost of production in a Japanese factory was in Japan?

Mr. SCHLOSS. I don't know.

Senator CLARK. I was in Japan 3 or 4 years ago, and it took all of the diplomatic powers of the United States Government to obtain a pass for Senator Robinson and Senator Byrnes out of the whole party to go into the town of Osaka and go into one of their factories. How would the United States Government go about setting up a basis?

Mr. SCHLOSS. I do not say it should be the sole basis. In their letter they asked for costs, and why should they do that if it is not to be used as a basis?

Senator CLARK. I was just trying to develop your position in the matter.

The CHAIRMAN. Dr. Grady said the other day that it was one of the factors.

Senator CLARK. That is the statement I have always heard made by all concerned.

Mr. SCHLOSS. I am very positive, Senator, that at the Town Hall debate, he did not make that statement. He said that the cost of production cannot be used. There was nothing said about the sole basis. And even Chairman Doughton of the Ways and Means Committee made that statement. He asked me about it.

The CHAIRMAN. There is handed to me here a question which was put to Dr. Grady when he was on the stand, and we have to give some effect to the statements here before this committee in consideration of the fact rather than what may have happened at some town-hall meeting. Senator Vandenberg asked Dr. Grady:

To what extent do you consult the difference in the cost of production?

And Dr. Grady answered:

It is one of the factors. We do not send people abroad, it would not be profitable to send abroad to get all of these factors, but we get testimony at the hearings from domestic industries which we take into account.

Mr. SCHLOSS. Well, Dr. Grady is wrong as far as the lace industry is concerned, because the Tariff Commission had a man over there, I think years ago, a few years ago, who spent, I think, 6 months going into costs in France and Belgium factories.

The CHAIRMAN. Might you not have been mistaken on what you heard at the town hall in view of this statement?

Mr. SCHLOSS. No; I am very positive. Because I was very much interested, and in fact I think there is another witness who is here today who can back me up on that statement.

As to what I have said, I just want to say this:

In other words, we must be bankrupt before the State Department finds it necessary to consider a revision.

Evidently, the State Department does not believe in the old adage: An ounce of prevention is worth a pound of cure.

In the case of the French treaty, we have shown substantial damage to the domestic industry but there is no evidence that we may hope for any possible relief from the State Department. It is for this reason that I suggest and hope that in any extension of the Reciprocal Trade Treaty Act, provision be made:

First: That American citizens may have the right to appeal to some Government agency, other than the agency that actually negotiated the treaty, and

Second: That some basis be prescribed for the establishment of rates of duty.

As an ordinary businessman and citizen, I cannot see the logic of allowing the negotiators of the treaties to be the final judges as to whether or not an injustice has been done by them and whether or not a correction should be made by them.

If that method is to persist, it is pure dictatorship.

The treaties, themselves, provide for corrections but the negotiators up to now have made not one correction, although over 1,000 changes have been made in the tariff rates.

The CHAIRMAN. Now, let me ask you this. You say that there was, in 1939, \$2,376,000 of lace come in?

Mr. SCHLOSS. In 1939, they were larger than that. In 1939, they were nearly \$4,000,000 of foreign value.

The CHAIRMAN. Of the machine made?

Mr. SCHLOSS. Yes. That would represent a domestic value of about \$12,000,000.

The CHAIRMAN. Do you know what they were in 1926 under the Fordney Act?

Mr. SCHLOSS. I have not those figures available.

The CHAIRMAN. The figures that I get from the experts of the Tariff Commission were \$6,146,000.

Mr. SCHLOSS. What was the rate of exchange? Did they tell you that?

The CHAIRMAN. I have not gone into that.

Mr. SCHLOSS. That makes a difference.

The CHAIRMAN. I will ask you, do you remember?

Mr. SCHLOSS. What years?

The CHAIRMAN. 1926?

Mr. SCHLOSS. I think they were around 7 cents; between 6 and 7 cents.

The CHAIRMAN. I am told it was 4 cents.

Mr. SCHLOSS. During the entire period?

The CHAIRMAN. Not during the entire period. But it is a little surprising to you that under the Fordney-McCumber Act that you have talked about and somewhat appraised, that the average imports were 50 percent larger than they were in 1929.

Mr. SCHLOSS. They were not larger, Senator, when you take the exchange rate into consideration.

The CHAIRMAN. All right.

Are there any questions?

Senator DAVIS. During the Fordney-McCumber bill, a dollar was worth a dollar. Today it would be valued down to about 50 or 55 cents, isn't it?

Mr. SCHLOSS. Yes.

Senator DAVIS. That makes a great difference in the tariff, too, doesn't it?

Mr. SCHLOSS. Certainly.

Senator DAVIS. What difference does it make? Could you put into the record that differential?

Mr. SCHLOSS. I suppose I could. How would you like that? Just the difference in the total value of imports based on the gold value of the dollar and the present value of the dollar?

Senator DAVIS. That is right.

Mr. SCHLOSS. We could put that in for you.

Senator DAVIS. I would appreciate very much if you would put it in.

(Mr. Schloss did not furnish the information requested above prior to the time of the final print.)

The CHAIRMAN. I may say to you just for the record that Mr. Fox, one of the Commissioners for the Tariff Board, in reference to your testimony says:

In arriving at these various factors, the cost of production and the competitive factors such as methods of production, comparability as to quality, technological changes and other factors are considered by this Board.

That is all.

Mr. SCHLOSS. Thank you, gentlemen.

Senator DAVIS. As I see it, Mr. Chairman, about all that they did do was to consider it. They did not give any relief.

Mr. SCHLOSS. No action whatsoever.

The CHAIRMAN. The next witness is Mr. C. B. J. Molitor.

STATEMENT OF C. B. J. MOLITOR, REPRESENTING THE NORTH AMERICAN LACE CO., PHILADELPHIA, AND CHAIRMAN OF THE TARIFF COMMITTEE OF THE AMERICAN LACE MANUFACTURERS ASSOCIATION

Mr. MOLITOR. Mr. Chairman and gentlemen, as chairman of the tariff committee of the American Lace Manufacturers Association, I wish to augment my few remarks made before the Committee on Ways and Means in opposition to a continuance of the so-called Trade Agreements Act as at present administered.

The evidences presented by myself, as well as by many other witnesses appearing before that committee, of damage done to established industries, as well as evidence of the rigging of duties by foreign governments prior to negotiating reciprocal trade agreements with our Department of State, I believe could not have been possible were ratification of the Treaties by the United States Senate carried on as is required under our Constitution for ordinary commercial treaties, and as was incumbent, similarly, on the negotiators of 19 out of 22 countries with whom we have written trade treaties.

The CHAIRMAN. It is your opinion, as I understand, that if it had been left for ratification by the Senate, that none of these agreements would have been ratified?

Mr. MOLITOR. It is not my opinion. It is my opinion that none of the treaties which were written under the skulduggery such as the French agreement was written under, would be ratified.

The CHAIRMAN. You think they would not?

Mr. MOLITOR. There is no question about it. I think that is quite obvious.

The CHAIRMAN. Is the organization which you represent affiliated with the Manufacturers Association of Pennsylvania?

Mr. MOLITOR. I could not say, as a matter of fact; I am not sure—I believe so. You mean the North American Lace Co., with which I am associated?

The CHAIRMAN. Yes.

Mr. MOLITOR. I believe they are.

Senator CLARK. Are they a member of the National Association of Manufacturers?

Mr. MOLITOR. I believe so.

Senator DAVIS. You just believe so? You don't know?

Mr. MOLITOR. I know they are members of the National Manufacturers Association. As to whether they are members of the Penn-

sylvania Manufacturers Association, I would not say, as a matter of fact.

The CHAIRMAN. And Mr. Grundy?

Mr. MOLITOR. Mr. Grundy has nothing to do with our organization.

The CHAIRMAN. I did not ask you in that vein.

Mr. MOLITOR. I happen to know Mr. Grundy, and I have the greatest respect for him.

Senator CLARK. You have what?

Mr. MOLITOR. The greatest respect.

The CHAIRMAN. But he is not a member and has nothing to do with your association?

Mr. MOLITOR. None whatsoever.

The CHAIRMAN. There is no connection between your company and anything with which he is connected?

Mr. MOLITOR. I would not want to say that as a matter of fact. As a matter of fact, I am the sales manager of the North American Lace Co. I have no ownership whatever in the organization. I am an employee, a laceworker, if you will, appearing here in that capacity.

The CHAIRMAN. All right; proceed.

Mr. MOLITOR. I am certain that given the opportunity for study of the French agreement, for example, in 1936, the United States Senate would never have acquiesced to such a document conceived in the chicanery of foreign diplomacy. The jobs would then have been saved for some 5,000 American laceworkers, who have been sacrificed at the altar of so-called reciprocal trading.

I ask that you study the facts presented before the Ways and Means Committee, relating to the French agreement and the American lace-manufacturing industry. This will show what has been possible under this act.

Senator DAVIS. Where are those 5,000 men employed?

Mr. MOLITOR. I could not answer that. A good many of them are on relief and getting jobs wherever they can.

Senator DAVIS. Where were they employed?

Mr. MOLITOR. In lace manufacturing.

Senator DAVIS. In the several States?

Mr. MOLITOR. The lace industry is situated in about five States. It will show how imports of some laces, due to tariff reduction and a subsequent currency depreciation of 66% percent, had increased over 6,000 percent, while American lace workers walked the streets in search of jobs. It will show how the French Government raised its duties for bargaining purposes immediately prior to the negotiation of a trade agreement with our Department of State.

While ours is, indeed, a very small industry, it has been, however, a well-established one, giving employment under normal conditions to about 10,000 skilled artisans, who have spent many years in apprenticeship in learning their intricate trade. Though small, I am certain Congress never intended that any established industry, such as ours, be ruined.

I realize thoroughly that because our industry was both numerically and politically unimportant it was singled out by both Mr. Hull and Mr. Wallace in 1934 for annihilation for the ambitious purpose of improving our economy through the possible increase of exports to France. Our exports to France have increased, it is true, but I submit these are principally exports of death, made expedient by present hostilities in Europe, and in spite of the French agreement.

I do not believe that this august body, when delegating its powers to the Executive for negotiating trade agreements in 1934, due to the then-existing emergency, had in mind to delegate to the State Department the unbelievable powers of life and death over American industry. But that is exactly what has occurred. Both the Secretary of State and the Secretary of Agriculture have publicly advocated sacrificing our industry and its thousands of workers to promulgate their untried scheme of world economics.

I believe there exists no group in this country, no matter what may be their qualifications, that should be granted such authority without the checks and balances that are tantamount to constitutional government.

Those of us in industry, and no doubt the same is true of those in agriculture, have lived in constant awe of being "snuffed out" through the process of negotiating these treaties, while our Government has been raising our costs of production. Unfortunately for those of us employed in lace manufacturing, our fears have proved justifiable.

Incredible as it may seem, an industry which has been chosen for economic death by our State Department—as ours has been—due to the nullifying under this act of section 516 (b) of the act of 1930, has even less legal right in defense of its existence than the most obnoxious criminal in our midst. Such an unfair, un-American condition may have been justifiable under the guise of emergency, but I am certain Congress never intended that such a situation should prevail perpetually.

Let us look for a moment at the procedure followed in writing a trade agreement.

An American industry is advised that some foreign government with whom a treaty is contemplated requests a reduction in the American rate of duty which has been its only protection from competition of low-wage countries.

An industry, to protect itself, must appear before the so-called Committee for Reciprocity Information with no knowledge whatsoever of what specific change in its tariff schedule is contemplated. It must present its case before that committee in only abstract generalities. Surely that is not consistent with democratic procedure.

I am sure Congress never knowingly intended such a situation to exist.

In 1934 we heard much from the lips of Mr. Hull and Mr. Wallace about the great benefits that were to be derived from this program for agriculture. Very little was said about the increasing of our exports of our industrial products; for was not this a program to help our depressed agricultural population? Our Secretary of Agriculture thought so much of its possibilities as a means of increasing farm exports that he went about the country lobbying for this legislation. Some mention was made then, rather apologetically, to the effect that some of our industrial exports would be improved. But this was essentially a great farm program.

But what has actually happened?

Farm-product exports since 1934 have dropped by over \$100,000,000 and still Mr. Wallace testified before this committee that the trade agreements had increased foreign markets for agriculture. Mr. Wallace, in my opinion, has admitted the bankruptcy of reciprocal-trade agreements as a means of increasing farm exports, when he has championed the payment of export subsidies to producers of our

principal farm products. Surely if reciprocal-trade agreements in effect since 1934 were actually doing the job for which they were principally advocated and which Mr. Wallace at times claims for them, it would not be necessary to pay export bounties to accomplish the same result, namely, that of increasing our farm-product exports.

Though Mr. Wallace has appeared before this committee advocating the continuance of this act, it would be well to note that elsewhere he has not appeared quite so enthusiastic about reciprocal trading as a means of helping some of our farmers. He stated this spring before one of our congressional committees:

The reciprocal-trade program has not brought back to the farmers of the United States more than a small portion of their lost markets for wheat, and because of world conditions cannot do so in the future.

Every means has been used by proponents of this program to convince the farmer that it is his salvation. The chief proponent of this act even has gone as far as quoting in a broadcast speech before the American Farm Bureau Federation the fact that the trade agreements have increased farm exports, comparing exports of the year 1935 (a year of drought, mind you) with those of 1938, when as a matter of record exports of farm products have dropped by \$104,000,000 since the year this program was initiated. They are even below those of the year 1932 by more than \$60,000,000.

Frankly, our interest, as lace manufacturers, in the farm-product exports as related to reciprocal-trade agreements, may be more readily appreciated when one realizes that the State Department has told us repeatedly in effect that our sacrifice as an industry could only be considered in the light of the great gains to be brought to our depressed farm areas.

This whole question of tariffs has been for American industry a matter of perpetual "jitters." One political party advocates the protection through tariffs of our industries and agriculture, while the other party at times believes in tariffs for revenue only. I believe this to be too important a question to be made the political football of any party or parties.

I believe this is the opportune time to streamline our whole tariff structure by a truly scientific analysis by a committee of qualified, impartial experts, who may make a very exhaustive study of this important problem as related to our present economy and that of our neighbors.

Senator CLARK. That is just exactly what we have under the present law.

Mr. MOLITOR. I don't like to get into a debate on that question.

Senator CLARK. You are expressing your opinion and I am expressing mine.

Mr. MOLITOR. That study should include a complete unbiased analysis of every reciprocal-trade agreement written since the inception of this act. That study should take cognizance of legislative actions of our Government to further enhance the living standards of our workers by establishment of a shorter work week and a minimum wage and its relationship to tariffs. Until such a scientific study has been made and a full report made to the Congress, I earnestly suggest that this act be not extended when it shall have expired on June 12 next, at least in its present form.

However, if it be deemed advisable to extend the Trade Agreements Act further, it should be extended only with the constitutional

provision of ratification in some practical form to guard against further errors of administration such as have occurred in the past.

The CHAIRMAN. May I ask you, what is the capitalization of the North American Lace Co.?

Mr. MOLITOR. I could not tell you.

The CHAIRMAN. You don't know?

Mr. MOLITOR. I don't know.

The CHAIRMAN. Do you know whether they have declared any dividends lately?

Mr. MOLITOR. I don't know. As I told you before, I am only an employee. And I don't know. I don't own a share of stock in any lace company in America.

The CHAIRMAN. It is reputed to be a pretty prosperous concern?

Mr. MOLITOR. I believe the Tariff Commission has a record of the profits of the lace industry which they received in an investigation during the past year. I think they could answer the question.

The CHAIRMAN. You are not close enough to tell?

Mr. MOLITOR. I am an employee of the North American Lace Co., and I am not interested in the ownership of the company.

The CHAIRMAN. And you don't know whether they are paying any dividends or not?

Mr. MOLITOR. I could not tell you. As a matter of fact, there are two branches to our company, one of which is the lace manufacturing and the other is the lace curtain manufacturing, and as I am not interested in the lace curtain industry, I could not tell you just what the circumstances are.

The CHAIRMAN. How about the other branch of the industry?

Mr. MOLITOR. The Levers branch, if you must know, has lost money since the inception of the French agreement in 1936. The records show, records which the United States Tariff Commission have received, I believe they will substantiate our statement.

The CHAIRMAN. How about the other lace companies?

Mr. MOLITOR. I cannot answer. I will only say this to you, sir, that the production in American, despite tremendous increase in the consumption of laces in America, production in such mills in America has dropped in 1938 to 40 percent below 1935, which was, after all, a depression year, and in 1939 the production was 25 percent below 1935. The production of the North American Lace Co., I can only estimate, has been, in the past 3 years, I should judge, not over 20 percent of capacity, and it may interest you to know that the North American Lace Co. is now, through force of circumstances, importing laces from France, despite the fact that we are operating less than 20 percent of our capacity.

The CHAIRMAN. You are kind of adding to this situation that you complain about?

Mr. MOLITOR. Well, of course, if our Government wants us to go into the importing business, we have to do it as a means of self-preservation.

The CHAIRMAN. You are an importer as well as a producer?

Mr. MOLITOR. Senator, I don't believe we could be accused of doing that. I don't believe that I could be accused of doing it. I don't believe anybody has been more active in attempting to save the jobs of the men in our industry than I have.

The CHAIRMAN. You have impressed me very well as a fellow who knows his business. You talk that way; I am just trying to get the facts.

Mr. MOLITOR. I am glad to help you as much as I can.

The CHAIRMAN. You have not helped very much about this profit business.

Mr. MOLITOR. I have told you. I would like you to repeat the question, if you will, and I will attempt to answer it if I can.

The CHAIRMAN. Well, one question I understood you to answer was that you were not only producing laces in the United States, but you are complaining about importations from France, and yet you are indulging in importation.

Mr. MOLITOR. We have just recently started to import laces.

The CHAIRMAN. When was that?

Mr. MOLITOR. I should say about 6 months.

The CHAIRMAN. That is all.

Senator CLARK. It is a fact, is it not, that the duty, not the 90 per cent duty on the type of lace most directly competitive in the United States, those were not reduced by the French agreement?

Mr. MOLITOR. I won't agree with you, sir. That is not the fact.

Senator CLARK. How much were they reduced?

Mr. MOLITOR. That is the contention of the experts for the Committee for Reciprocity Information.

Senator CLARK. That is the Tariff Commission.

Mr. MOLITOR. The United States Tariff Commission, or whoever made that statement, is not apprised of the real true facts. As a matter of fact, we have a statement—Mr. Schloss, I believe, read a letter from Mr. Grady acknowledging the fact that silk laces, for example—one of the rates of duty which were reduced, made it possible for a shift to take place, that shift being a shift of the production from America to France. If you would like to see a picture—

Senator CLARK (interposing). The total value of domestic lace production in 1937 was almost back to that of 1929, was it not?

Mr. MOLITOR. I cannot answer offhand.

Senator CLARK. In 1937 it was \$26,770,273 as against the peak in 1929 of \$27,930,707.

Mr. MOLITOR. Yes.

Senator CLARK. It declined back in 1937 to within hailing distance of the 1929 figures.

Mr. MOLITOR. That really does not prove anything, Senator, because as the chairman pointed out a little while ago, lace is very much dependent upon style factors, and while my memory does not serve me exactly, it might be possible that in 1929 when everybody else was enjoying the greatest prosperity, laces were not in style, with the result that our production may not be as great.

On the other hand, if we were going to look into figures of production, I believe you will find the figures of 1939, judging just on the figures that we have within our association—

Senator CLARK (interposing). Those are not available.

Mr. MOLITOR. Well, 1938—you will find the figures of 1938 approximately 5½ to 5¾ million dollars. And 1939, 6 million dollars.

Senator CLARK. The last figure of the Census of Manufactures is for 1937, because they are only published in alternate years, and we do not have the 1939 figures available, but in 1939 there were employed in the American lace industry, 8,109 as against only 6,854 in 1929.

That would not indicate that the employment situation had been harmed.

Mr. MOLITOR. Let me say something further to you. The French trade agreement was not really effective—did not really become effective as far as the damage to our industry is concerned, until 1938. I do not contend that the reduction in rates by the State Department in the French agreement were by any means the most important factor. As a matter of fact, just as important a factor was the reduction in the French franc, which depreciated 66% percent, and during that period until the depreciation of the French franc had become really effective, we did not begin to feel the real effects of the French agreement.

Senator CLARK. Another witness appearing on the same side as you was complaining about the depreciation of the American dollar. The previous witness complained about the depreciation of the American dollar, and you come in here and say that the injury was done through the depreciation of the franc.

Mr. MOLITOR. I think the record will show that it was the depreciation of the French franc.

Senator CLARK. No. Senator Davis asked him the question, and he answered Senator Davis on that point of the depreciation of the American dollar. I want to know if it was the depreciation of the French franc or the depreciation of the American dollar?

Mr. MOLITOR. I would just like to take a minute of time to explain it. I want you to know that I am not here to make a noise—

Senator DAVIS (interposing). We were discussing the difference in the Underwood tariff and the valuation of our own currency. That is what we were discussing. The Underwood tariff was in force during the war. You go just so far back, that you don't get involved in the real issue.

Mr. MOLITOR. I want to say to you that we are hurt; there is not any question about that. You can trip me up on questions that I cannot answer, but our industry is really seriously hurt. I mean, there is not any question about that. All of the evidence is available. The gentlemen here asked me about the profits of our organization. The mere fact that our particular concern is involved with two industries and the profits of one may have something to do with the losses of the other, does not have anything to do with the fact that our industry is almost ruined and it is going to be completely ruined; there is not any question about that.

I just want to cite a few figures for you.

Here are the imports in 1934 of silk laces, the duty of which was reduced under the agreement—5,193 pounds; 1939, for 12 months, they were 299,000 pounds. Where do you think they came from? The production that would have gone to American workers—that is the answer; there is not any question about that.

The CHAIRMAN. Yes; but you have stated that during at least 8 months of 1939 that your company, one of the big companies engaged in this industry, was importing these laces.

Mr. MOLITOR. Of course, sir; and we are continuing if our Government insists on pursuing this policy. To stay in business we will have to continue to do so, and import more and more. I have bawled my lungs out; I have appeared before every committee that I possibly could, to fight for our workers, but if our Government don't want to

save them, we are going into the importing business. What else can we do? I ask you.

The CHAIRMAN. I know that you are going to handle it right, because you are smart and alert.

Mr. MOLITOR. No, I am not smart or I would not be in this business, I assure you.

The CHAIRMAN. Thank you very much. At this point I wish to place in the record a statement submitted by the Amalgamated Lace Operatives of America.

AMALGAMATED LACE OPERATIVES OF AMERICA,
Philadelphia, Pa., February 27, 1940.

Mr. Chairman and Honorable Members of the Finance Committee:

Organized in 1892, the Amalgamated Lace Operatives of America is a labor union that has within its membership 98 percent of the lacemakers operating levers lace machines in the American lace manufacturing industry.

It has consistently maintained its position as the foremost textile union in the country; providing for its members wage rates that are not equaled by other textile industries, a maximum workweek of 40 hours, provides a death benefit of \$750, sick benefits, and minimum strike benefits of \$12 per week.

There are 43 lace plants in the country confined to the following States: Rhode Island, Pennsylvania, New Jersey, New York, Connecticut, Massachusetts, and Ohio.

The purpose of this brief is to set forth the opinions of the wage workers of the American lace industry with respect to the proposal to extend the life of the Trade Agreements Act in its present form or to amend the act to provide for Senate ratification of all future trade agreements.

Since the Finance Committee desires to assemble all material facts in connection with the matter under consideration, we direct the committee's attention to the trade agreement with France that became effective June 15, 1936. In this agreement, the duty rate was substantially reduced on practically every classification of machine-made lace, other than cotton laces of coarser gages. The following items were affected: Silk laces, cotton laces of 12 points or finer; silk veilings; rayon veilings.

Since the agreement has now been in operation for more than 3½ years, we are in a position to refer to statistics compiled by the United States Department of Commerce which so vividly portray the tremendous increase of imported laces.

SILK LACES

	Pounds
1935, prior to agreement.....	10, 938
1936 (5½ months), prior to agreement.....	5, 569
1936 (6½ months), agreement in effect.....	41, 072
1937, agreement in effect.....	151, 642
1938, agreement in effect.....	247, 623
1939 (11 months), agreement in effect.....	288, 865

COTTON LACES (12 POINTS OR FINER)

1935, not segregated.....	
1936 (6½ months), agreement in effect.....	210, 052
1937, agreement in effect.....	431, 111
1938, agreement in effect.....	523, 523
1939 (11 months), agreement in effect.....	947, 033

SILK VEILINGS

1935, prior to agreement.....	5, 402
1936 (5½ months), prior to agreement.....	4, 597
1936 (6½ months), agreement in effect.....	8, 352
1937, agreement in effect.....	38, 577
1938, agreement in effect.....	72, 674
1939 (11 months), agreement in effect.....	34, 664

RAYON VEILINGS

1935, not segregated.	
1936 (6½ months), agreement in effect.....	8, 698
1937, agreement in effect.....	28, 409
1938, agreement in effect.....	34, 763
1939 (11 months), agreement in effect.....	66, 729

According to a Department of Commerce release, dated November 10, 1939, "Outside of the American market, sales of French laces have become practically extinct and France's total lace production may be considered destined for the United States."

As a matter of fact, France has been exporting nine-tenths of its lace production to the United States, dispossessing the American product and creating unemployment that in its severity has never before been known in the American industry.

Lace plants have been closed for periods extending into many months, others have been operating on such a curtailed basis that only on rare occasions has the industry exceeded 50 percent capacity. Several plants have been forced to permanently close their doors, and to this day many of their former employees are jobless and without means of self-support.

Prior to the ratification of the French trade agreement, the domestic lace industry was in a flourishing condition, providing steady employment to thousands of American citizens; today, our right to work has been surrendered to the lace-making centers of France. We feel entirely justified therefore, to emphatically deny as true, repeated statements made by the Department of State that the interests of labor have been carefully safeguarded and no material injury has been inflicted upon any industry by reason of the agreements now in effect.

We do not assume that the State Department would admit that the intent of the trade agreements is to reduce the wage scales of American industries to the level of foreign competition, but the tendency in this direction becomes only too obvious, when we quote in full the following letter received by our organization from the American Lace Manufacturers Association under date of September 20, 1938:

"At a meeting of the American Lace Manufacturers Association held on September 15, the following resolution was unanimously adopted: Owing to the trade agreement which the United States established with France in 1936, against the advice of the domestic lace manufacturers, the French importations of cotton and silk laces are growing continuously.

"When the trade agreement was established, the French franc stood at 6.0 cents. Since then France has devalued her currency continuously and today's rate is approximately 2.7 cents. This brought the prices of French lace of all types to such a low level that it is impossible for the domestic manufacturers to compete, and therefore, the importations during the last few months rose in avalanche-like proportions.

"In the 35 years of my experience, I have never encountered any time where prices of French merchandise were as ridiculously low as they are today.

"In several conferences at Washington, the domestic manufacturers exhausted all channels in order to receive relief in the form of a revision of the trade agreement, as the Government would have had the right to reopen the agreement on account of the devaluation of the French franc.

"Most of the domestic machines are idle and the few which are working produce merchandise which often has to be sold at less than production costs.

"In order to enable our mills to continue production and further to enable them to keep their workers and employees at their jobs, it is necessary that we receive a 33½ reduction of the prevailing wage rates.

"Will you be good enough to set a time when your committee will meet with the Manufacturers' committee and advise me as soon as possible.

"AMERICAN LACE MANUFACTURERS ASSOCIATION, INC."

In view of the gravity of the situation effecting the workers of the domestic lace industry, we again petitioned the State Department to afford our industry some measure of relief so that our wage scales built up over a period of years through peaceful negotiations with the manufacturers could be maintained intact, but our plea for aid was in vain. Consequently, and despite the popularity of our product, a wage reduction was accepted effective date February 6, 1939.

It is beyond the understanding of the members of this organization that we should be compelled to relinquish the only market—the American market—that exists for the product of our labor, and we cannot understand a condition which forces us to beg representatives of our own Government for permission to earn our living at any time and particularly under the present distressed conditions of our country.

After all it is our livelihood we speak for, any policy, any social philosophy that seems to interfere with our opportunity to maintain ourselves and those dependent on us like reputable Americans, cannot in the very nature of things be acceptable to us.

FREDRICK DIXON,
Secretary, Levers Section,
Amalgamated Lace Operatives of America.

The CHAIRMAN. The next witness is Mr. F. X. A. Eble of New York City.

STATEMENT OF F. X. A. EBLE, NEW YORK CITY, N. Y., REPRESENTING MADE IN AMERICA CLUB, INC.

The CHAIRMAN. Did you appear before the House committee?

Mr. EBLE. Yes; but my testimony now is going to be entirely different. I am not repeating anything.

Senator BROWN. You don't mean that you have changed your mind?

Senator CLARK. Before you start with your statement, will you tell us who the Made in America Club is?

Mr. EBLE. The Made in America Club is an organization of manufacturers, farmers, workingmen and citizens that have organized under the laws of the State of Illinois; they are a nonprofit and nonpartisan group to educate the public to give greater preference to the things we make and grow in our own country.

Senator CLARK. How many members do you have?

Mr. EBLE. We represent about 65 different industries. I do not mean that we have the entire membership of those respective industries. I will mention the ones that we have—the entire American match industry; the entire china pottery, about 95 percent; a great percentage of the glass industry; a great percentage of the lace industry. In your own city, we have quite a few members—the Cook Imperial Champagne Co. is one of our members. In Rhode Island, we have a great many members in lace.

Senator CLARK. Do you have regular dues?

Mr. EBLE. No, sir.

Senator CLARK. Just what anybody chooses to send in? Who finances you?

Mr. EBLE. Our finances are obtained through an assessment according to the number of employees. If Senator Harrison, we will assume was a manufacturer and had a thousand employees, we would assess him on the basis of 20 cents per annum per employee. He would pay us \$200. We would enroll his employees in the Made in America Club free. They receive messages, instill patriotism in their hearts, make them think in terms of America first, with no distinction as to race, creed, or color. We are not an isolationist group and we believe in an expansion of our foreign trade. We must have it, because in the first place there are many things which we do not make or grow in this country—coffee, tea, tin, rubber, silk, and various other items. We are the world's greatest customer for those things. But the 10,000,000 people out of employment are not drinking their full share of fresh coffee, they are not having any bananas on their cereal for breakfast, and the women out of work are not buying any silk stockings, nor are their husbands buying any rubber tires, because their cars are on the used-car market.

We appreciate the endeavor of the trade-agreements program. We think it has many good features, but I am going to make some recommendations and show you just where we stand.

The Made in America organization primarily is distinctly non-political.

Senator CLARK. What was your total budget for last year?

Mr. EBLE. Our entire budget last year was less than \$30,000. We get so much free service and free publicity. For instance, the consumers enroll people in our organization without any charge, without any services, and our officers serve without pay—they do not even send in an expense account to me when they attend meetings. They donate.

We have one man who is a merchant and who owns 22 stores, who is not even a manufacturer, who donated—I don't know whether he would like this made public, but he wrote me a letter, and I am going to read you a paragraph out of that letter. I did not intend to put it in the record.

The CHAIRMAN. Read it all to us.

Mr. EBLE. We get free time on the air. I am going to enroll all of you gentlemen in the Made in America Club before we get through with this, because I am right in my own bailiwick.

We get free time on the air. The radio corporations recognize us as a nonprofit organization and in that appeal on the air we get much support. I went on the air one day in Philadelphia and I read some letters—my secretary came in to me and said "Captain Eble, here is a letter I think has some human interest". I looked at it and it said: "Can us colored folks get in the Made in America Club and join your organization?" I hesitated a moment and I wrote the lady and I said: "I am going to answer your question over the air. Please have all of your colored friends listen in on Sunday at such and such a time over WIP in Philadelphia".

I knew that a lot of white folks would be listening in too, but here is what she heard. I said, "Bless your hearts, of course, you can join the Made in America Club. We appeal to all citizens, irrespective of race, color, or creed. We want you to sign a pledge 'I hereby promise to buy as far as practicable products made or grown in America and thereby give employment to American citizens.'"

Now, our gospel has just as many supporters in the Democratic citizenry of our country as we have in the Republican; in fact I believe we have more Democrats supporting the Made in America Club than we have Republicans, because they like it, because they see the American feature of standing up for American industry without any reference to tariff.

The CHAIRMAN. And because, too, there are more Democrats in this country than Republicans.

Mr. EBLE. That may be so, too. [Laughter.]

As a result of that radio talk, here is a gentleman that wrote a letter just the day after the radio talk, and he said, "Please send me information relative to your club." This is the letter he received, a rubber-stamped letter, because thousands of these letters go out:

DEAR MR. STOUT: Thank you for your request of recent date asking for information about the Made in America Club. We are pleased to enclose a copy of our aims and purposes, and also a sample of our pledge card and button and stickers which we distribute. Our principal mission is to provide jobs for our unemployed citizens by encouraging the American consumers to give preference to the things we make and grow right here in our own country instead of buying

so many foreign products of foreign factories that compete with our own. There are no dues and no financial assessments. Signing our pledge makes you a member. However, since this is a patriotic welfare endeavor, we will be very grateful to anyone volunteering donations anywhere from 10 cents upward. We ask that you kindly sign the pledge.

The gentleman answered my letter, and here is the letter which the Senator asked me to read:

DECEMBER 9, 1936.

GENTLEMEN: I am in receipt of your letter together with enclosed button and stickers, and am herewith returning to you my membership ticket signed—

and by the way, because our emblem is a star, a lot of our friends accuse us of being a Democratic organization, but we are not. This is a star taken from our flag.

Continuing with the letter:

I am herewith returning my membership card signed. I am also sending my check for \$100 as a contribution to the cause. I wish you would send me about 50 blank pledges; also send me 50 buttons. I would suggest the advisability that this sticker be made very large, and in addition to the "Buy America" slogan, I would suggest "See America," or "Travel America" or any other appropriate slogan. Should any of your representatives be in Baltimore between now and January 1, I will be pleased to have an interview with them with a possible larger contribution to the cause. My office hours are from 10 to 12 in the morning. I suggest if anybody come, that they phone me in advance.

I wrote the gentleman a letter and thanked him. I am not going to read that, because it is too long.

Senator CLARK. I would write and thank a man, too, if he sent me \$100.

Mr. EBLE. When I saw him, I got a check for \$1,000.

Senator CLARK. You had better see him again. [Laughter.]

Mr. EBLE. That is a gentleman who is not a manufacturer. He has 22 stores. He has two stores right here in Washington. The reason I mention that, I want you good people here in this committee to realize that I am here for one definite purpose, to give you my observations on tariff, the administration of tariff—because I spent nearly 19 years in the Government service—8 years of them were spent in Europe as United States Treasury attaché in the principal export markets of the United States. I hate to tell you this, because I am not telling it to you in a braggadocio spirit, but I was a member of the Financial Commission to Poland, the Kemmerer Commission.

The Government excused me at that time to go to Poland with Professor Kemmerer. I learned an awful lot about tariff in connection with the currency situation in 1926.

Later I became United States Commissioner of Customs. I did not join the Customs Service with any idea of staying in it for any length of time. I thought I would stay in it long enough to get the top job. It was a political job, and although I was a civil-service employee, I had to go out, but through the generosity of several of my good friends on the Senate Finance Committee, I went back to Germany when the Roosevelt administration came in, and stayed there nearly a year, when several industries tried to get me to come back—one of them the silk industry, and various others—well, some of them offered me twice as much as the Government was paying me, and I finally did succumb.

I came back and became manager of the American Match Institute, and it was there that I really learned something about the administration of American tariffs, as it really affects industry. I then also

got the idea that the entire administration of American tariffs was cockeyed, for the simple reason—

The CHAIRMAN (interposing). May I ask you in that connection, you were here with the Finance Committee a while?

Mr. EBLE. I was here during the 1924 tax bill.

The CHAIRMAN. That is when you got the impression that the writing of a tariff bill was cockeyed?

Mr. EBLE. No; that was a tax bill, Senator.

The CHAIRMAN. I notice that Senator Davis put into the record a letter that he received from Mr. F. X. A. Eble some weeks ago in which it said, "Dear Senator"—I wish to know if these are still your views:

I have your letter of the 7th and note what you say about having so many applications for appearances before the committee and that you have found it necessary to ask those making such requests to file a statement. Having myself been clerk of the Finance Committee of the Senate and knowing how much value various Senators and their clerks attach to such briefs—they rarely ever read them—I cannot arouse sufficient enthusiasm to sit down and write one myself.

Now, I want to say that this committee is differently constituted than it was then, and that we read the briefs when they are filed.

Mr. EBLE. I believe that, Senator.

Now, I am going to proceed with my testimony. I think I have told you enough about the Made in America organization, but I would like to pay my respects to this gentleman. Senator Clark asked me, "What was your budget last year?" and I told him, "Under \$30,000." Some of our members think that we are operating on \$100,000 or \$200,000. They are amazed at how little we use, and this gentleman, when he became a vice president, saw our financial statement. He said at the time, "I am amazed; I had no idea that you could do so much on so little money." Last year he sent us a letter telling us he would donate \$5,000.

Now, let us get to the testimony.

Mr. Chairman and members of the Committee on Finance: The conclusions which I have reached with reference to the present reciprocal-treaty program are based on my experience as an official of the United States Customs Service, both in this country and for more than 7 years abroad, when I was stationed in Berlin, Germany, in the capacity of United States Treasury attaché.

My work in Germany with a corps of assistants brought me into intimate contact with various forces in Germany, Austria, Czechoslovakia, Norway, Denmark, Sweden, Holland, Finland, Poland, all of which were in my territory. The most distressing experience to me in all my years abroad was the discovery of how little respect foreign diplomats, businessmen, and especially the average foreign citizens in these various countries have for our country.

The best they said about us was that we were idealists, but that our idealism was encased in the dollar mark. From there on, their slurs, you might say, ranged downward from "gullible Americans," "easy marks," to downright "suckers," as my friends in England used to say. It took more than ordinary self-restraint to keep me from having it out with some of them—in other words, in plain English, "socking" them on the jaw.

The unfortunate part about the whole situation is that the diplomats and officials of the various foreign countries are the most outspoken in voicing their derogatory opinions about our country, especially our government. Now, no administration seems to have a monopoly on

these slurs, but when we examine the record of events since the World War and upon sober analysis of all the facts, we sometimes wonder if those foreigners are not right after all.

Look at the disarmament debacle, which left us sitting high and dry after we destroyed our ships and then watched the other nations go full steam ahead with their expansion of armament and military forces. Then there was the famous Kellogg Pact truly conceived and brought forth as the quintessence of American international ideology for world peace. Then there was the Hoover moratorium. But here we have the new medium for world peace via world trade, when every schoolboy in the grammar grades who knows his history will tell you that every major war this world has seen during the past 2,000 years has been the result of greed for an expansion of trade. Yes; trade follows the flag, but the flag always has had to be backed up with cannon, battleships, force, and supported by taxpayers' money.

The secret rebates, government subsidies, international cartels, and every known device in skullduggery and commercial trickery—and by the way, control or confiscation of new territory, has happened in Ethiopia, Czechoslovakia, Poland, and is now going on in Finland, and what happened in Manchukuo and is now going on with Japan in China—these have been the causes of more international jealousies and ill feeling than anything else. These combined with the battle for control of new markets in world trade have been the causes of the major wars of the world.

I do not think there is anyone more qualified to tell us about this than our esteemed war President, Woodrow Wilson. Listen to what he said in St. Louis in a speech given September 5, 1919, less than a year after the armistice:

The real reason that the war that we have just finished took place was that Germany was afraid her commercial rivals were going to get the better of her, and the reason why some nations went into the war against Germany was that they thought Germany would get the commercial advantage of them.

Isn't this statement on all fours with what we learned in our school days? Is there any difference in the American ideology of the present Secretary of State and that of his predecessor, Mr. Kellogg, or Mr. Stimson? All thinking and acting in terms of world peace—all equally sincere. But, in the final analysis, if put to a real test as to the merits, wouldn't the Kellogg Pact stand out as supreme to the present wishful-thinking program?

If the Kellogg Pact—I believe there were nine of them—solemnly entered into by the leading civilized nations of the world and carrying the ratification of the United States Senate, was looked upon as a mere scrap of paper, how can we expect any nation to respect a simple commercial agreement which is not even ratified by our Senate and therefore claimed not even to be a treaty, and to consider it as anything else but an agreement to be broken if and when expedient to do so?

Just as the Kellogg Pact failed to insure world peace, so will every other endeavor of mankind fail in this direction. We thought the League of Nations would stop future wars. It failed miserably. Anyone who really and sincerely believes that this so-called reciprocal treaty program will insure world peace is simply daydreaming. They are more likely to cause future wars than prevent them. Don't forget that—I am coming to that later. They will never stop the warring proclivities of the nations of the world. To go before the American

people and make the claims that are being made for this program as a medium for world peace after the present war is over is an insult to the intelligence of the American people. It is given to them like an opiate to lull them to sleep because it sounds good and gives them a feeling of false security.

Not until our esteemed Secretary of State has found some secret and powerful potion that he can administer to the rulers and diplomats of the world, which will inoculate them against the human passions of hate, greed, jealousy, envy, and revenge, can he come anywhere near reaching the goal of world peace, for which he so eloquently energetically, and sincerely is striving. All of his predecessors in office have sought the same goal and failed, except that he is trying an untried medium filled with wishful thinking.

The whole program is based on a type of American ideology which follows the doctrine that we must save the world first in order to save America. In Heaven's name, why not think in terms of our own and save America first?

Now I am going to come to an important part. I forgot to give you the four parts of my talk when I started. I am sorry that I will have to take a few more minutes to tell you that first I am going to touch upon the utter futility of these treaties as a medium for world peace; second, I will get into the depreciated-currency situation; third, the effect of the treaties; and fourth, my suggestion as a remedy.

Senator CLARK. How far have you gotten now?

Mr. EBLE. I have finished the first.

England and France are now using the greatest weapon to gain advantage in foreign trade. All the benefits they have given us are vitiated by their depreciation of their respective currencies. Yes; and mind you, there is a provision in each of the treaties to take care of that very point.

Professor Kemmerer, the Nation's greatest currency expert, in a letter to me several years ago while writing on currency depreciation, stated:

I think that, for a short time, it strengthens the country's power to compete with other countries for foreign markets. In this way it acts like a sort of export bounty and, in its effects, is like dumping. It really is not a fair kind of competition. It is punching below the belt.

England and France have given us a lot of punches below the belt during the past 6 months. Here is some evidence of the kind of "blows" that have been dealt our American economy through these trade treaties, and nothing is done about it to invoke the provisions of the respective treaties to correct the situation. Let me read to you a letter which Mrs. Eble, my wife, recently received from a large department store in New York City:

DEAR MRS. EBLE: Our semiannual sale of hand-run Alençon laces begins on Wednesday, February 28. These laces will not be advertised and we are anxious to have you see them before they go on sale to the general public. They will be here for you to see on Tuesday, February 27. The laces range in width from 4 to 13 inches.

There are 150 yards usually \$4.50, 150 yards usually \$3.75, 150 yards usually \$2.98—98 cents a yrd.

Our salespeople will be glad to serve you on presentation of this letter.

Very truly yours,

BLOOMINGDALE'S.

Here is a sample of the laces [producing].

The CHAIRMAN. Does the Lace Association belong to your organization?

Mr. EBLE. They do; yes, sir.

Far be it from me to criticize the New York department store for offering its customers such fine bargains. Indeed, it is clever merchandising. But to me it reveals something that is sinister in the present so-called reciprocal treaty program. The store is an innocent party. Let us look at the record and see what we find.

For instance, we see that according to the records of the United States Tariff Commission, the foreign value per pound for silk laces imported from France was as follows:

Last 6 months, 1936, average, \$5.21, 6.60 (average franc rate).

Twelve months, 1937 average, \$3.56, 4.50 (average franc rate).

Twelve months, 1938 average, \$2.32, 3.00 (average franc rate).

Depreciation about 60 percent.

Now here you have the secret as to why a piece of French lace that formerly sold for \$4.50 a yard, and which was subject to a duty of 90 percent ad valorem, is now offered at 98 cents a yard. The duty has been reduced from 90 percent to 50 percent in the treaty with France, but that is only a small part of it. The French manufacturer is able to offer something else which is even greater than tariff reduction.

And that is a point I want to give you some information on, because it was not explained to you perfectly this morning. I listened to the testimony. A lot of you are still in the dark; you don't know what it is all about. That is not a slur, Senator Harrison, because international currency, you don't deal with it, you don't exchange it, but you deal in dollars and cents, and therefore for that reason it is difficult, a difficult question for all Americans to understand unless they have traveled abroad and they buy French francs or German marks or Swedish kronen, or whatever you call it.

I shall quote from an article in *America First* under date of January 1940 on this very subject. It refers to a report on the French lace industry made by John G. Carter stationed at Calais, France:

The Calais lace industry credits its current favorable position largely to American demand occasioned by benefits arising from the Franco-American trade agreement, the relatively low value of the franc compared with the dollar, and a distinct fashion trend in favor of lace.

France, in addition to depreciating her currency to gain an advantage over us in her treaty with the United States has embargoed certain American products and required licenses for importations of others. England, too, has made use of this same weapon to every single benefit she gave us through the present treaty. By the way, I just want to make a few references to another organization which belongs to our club, and that is the American Champagne Guild. Champagne, before the French treaty went into effect, sold for \$3 to \$6 a bottle—that was the regular price. The present price of French champagne is \$1.85—just think of it, the price today is \$1.85 a bottle, and \$3 to \$6 was the price that we were all glad to pay for it. It is now away under the price of American champagne. Why? Because of the depression of the franc, and you have in the reciprocal treaty with France a provision, a prerogative of the State Department if it would only act, to make France stop depreciating currency on merchandise involved in the treaty.

During the period of negotiations of our trade treaty with Great Britain, the value of the pound sterling was \$5.05; but four days after signatures were affixed to the treaty, the pound was depreciated at \$4.63. It is today valued at about \$3.95. Great Britain, as a war measure, has embargoed many American products on some of which concessions were granted under the treaty.

In a moment, I am going to give you a lesson on that, and it will be very simple, and you will never forget it. You will remember it all your lives—how the foreign countries can give Uncle Sam a blow below the belt through the depreciation of their currencies.

The CHAIRMAN. Did you favor the American valuation scheme when it was offered?

Mr. EBLE. Senator, I was not thoroughly impressed with that American valuation scheme. I have a plan that I consider far superior to any that has ever been offered, and I am going to give you that before we close.

The CHAIRMAN. The committee of which you were clerk did favor the American valuation plan.

Mr. EBLE. You remember, Senator, that was up in 1923. I was clerk of the committee in 1924.

The CHAIRMAN. And again in 1930.

Mr. EBLE. I was not clerk of the committee then. I was the United States Commissioner of Customs. I was giving my time then to administrative problems and was not much interested in the legal phases of the tariff or the legislative end of it.

Now, we sympathize with Great Britain and all the other countries which are under the terrific pressure of the aggressor nations today. But she has invoked license provisions for all imports and has destroyed every semblance of equal tariff treatment to our exports. All of these actions are contrary to both the letter and spirit of our treaty, which was effective in January 1930. And still our State Department does nothing to protect the economic interests of our country from the workings of an obviously very bad bargain.

Through our favored-nation provisions in administering these so-called reciprocal trade treaties, all these countries that have consummated treaties with us and in addition thereto devalued their respective currencies, have given Uncle Sam a lot of blows below the belt.

Senator Clark, a moment before he went out, asked Mr. Molitor a question as to whether he understood—and I don't think he understood it—whether it was the depreciated currency or the reduction in tariff or the reciprocal treaties which was injuring his industry. It was a combination of both, and the depreciation of the currency in many instances, where the depreciation is such as it is in France, is even worse and more destructive than the reduction of the tariff, and when we get to my simple result that I intend to give you, you will get my point.

The CHAIRMAN. As a member of your organization to buy American-made products, the North American Lace Co. is not living up to its obligation, is it?

Mr. EBLE. I was surprised when I heard that testimony this morning; it is news to me. But I will tell you, I fell right in with the idea. It will be apparent to anyone that they are doing it as a matter of self-preservation, Senator, because their competitors are doing it,

and everybody is forced today to protect themselves and keep their customers. They go to their customer and the customer says, "How is it that I can buy the French laces so much more cheaply than you can sell them to me?" and the American manufacturer thinks, "I am going to hold that customer, by Jove, if I have to go to import French laces and sell them to him." And he does it, and then he has gone on a par with the other importers, and he does it as a matter of self-preservation. It is really a sad commentary on the reciprocal trade-treaty program and its effectiveness for protecting American industry and our American economy that the American lace manufacturers are forced to import French lace. That in itself to me is the most damning evidence that the reciprocal trade-treaty program is injuring that industry.

Why, Senator, if you people just had a little political acumen, you would give that industry something to keep the people of the country from hollering about it. Put them back where they belong and give them some protection. Take the lace industry out of the treaties. If you don't, you are going to hear from these people in the next campaign, and you are going to hear it in a way that you won't like.

The CHAIRMAN. We will hear a lot of things in the next campaign.

Mr. EBLE. But I am not a politician.

The CHAIRMAN. How did you become clerk of the Finance Committee when Senator Smoot was chairman if you were not a politician?

Mr. EBLE. Senator, you and I are pretty good friends—

The CHAIRMAN (interposing). Yes; we are pretty good friends now.

Senator DAVIS. He was selected probably because of his very great ability and his knowledge of these financial and tariff matters.

Mr. EBLE. Now, this is one of the most outstanding reasons why these treaties should be approved by the Senate. The State Department doesn't want to invoke the prerogatives given for instance in article 18 of the British Treaty or the similar provision contained in the French Treaty. No; not any more than it wants to see the Treasury Department apply the provisions of the Anti-Dumping Act.

I would like to ask this committee a question. Why does not the State Department permit the Treasury Department to invoke the provisions of the Anti-Dumping Act at the present time? And another question you can ask the State Department—How many dumping cases have been approved and dumping orders issued by the Secretary of the Treasury upon release of the State Department in the past 7 years? When I, as the Commissioner of Customs, in 1 month had 67 cases of dumping before me, I know those cases of dumping still exist. Some of them are down in your own country, Senator.

The CHAIRMAN. Did you make a report?

Mr. EBLE. To whom?

The CHAIRMAN. To the proper official who is the head of the Treasury Department.

Mr. EBLE. Oh, yes; they were taken care of at that time. That was under Republican regime. The cases were acted upon.

Senator DAVIS. Has the present Secretary of the Treasury been notified that this dumping is going on?

Mr. EBLE. Senator, I have no information; I am not in the Customs Service. They are mighty fine people down there and a lot of them are my friends, but you will have to make that inquiry.

The CHAIRMAN. What have you in mind particularly that has been dumped now in violation of law?

Mr. EBLE. Particularly? Well, you have the depreciated-currency dumping. That is one thing. You will see that when I give you my lesson.

I have read and heard a lot about the present reciprocal-treaty program as being the most scientific method yet devised for the administration of tariff.

The CHAIRMAN. You think it is better to let the Finance Committee fix the thing as they want it?

Mr. EBLE. I do not want to go that far. I am going to give you a suggestion at the end of my report. I do not say it is going to bring you perfection, but it is based on my experience and I do think it will take a lot of worrying off your shoulders and a lot of abuse off the State Department's neck, and I think American industry will be satisfied with it if that suggestion of mine is adopted.

The CHAIRMAN. You have my curiosity aroused now. Is it the Vandenberg idea?

Mr. EBLE. No, sir. It is nobody's idea but my own. It has never been offered.

Senator BROWN. Before we get away from the currency proposition, when England depreciates her currency, it means she has to pay more for our goods than she did in British pounds; isn't that a fact?

Mr. EBLE. Yes, sir. Would you like to have me—

Senator BROWN (interposing). Just a moment. Then, by the devaluation of the British pound, they are very much the loser rather than the gainer, because the total imports of the United States from the United Kingdom were \$118,000,000 in 1938, just for an illustration, while the exports from United States to Great Britain were \$521,000,000, or almost four times as much. In 1939 we exported \$498,000,000, and we imported from Great Britain \$151,000,000. It seems to me the net result of the devaluation of the British pound is a dead loss to the British.

Mr. EBLE. Senator, I partially agree with you. The point is well taken. But those imports that Britain buys from us are things she sorely needs, and needs them badly and is willing to pay any additional price. The export bounty, as it were, on her exports through the depreciation of the pound, I am going to give you later.

Senator BROWN. If she did not depreciate the pound at all, and if she kept to that same figure as it was at the beginning of the year, over the entire range of imports and exports, she was a very heavy gainer rather than a loser.

Mr. EBLE. Yes; but we must remember that England's trade is not confined to the United States.

Senator BROWN. I am talking about the injury to the United States. I say that our consumers are gaining.

Mr. EBLE. Yes.

Senator BROWN. The consumer is not talked about very much in these hearings—he is somewhat of a foreigner in that respect—but the net result is a loss to England as a nation.

Mr. EBLE. Right.

Senator BROWN. Rather than a gain.

Mr. EBLE. Well, I could not call it a loss exactly, because she is still dealing in pounds. What she buys here costs her more.

Senator BROWN. But she has to pay for American goods in American money, and, therefore, it costs her more pounds to get that American money than it would if she had not depreciated it.

Mr. EBLE. I don't want to assume the role of a school teacher, but I feel better standing up. Now, this is a little lesson I hope you are going to carry home with you and paste it in your hats. Let us assume that you and I are importers, that the English pound was \$5, and that we had \$10,000 in our bag, and that we went to London. I will give it to you slowly so that you will all grasp it.

Senator BROWN. Don't forget that we export four times as much as we import. Keep that in mind.

Mr. EBLE. We arrive in London, and we see a particular line of merchandise that attracts our eye and you say, "Eble, I think we can sell that," and I say, "I believe we can, Senator." And we buy \$10,000 worth. The pound is \$5, and that means 2,000 pounds. But you say to me, "My goodness, Eble, we have to pay 50-percent duty on a pound on that stuff." And I say, "Oh, well, we will get rid of it all right."

So when we get back to New York we enter on our books \$10,000 worth of merchandise and \$5,000 for duty, making the total cost \$15,000. Now, lo and behold, a treaty is negotiated between England and the United States—this is just a hypothetical case; don't pay any attention to the values of the pound, because I am doing it for your benefit so that you grasp the picture.

Now, if I put the pound at \$3.95 or something like that, we would have to do a lot of mental arithmetic and you could not follow it perhaps as quickly as I could. [Laughter.]

The CHAIRMAN. All right; proceed.

Mr. EBLE. Now, remember we still have the \$10,000 in our bag, because we sold our merchandise, and we go to London again. And we come back and you pat me on the back and you say, "By Jove, we saved \$2,500." I say, "How so?" And you say, "Why, you have only got to pay 25 percent duty now." You see, the duty has been reduced 50 percent, and we save 25 percent. I say, "Fine." But we do not reduce our merchandise; we are going to make a little profit. Sometimes it will sell for a little less and we figure to make a profit.

Our second import costs us \$12,500.

Now, we come to the third. All of a sudden the English pound drops to \$4, and you and I go to London again and we have our \$10,000 in our pocket, and we go to the manufacturer and we want to buy 2,000 pounds of this merchandise. Let us say it was laces. The Englishman says, "You don't need your \$10,000 any more, because \$8,000 will pay for 2,000 pounds." He says, "Put the other \$2,000 in your pocket," and we do.

Senator DAVIS. An Englishman will tell you to do that?

Mr. EBLE. When he knows that we are buying. He did not raise his prices—don't forget that—because that is the point. I am just playing on words there and making the calculation simple for the benefit of the Senators.

We come back to America with our merchandise that cost us \$8,000, and we find that we are in clover. Why? Because 25 percent duty on \$8,000 is only \$2,000. So what we originally paid \$15,000 for, and gave the Government \$5,000 duty, we are now bringing in for \$10,000,

the original investment, and we pocket \$5,000. The Government loses \$3,000 on the duty.

That is what I mean, that that is the most serious point in this whole reciprocal treaty program, in that the State Department is not exercising its prerogative to protect the American Government, to protect American labor, or to protect the American manufacturers and farmers, and that is the point that I am going to make my strong one when I give you my recommendation.

These Senators should know something about those things. I will bet you dollars to doughnuts that the men in the State Department don't know it, because a lot of them don't know a darned thing about international currency or exchange values. They have never met a pay roll, and they don't know what it means to sit behind the counter and worry like the dickens how the pay roll is going to be met to pay the men that are outside waiting at the window. You are darned right they did not. They never have or they would not be sacrificing an industry like the American lace industry today even though it is only a small industry.

To me, 5,000 workers in America are worth more than 10,000,000 anywhere in the world, because those American workers, if they are not properly taken care of, there is nothing that sows the seed of communism as fast as unemployment. Give a man a job, give him something to do and make him happy, so that he can feed his family and give them the educational advantages, and he will never think of communism.

Our unemployment situation today, with nine or ten million men, is like a potential volcano of discontent that some day may erupt, but the American people are patient and they are going to be patient because they have faith in the Government irrespective of what party may be in power.

Now I am coming to some other testimony in my paper.

How can we have anything approaching "scientific" tariff administration when we have to compete with various nations of the world wherein the wage rates run all the way from one-half down to one-tenth of the wage rates prevailing in our own country?

The League of Nations a few years ago made a study of the whole world to find out just where the nations of the world—their economy and their well being, the standard of wages, the standard of living—how they stood, and you will be happy to know, as I am and as everybody else here is, that the United States stands at the top. This [indicating] is my economic ladder. It is the League of Nations' figures. The nations of the world have been striving to reach that point acquired by the United States through initiative, ingenuity, the protection given American industries and agriculture. England is given a rating of 52; Canada is our next competitor and has a figure of 81. That 100 given to America does not mean only the highest wages, but it means the number of automobiles in our country, the number of telephones, bathrooms, electric lights, and many other things that go to make up our standard of living. In Canada, we measured it by 81. That means that for every dollar we pay in the United States to an average group of 65 or 100 different industries, in Canada the same workman would receive 81 cents. In Great Britain, he would receive 52 cents, but this chart was made before the depreciation of the currency. Today, if we had that chart

revised; you would put England down to a position at a rating of 38. And then comes Spain in a position of 21, which means that for every dollar we pay in America and for the standard of living in America, Spain is one-fifth of our own. In Italy it is 20.52, and now we come to the crux of the situation, and that is Japan, with a position of 10.10.

Now, this is the point. We have heard a lot about scientific tariff administration. It is absolutely the "bunk," Senator. I hate to use the word, but I don't know anything that is more expressive to you than to tell you that scientific tariff administration in America during the past 25 years is the "bunk". How in Heaven's name can we expect scientific tariff administration when we give Japan, for instance, the same rate of duty on bone china as we give England, when it costs four times more to make that china in England than it does in Japan? What we are doing through the present system of tariff administration and especially through these reciprocal treaties is subsidizing Japan, the greatest competitor of the world today. And if you want my private opinion as to what caused the great depression in 1930 and on, it was the competition that Japan is giving the world in the price structure. You eliminate profit from industry all over the world, and you are bound to have a breaking down of the prices, of wages, and everything else, and especially in view of the fact that our import figures which we give to the public are based on value that is shown in Japan. That is one thing I am in favor of the American valuation as to imports. If we were to—and this committee ought to do it—if we were to appoint a committee and ask that all of the imports of the last year be appraised fairly and openly on the basis of American value, why, you would not have any favorable balance. We have not had a favorable balance in the last 25 years. We are simply kidding ourselves when we say that we have a billion-dollar balance or a \$500,000,000 balance or \$300,000,000 favorable-trade balance. It is not a dollars and cents value of the foreign merchandise which we bring in, and you know that, Senator, on the consular invoices when the merchandise goes to the appraiser stores, that the appraiser there has to take the values there to make the assessment. You know that those figures do not give a true picture.

Let me give you one picture. You and I can take another trip. This time we go to Japan and we go into a Japanese china factory. It is 6 o'clock in the evening and we have just observed the workmen taking off their aprons. We go over to a table and we see a lot of pottery, dozens and dozens of cups and saucers. The man we go to fortunately speaks a little English, and we say, "Is that your work for today?" He says, "Yes." We say, "You made all of it, all these cups and saucers today?" "Yes." "How much did you receive? What is your pay?" "Six cents an hour."

We watch him—he goes to the window and in Japanese currency at 24 yen to the dollar, he draws 60 cents in pay for making all that pottery.

It is brought over to the United States at a certain figure. Let us forget the figure, but remember that there is 10 hours of labor in that merchandise. When we bring that merchandise into the United States, we are bringing 10 hours of labor which under the immigration law we prohibit the individual from coming into the shores of our

country, but we say it is perfectly O. K. to bring in the product of that cheap Oriental labor—what a paradox!

Now, we come to an American factory in East Liverpool, Ohio.

The CHAIRMAN. Why don't you go just across the river where they seem to be pretty prosperous and where they have modern machinery?

Mr. EBLE. Yes; but let us go to some of the smaller plants that haven't got so much modern machinery, because there are a lot of people who only employ 60 or 70 or 100 employees.

The CHAIRMAN. Go to the plant, any plant you want to go to. Do the pottery industry members subscribe to your organization?

Mr. EBLE. The entire industry is a member of our group.

Senator DAVIS. The center of the pottery industry is at East Liverpool, Ohio?

Mr. EBLE. Yes. We see the same number of cups and saucers exactly, except that the American worker will probably make that same quantity, Senator Davis, and Senator Clark and Senator George, in 8 hours, which takes the Japanese about 10 to make. Now, follow me. Sixty percent of the cost of production in the Japanese pottery is labor. Why? Because it is mostly hand work.

Now we go to the American who has worked 8 hours, and say, "Did you make all this pottery in doing your work to day, all of these cups and saucers?" "Yes." "How long did it take you?" "Eight hours." "What is your pay?" He goes to the window and he receives \$4.80, because he gets 60 cents an hour.

Now, when we bring in that pottery from Japan, the same number of cups and saucers, and put them in the 5-and-10-cent store or any other store in America, you are displacing for every 60 cents, you are displacing \$4.80 in labor—and that is exactly what I mean on this so-called favorable trade balance. If you measure the man-hours involved in the imports as compared to the man-hours involved in the exports, why, you would have an unfavorable balance that would shock the nation. It would for a fact, because those people that are ballyhooing foreign trade and making it appear as the greatest medium for the restoration of our prosperity, would not have a leg to stand on, Senators.

The CHAIRMAN. Let me ask you, what were the imports of bone china—that was the one that was in the reciprocal-trade agreement?

Mr. EBLE. Senator, I am sorry to admit my ignorance, but I do not bother myself about the statistics of imports coming from those countries. I could get the figures for you.

The CHAIRMAN. I can give it to you. On china that is imported of the character that is affected by these reciprocal-trade agreements that you have spoken of, the importation for 1937 of bone china was \$408,000.

Mr. EBLE. That is from England?

The CHAIRMAN. That is from the United Kingdom. There was none from Japan.

Mr. EBLE. Oh, but she is going to start operations—

The CHAIRMAN (interposing). Let us get the figures. In 1938 it is \$274,000 from the United Kingdom and from Japan none. In 1939 it was \$389,000 from the United Kingdom and from Japanese none.

Mr. EBLE. It is just beginning.

The CHAIRMAN. Just starting?

Mr. EBLE. We are subsidizing her. Let me tell you. Now we are coming to a point in the tariff administration in a recommendation

which I am not going to wait for, but as long as we are on this point—I don't know whether it is constitutional, because I am not a lawyer and therefore I would suggest if possible that this committee make a study of the advisability at some future date of having a tariff levied on the products of the world on a zoning system according to the wage rates and the standard of living existing in the respective countries, and to make myself clear, let us say that we divide the world into four zones, and let us take this little ladder and let us say that the first zone is to be Canada, and that we have a very moderate rate on competitive products coming from Canada because she pays almost the same wages as we do. That would create a very splendid feeling for our country in treating her so equitably. It is unfair now because she is closed from our markets. There are thousands and thousands of items that she would like to export to the United States, but she cannot do so because we subsidize the lower-wage countries.

Then we step down to England, Holland, and Germany. Let us give them a rate in proportion, say that we give a 20-percent rate to Canada and a 30-percent rate to Germany, Holland, and England.

To the other countries we give a 40-percent rate, and then we give Japan the highest rate—all that the traffic will carry. I don't know what it would be.

Now, you see my point there is by so doing, we would not have the criticism of the nations of the world. You remember and I remember—

The CHAIRMAN (interposing). That is not carrying out your idea that you said that there ought to be an American valuation plan.

Mr. EBLE. That American valuation plan—

The CHAIRMAN (interposing). You are putting one in the one zone and another in another on the cost of production.

Mr. EBLE. Senator, that American valuation was merely for statistical purposes in reference to the imports. I don't want an American valuation applied to duties; I want merely an American valuation applied as a study on imports so that we get the true figures and value of the imports.

I want it to apply where we can find the real value—displacement value, if that is a better term for you.

Now, just look here [exhibiting]. These tables with \$4.80 to American labor, and with Japan's imports that cost 60 cents in labor. You see what I mean there, Senator Davis, by having some rate of duty that would correct that situation?

Senator DAVIS. In other words, if all of the countries of the world had the same wage rates that we have and the same standard of living, then there would not be much need for a tariff.

Mr. EBLE. No. Now, under the present system of constructing tariffs based on the cost of production and equalizing the cost of production in the past, we have always taken the principal exporting country, as we might have taken Germany, for instance, on toys. Years ago, in 1922, you will remember that we put a real high duty on German toys based on the cost of production here. But what happened? Japan entered the toy business and in a very short time German toys were off the market. Japan came in on the American market, and Germany was wiped out of the toy market. Of course, the buyer had something to do with that, too. But nevertheless, a lot of the criticism on the American tariff is not

because of the tariff rates, not because it was unseemly high rates or anything of that sort—no—but because they could not get in here and compete with the other countries that were getting in under the high rate tariff. That is the criticism that they made.

I was abroad, and I know what they said. They thought our system was cockeyed; they thought it was the most crazy system that they had ever heard of, that we would have a rate for England of 70 percent on a certain sort of textiles, and then give the same rate to Japan. What did she do on rayon? Years ago—not so many—10 or 12—when rayon was invented, everybody said, "Now, that is fine; we are going to put the Japanese out of business. Rayon is going to be a substitute for silk."

Did Japan take it laying down? She did not. She went in the the rayon business, and today she leads the world in rayon production. Those are not my figures; those are statistics of the Department of Commerce. Japan today leads the world in rayon, and she leads the world in many other things, and she is going to lead the world in many more things after the war in China is over if we continue this asinine reciprocal treaty program and give Japan the same benefits of the rates as we give all the other countries that we make treaties with.

The CHAIRMAN. We find, Mr. Eble, that of the concessions that interest Japan, for example the agreements going into effect in 1939 with the United Kingdom, Turkey, Venezuela, and the second agreement with Canada, that out of \$27,624,000 of imports, that only \$1,263,000 comes from Japan.

Mr. EBLE. Of the items that were treated in the agreements?

The CHAIRMAN. Yes.

Mr. EBLE. That is a good point to bring out.

The CHAIRMAN. But you are fearful of the future?

Mr. EBLE. Yes. Because she is now going into the bone-china business just as she went into the rayon business, and just as she has gone into plate glass. Today, I believe, and I would like to have you check me on this, I believe that she is the second largest producer of plate glass in the world, and very soon will outstrip us.

Senator DAVIS. She is making steel rails and steel sheets and many other things in the steel industry where 10 or 16 years ago she was not producing hardly anything.

Mr. EBLE. That is true.

Senator DAVIS. But now she has modern machines which have gone across to Japan.

Mr. EBLE. We sell the machinery to them, Senator.

Senator DAVIS. I remember being in a pottery works in England where they had just as modern machinery as there is in East Liverpool, Ohio.

Senator CLARK of Missouri. They buy the machinery from us.

Senator DAVIS. Yes; they buy the machinery in America.

Mr. EBLE. That is bought from us.

Senator DAVIS. And not only that, but a new strip mill only about 1½ miles from where I was born on the other side—there is a strip mill that there is not anything in America to equal it; in other words, using a common-sense phrase, it rolls out sheets at 40 miles an hour.

Mr. EBLE. I think this committee is going to be astonished when I tell them—I was in Philadelphia 2 years ago and a manufacturer there showed me a piece of gabardine cloth. He said "What do you

think of this?" I don't know much about gabardine, but it felt like a mighty fine piece of cloth, and he said, "That is made in Japan." He said, "I am amazed and ashamed to admit that it is better than anything that we can make". And he was a high class woolen manufacturer. I said, "What is the price?" And the price was so far below the American cost of production that it was really pitiful.

The CHAIRMAN. But they are not importing it.

Mr. EBLE. There is one thing that is stopping a lot of the goods from Japan, and that is "Buy America". I am happy to tell you that. It is more effective than the tariff in that regard. And I want to tell you something. You heard this morning about the wool, how they bragged about what they are raising, and I have forgotten how many million more pounds than they were—Mr. Marshall testified to that. We have men in our organization who 2 years ago were importing Australian wool who today are using American wool because they are practicing what we preach, and I will name one of them, and that is the Botany Mills. They have gone all American. Here [indicating] is a tie made by the American Botany Mills that has not got a bit of silk in it, has American wool, and American cotton. That is what we believe in; we believe in self-containment in America.

Senator DAVIS. What would happen to the cotton market here if the mills that use cotton would close down and follow the advise of Secretary Wallace and move to some other country and let some other country take that business? What would happen to the other 50 percent that we are using?

Mr. EBLE. I can answer that partially to some degree. You remember that large mill in Massachusetts that employed so many thousands of people?

Senator DAVIS. I was there some 18 months ago.

Mr. EBLE. It was the greatest mill in the world. Why did it go out of business? It was not the foreign imports. It was because in the mills of the South, there was a differential of 15 percent and they could not stand the gaff, they could not stand the competition. Now, if one industry like that in America cannot stand a 15 percent differential in wages and cost of production in our own country, how in Heaven's name is all of American industry going to stand wage differentials and cost of production in the world as exemplified in this chart here?

The CHAIRMAN. You do not agree with Senator Davis that Secretary Wallace ever made that statement?

Mr. EBLE. No; I do not agree with it.

Senator Davis. That is not my statement. It was given here.

Mr. EBLE. I cannot say—

Senator DAVIS (interposing). That was not my statement. That was given here this afternoon by men from the lace industry. I questioned it very much myself, but they were very emphatic and stated that Mr. Wallace did say that.

Mr. EBLE. Well, that is too bad. I am sorry to see that.

The CHAIRMAN. You were over in Europe when the Smoot-Hawley law was passed?

Mr. EBLE. Yes, sir.

The CHAIRMAN. You were not over here as clerk of the committee and you don't know what happened in the committee at that time but you know it took a good while to pass that legislation?

Mr. EBLE. It was terrible.

The CHAIRMAN. And you have no doubt—

Senator CLARK (interposing). There was even help by the Connecticut Manufacturers Association.

The CHAIRMAN. They are not a member of your organization, are they?

Mr. EBLE. No.

The CHAIRMAN. Did you hear while you were over in Europe that it was causing some American concerns and industries to move over there in order to compete?

Mr. EBLE. Yes; I did, Senator.

The CHAIRMAN. There is no doubt about that.

Mr. EBLE. There is no doubt about it. That was a very sad experience. It is too bad that it happened. But I sort of take the middle of the road, and I think Senator Davis will agree with me. I don't want to name them, but there are some ultra high protectionists that perhaps—I say perhaps are just as great a menace to the Government's economic welfare—and the economic welfare of our country, as the ultra low, free traders. It is just like communism and nazi-ism. It seems like a paradox to say that they are alike, and it seems like a paradox to say that the high-tariff man that wants to put a wall against all imports and live selfishly within himself, and a free-trade man, are also the same, but when you want to analyze the situation from the standpoint of economics of the country, neither one of them are any credit to the country or the welfare of the country.

Let us take the middle of the road, and there is plenty of room right in the middle to take care of everybody, and especially let us do that with regard to everybody.

I don't want to take up any more of your time. But I want to show you that little card that I gave you which shows how we are boosting for the South. That is the first card of its kind that is made from southern pine. Our former first vice president, Francis Garvan, was the one that was instrumental for the establishment of the southern pine mills.

Senator DAVIS. I think the chairman of this committee had much to do with getting appropriations for its development.

Mr. EBLE. That is right. And we are going to be the first to publish a magazine of southern pine made in the industry in the Luskin Mills as soon as it comes out.

That is the kind of gospel we are preaching, an economic philosophy which is the sanest, the safest, and the wisest for the country.

But let me get back to this statement, or I will never get through.

The CHAIRMAN. This organization has done a good service to the country.

Mr. EBLE. Our organization?

The CHAIRMAN. Yes.

Mr. EBLE. I think we have done more than we have ever been given credit for. I think we have done a whole lot, and I am glad to hear you say so.

The CHAIRMAN. All right, proceed.

Mr. EBLE. Now, let me make myself clear—

The CHAIRMAN (interposing). How much more time do you require?

Mr. EBLE. Only about 10 minutes.

Let me make myself clear. For instance, we place a rate of say 50 percent on a given commodity based on the cost of production in England because England is the chief source of supply of the commodity in question. This same rate is given to all other countries. I am now speaking of the tariff law itself, and not the treaties. Shortly after the law is passed and the new rates are announced, Japan, where the cost of producing the same commodity will be about one-fourth the production costs in England, all of a sudden begins producing this commodity and exports same to the United States. By virtue of her lower production costs, we are practically subsidizing her because she is able to undersell the English exporter who has enjoyed the fruits of our markets for years, all because of the fact that the 50-percent rate, which may be moderately high for the English manufacturer, is positively no hurdle at all for the Japanese manufacturer.

Gentlemen, this may sound like braggadacio, but I am going to give it to you for all it is worth with all the force that it is worth.

I have seen world trade make a terrific switch in the past 15 years. Japan, which before the World War was an agricultural nation, today is the world's greatest competitor. Even with the present war in China, which must have taken a lot of her manpower out of the industrial centers, she is nevertheless sufficiently potent to shake the price structure of the world. Since the element of profit rules the entire economy of the world, we have here the real crux, or cause, of the break-down in world price structure trade. Tariffs and embargoes did not have anything to do with it. That is a pipe dream.

The League of Nations published an interesting chart about the recovery of the leading nations of the world a few years ago. Let me read it to you. A copy of this chart is attached to my written testimony. Note that Japan leads the world and Uncle Sam is at the bottom of the list.

Now let us examine the wage rate, or buying power of the leading nations of the world. Uncle Sam, as you will see according to the following table, is at the top and Japan is at the bottom. Here you have a picture that tells a greater story of the cause of the disruption of world trade than anything else. It is more illuminating than all the speeches, books and articles that have been written on this subject in the past 10 years.

United States.....	100. 00	Jugoslavia.....	23. 68
Canada.....	81. 57	Spain.....	21. 05
England.....	52. 63	Italy.....	20. 52
Holland.....	43. 15	Japan.....	10. 10
Germany.....	38. 42		

The League of Nations published another chart about the recovery of the leading nations of the world, and let me read it to you. You will recall that on this first chart, the United States is at the top and Japan is at the bottom. But on this second chart, which the League of Nations published, Japan is at the top and the United States is at the bottom. Japan has been leading the nations of the world in a recovery figure of 174. Then Finland with 151; Sweden, 146, and so on down the line to England, 113; Italy, 99; The Netherlands, 75; Belgium, 66; and the United States, 64.

.. The CHAIRMAN. When was that?

Mr. EBLE. That was published in 1938.

The CHAIRMAN: Did they take at that time the low figures of 1929 and 1932?

Mr. EBLE. Senator, they took the high figures of 1929, which may be somewhat unfair and based that as 100.

Now, what is the answer? First cut out this silly nonsense about thinking that we can raise our national economy through these so-called reciprocal treaties. Pass this resolution if you want to, but in Heaven's name, let there be some semblance of our American independence left in your hearts and follow the Constitution of these United States and require that these treaties be ratified in the Senate.

Which is the most important, to appoint a political executive of the Government, which you jealously keep your fingers on by insisting that all such appointments be passed on by you, or our whole national economy? You want to have your fingers on everything that goes on and nobody be appointed unless you approve, but here you give your greatest prerogative over to the State Department.

I am going to give you an easy way out. Let the ratification be simple. Let this committee appoint a subcommittee, just as you have your subcommittees to handle executive appointments under the present practice to handle the matter. I am certain that if this procedure were now in vogue you would not have England and France and these other countries giving Uncle Sam blows below his economic belt. American industry and agriculture would also be given an opportunity to be heard. But, I'll bet you a dollar to a plugged nickel that if this provision is put in this pending resolution and if it becomes a law, the State Department and all those engaged in negotiating these treaties will be on their toes and you will have little cause for long-drawn-out hearings before your subcommittee of the Senate. And I bet they will be more careful of the Nation's industries than they have been in the past. That will be your greatest protection. It is going to make them more careful, and the foreigners that come over here and sit behind closed doors in executive session won't get what they want, because you are going to have a look-in, you are going to say something about it. The Constitution requires that you should.

Then some day in the future, let the House Ways and Means Committee initiate a resolution for the President to call a conference of agricultural, labor, industrial, and scientific leaders of our country to study ways and means to solve our unemployment problem. That is the big issue before this country today. It transcends all else. Let this same conference study the question of tariffs. If and when this conference takes place, rest assured that I will give them a plan that will take care of our present stumbling block to a scientific administration of our tariff.

The CHAIRMAN. Would you then live up to that philosophy to buy at home altogether?

Mr. EBLE. I would so far as it is practicable, because if the foreign manufacturer makes something better than we can make for our people we tell the American people to buy it. We will not endorse inferior goods even though it be American merchandise. And what is wrong about that? That is what has hurt us in the Democratic as well as in the Republican Party, but we are sane in our system and doctrine of "Buy American." We won't wave the flag and ask

Americans to buy American, because it is American. We ask them to buy American because 9 times out of 10 it is better than anything else that is made anywhere else in the world, and if an American manufacturer comes out with an inferior quality, complained of by American consumers, we say "Skip it, and of course buy the foreign article."

The CHAIRMAN. You get rid of him and ask him to get out of your organization?

Mr. EBLE. Yes; or we may help him to make a better product.

If we are going to continue this so-called reciprocity program, let it be done in the manner suggested by President Theodore Roosevelt in his annual message to the Congress in 1901, which was as follows—Senator Davis will like this:

Reciprocity must be treated as the handmaiden of protection. Our first duty is to see that the protection granted by the tariff in every case where it is needed is maintained, and that reciprocity be sought for so far as it can safely be done without injury to our home industries. Just how far this is must be determined according to the individual case, remembering always that every application of our tariff policy to meet our shifting national needs must be conditioned upon the cardinal fact that the duties must never be reduced below the point that will cover the difference between the labor cost here and abroad. The well-being of the wage worker is a primo consideration of our of our entire policy of economic legislation.

Why, they compare this with Mr. McKinley's reciprocity. Anybody that quotes McKinley's reciprocity as comparable to this does not know what he is talking about.

The safety and well-being of America, our country, lies in the development and maintenance of American business and agriculture in the greatest market in the world, which is right here at home. We must have foreign trade, too, but let us not overestimate its real importance to our national economy. We are the world's greatest customer for many things which we do not produce or make ourselves. Stimulate American business and American consumption and you solve our unemployment problem.

Forget the manufacturer, forget the people that come down here and ask you to do this and ask you to do that. Think of the wage earner and of the men walking the streets looking for jobs. If they were to parade before you, if you were sentenced to stand and look at them, you would starve before you could see the whole line, 10,000,000 people walking in columns of 4, 160 steps to the minute, it would take a year and 8 months to pass by this Senate building. You do not realize the danger involved in that great unemployment army in our country. We have a certain percentage of the population of the world, but we have the greatest percentage of the unemployed of the world—a sad commentary on our so-called high standard of living.

Before I close, there was a statement made here this morning by one of the experts on the tariff, which was in error and I want to correct it. He said that the President might exercise discretion with relation to depreciated currency, but he did not know for sure whether he had the power.

In the tariff law, Senator, under section 522, there is a provision there that makes it mandatory for the appraiser to take the value of the depreciated currency as fixed by the Federal Reserve. He has got to take it; there is no way out of it. That is in the law.

But lo and behold, what happens in the treaties? There you have something different. In the treaty it says, "If a wide variation should occur in the rate of exchange between the currencies of the United States of America and the United Kingdom, and if either high contracting party should consider the variation so substantial as to prejudice the industries or commerce of the territories of that high contracting party"—that is from the British treaty.

Now, what is a wide variation? Who is to decide the question of what is a wide variation?

Senator CLARK. Either high contracting party. It is set up in the very terms of the article which you stopped reading when you got to that. You asked "who is to determine it," and it says, "if either high contracting party should consider the variation so substantial as to prejudice the industries or commerce of the territories of that high contracting party, such high contracting party shall be free to propose negotiations for the modification of this agreement; and if agreement is not reached within 30 days after the receipt of such proposal, the high contracting party making the proposal shall be free to terminate the agreement in its entirety on giving 30 days' notice in writing to that effect."

So the answer to your question as to who is to determine that it is a wide variation or not is, by the terms of the treaty, the high contracting party.

Mr. EBLE. But, Senator, the question is who is the executive to determine it? I understand the language in the law, but I mean who is the individual? Who is the executive? Is it the Secretary of State or Mr. Fox or who is it? It is not designated in the law, and that is the loophole, and it will go on indefinitely, and I challenge anyone in this committee to tell me any different.

Senator CLARK. Why, Mr. Eble, if you had taken the trouble to inform yourself of the very rudiments of the international relationship, you would know that the United States in its relationship with other nations, where the United States is spoken of as the high contracting party, always operates through the President of the United States and only the President of the United States except in such very rare cases when Congress has by law authorized the Postmaster General or someone else to make a minor agreement of some kind.

Mr. EBLE. Now, here we have the crux of the situation. In the Reciprocal Act itself, and I have taken the time to study this, because this will answer Senator Clark, we find this language that "Provided, That the President may suspend the application to articles * * * from any country because of its discriminatory treatment of American commerce or because of other cause or policies which in his opinion tend to defeat the purposes of the law," and there is the biggest weakness of all, because it says that he may and it does not say that he shall, and I challenge you again, Senator Clark—

Senator CLARK (interposing). Nobody said he should. You said who is to enforce the law and I said it was the President.

Mr. EBLE. I can go into court and force the appraisers to follow the other law, but you cannot and nobody in God's world can force the President to follow the provisions of this law. That is what I mean and that is my answer, and it will stand.

Senator DAVIS. In some States, have not the courts held that "may" is equivalent to "shall"?

Mr. EBLE. I have never seen it. It says that he may suspend it in his opinion. That takes the meat out of the whole business that the Senator was trying to tell me that I was wrong on.

Senator CLARK. I did not say anything of the kind, Mr. Eble. You asked a question here as to who is to make the determination, and now you come in and say that the law says that the President shall -- the plain proviso of the law.

Mr. EBLE. I beg your pardon, Senator; I was criticizing the point that they had not designated in the law.

Senator CLARK. You said there is nobody to determine it.

Mr. EBLE. There is not.

Senator CLARK. The law says it is the President.

Mr. EBLE. Yes; but if the President wants to go fishing for a trip of 2 or 3 weeks, we can whistle. You bet your neck. And we are.

The CHAIRMAN. Does that finish your statement?

Mr. EBLE. In just about 2 minutes more.

Early Americans fought and died to make our country independent. We Americans of the present day and age must do all in our power to keep it so. It is my firm conviction that it is the solemn duty of the Congress of these United States to take back the power it has given the executive branch of our Government with regard to negotiating these treaties. The ratification by the Senate as suggested a moment ago will be a step in the right direction.

I am sorry I have taken so much of your valuable time and I want to thank you on behalf of the various industries I represent for the courtesy you have extended me in allowing me the privilege of testifying before you.

Senator CLARK. Mr. Chairman, in regard to the matter that came up during the testimony of Mr. Schloss as to the statement made by Dr. Grady, I have here this stenographic report of the Town Hall meeting held in New York on January 15, 1940, and desire to read into the record the statement of Mr. Grady in response to a question:

Mr. GRADY. One of the factors always taken into account in determining whether a tariff will be lowered in a trade agreement is the factor of cost, and the trade agreements have not lowered any tariffs that have resulted in products of cheap labor from any country.

In a speech in New York on January 26, 1940, Dr. Grady said:

The fallacies of the alternative proposals--

alternatives to the trade agreements--

is emphasis on exclusive cost of production, which should be in fact only one of the factors to be considered.

In a letter to Senator Vandenberg by Secretary Hull, dated December 15, 1939, the Secretary said:

In the adjustment of tariff rates under the Trade Agreements Act, cost-of-production data, whenever practicable, are taken into full consideration along with all other factors entering into the competitive situation. But they cannot and should not be taken as the sole guide. Other factors must be considered; the size of the imports in relation to domestic production; comparability of the imported and domestic products as to type and quality; seasonal factors, and a great many others.

It seems to me that that sufficiently clears up the attitude of the responsible officials of the Department as to what the attitude of the Department is.

I ask, Mr. Chairman, to insert in the record an editorial from *Business Week* of February 8, 1933, entitled "Sure, Buy American."
(Same is as follows:)

SURE, BUY AMERICAN!

It was inevitable that the "Buy American" campaign should pick up momentum. Messrs. Cyrus H. K. Curtis and William Randolph Hearst—amazing partners—can put drive behind any movement. Manufacturers and merchants alert to its emotional sales appeal have jumped aboard. Hastily formed organizations about which a sensitive nose will detect a faint odor of racket have grabbed the opportunity. Against such an array, facts and logic will not make much headway. So perhaps the politic thing to do is to join in the chorus.

Here goes, then! "Buy American!"

The object of the "Buy American" campaign is to keep American dollars at home, help the American farmer, make work for American labor. We are for all this. We hereby promise not to send a dollar out of this country to pay for foreign goods; we promise that every dollar we spend shall go to pay for American products. And we confidently make the same pledge for you.

For no dollar spent for imports ever leaves this country. Every cent of it (and, on the average 20 to 25 cents besides) is spent here by foreigners, for American products they want.

Thus, one sure way to buy American is to buy foreign. Even in 1932, it is the way we bought half of our cotton, 27 percent of our tobacco, 15 percent of our wheat, 24 percent of our lard, 30 percent of our lubricating oils, 11½ percent of our automobiles, 9 percent of our gasoline, and a sizeable fraction of our miscellaneous manufactures. It is, incidentally, how they buy American automobiles, radios, refrigerators, shoes, codfish, and whatnot in the cotton and tobacco and hog and wheat States.

It is true that to accomplish this, we have to make things pretty tough for the American farmers who raise silkworms, coffee, tea, rubber, bananas, and cocoa. We buy some tin, antimony, vanadium, and nickel, too, as a cowardly concession to a luxury-loving class that prefers automobiles, railroad trains, and airplanes to oxcarts. Also some tungsten, for those who unaccountably don't want to go back to kerosene lamps.

But all this sarcasm grows a little heavy. No doubt we could eke out some kind of existence on a primitive level by cutting off imports entirely, but it would involve a readjustment more violent than any people ever has endured. It is conservative to assume that one-tenth of us live directly upon export trade, and vastly more than that proportion make our living in industries—as steel—that would collapse without imported crude commodities.

Our imports are 31 percent raw materials; 25 percent foodstuffs, mostly tropical; 18 percent semimanufactured products, as woodpulp; 26 percent finished manufactures; largely things we cannot or will not produce. Competition between imported and domestic merchandise is narrow in area. Where it occurs, it is legitimate for the American manufacturer to extoll the superiority of the domestic product. It is legitimate for him to protest against unfair competition created by depreciated currencies—for which, by the way, Congress could provide a simple remedy.

But it is not legitimate for him to stir up more hatreds and prejudices in a world already plagued by too many such passions. It is not legitimate for him to support a movement which, insofar as it has any practical effect, is bound to hurt not foreigners so much as our own farmers and workmen.

Legitimate or not, it is not going to get very far. In the present state of his pocketbook the consumer is going to buy whatever is cheapest. Poor devil, he has to.

Senator CLARK. Then, Mr. Chairman, with reference to the repeated references to depreciated currency and their effect on the reciprocal trade agreements, I desire to insert in the record the whole of a letter from Secretary Hull to Senator McNary, which I desire to read a portion of, because it certainly is very conclusive on the point raised as to the effect of the depreciation of currency:

MY DEAR SENATOR McNARY: Thank you for sending me your statement to the press, enclosed with your letter of December 12, 1930. I am glad to comply with your request to give you my views on the subject matter of the statement which deals with certain aspects of the trade-agreements program.

I find in your statement a number of categorical assertions. At least the more important of these should certainly be examined in the light of actual facts.

The central point of your argument relates to the effects upon our foreign trade of recent wartime currency depreciation in Canada, Great Britain, and France, especially in connection with the adjustments of our tariff rates granted to these countries in the trade agreements concluded with them. You claim that our country has suffered so serious an injury as a result of the depreciation of these currencies that we should immediately invoke the exchange rate provisions in our trade agreements for the purposes of modifying or canceling the agreements themselves.

Your sole evidence of injury is the citation of a theory—that when one country depreciates its currency unit, another country, whose currency remains at the old level, inevitably finds its exports to the depreciated-currency country retarded and its imports from that country stimulated. Without discussing the merits of the theory, let us look at the facts.

An examination of what happened to our export and import trade with the three countries you mention during the first two months of the war—namely, September and October 1939 (the latest complete figures available) as compared with the corresponding period of 1938, reveals the following data:

In the case of Canada, our exports to that country rose, between the two periods, by \$35,989,000, while our imports from that country increased by only \$23,322,000.

In the case of Great Britain, our exports to that country rose by \$8,121,000 while our imports from that country increased by only \$1,320,000.

In the case of France, our exports to that country rose by \$1,131,000 while our imports from that country declined by \$4,503,000.

Taking the three countries together, our exports to them showed an increase of \$45,241,000, while our imports from them rose by only \$20,139,000.

Whatever may be the case in the future, the theory you cite, in its application to the situation with which we are immediately concerned, fails completely to square with the facts. Yet it is on the basis of this theory, which to date has been entirely at variance with the facts, that you ask the nation to upset trade agreements with three commercially important nations.

Experience shows clearly that variations in foreign exchange rates constitute only one among many factors which influence a country's export and import trade. Depending upon the operation of those other factors, a depreciation of foreign currencies may or may not adversely affect a country's industries and commerce. To protect ourselves against the possibility that a depreciation of foreign currencies may have such an adverse effect upon our trade, we have written into our trade agreements a safeguarding provision, which, in the agreement with Great Britain, for example, reads as follows:

"If a wide variation should occur in the rate of exchange between the currencies of the United States of America and the United Kingdom, and if either High Contracting Party should consider the variation so substantial as to prejudice the industries or commerce of the territories of that High Contracting Party, such High Contracting Party shall be free to propose negotiations for the modification of this agreement; and if agreement is not reached within thirty days after the receipt of such proposal, the High Contracting Party making the proposal shall be free to terminate the agreement in its entirety on giving thirty days' notice in writing to that effect."

We are prepared to give full effect to this safeguarding provision whenever adequate evidence is developed to show that the depreciation of another country's currency has, in fact, prejudiced the industries or commerce of this country. Your statement contains no such evidence. Nor has evidence of this type, with reference to any country with which we have concluded a trade agreement, been presented, to date, to the interdepartmental organization charged with the execution of the trade agreements program.

The CHAIRMAN. The reporter will place the entire letter in the record.

(Same is as follows:)

Hon. CHARLES L. McNARY,
United States Senate.

MY DEAR SENATOR McNARY: Thank you for sending me your statement to the press, enclosed with your letter of December 12, 1939. I am glad to comply with your request to give you my views on the subject matter of the statement which deals with certain aspects of the trade-agreements program.

I find in your statement a number of categorical assertions. At least the more important of these should certainly be examined in the light of actual facts.

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Taking the three countries together, our exports to them showed an increase of \$45,241,000, while our imports from them rose by only \$20,139,000.

Whatever may be the case in the future, the theory you cite, in its application to the situation with which we are immediately concerned, fails completely to square with the facts. Yet it is on the basis of this theory, which to date has been entirely at variance with the facts, that you ask the nation to upset trade agreements with three commercially important nations.

Experience shows clearly that variations in foreign exchange rates constitute only one among many factors which influence a country's export and import trade. Depending upon the operation of these other factors, a depreciation of foreign currencies may or may not adversely affect a country's industries and commerce. To protect ourselves against the possibility that a depreciation of foreign currencies may have such an adverse effect upon our trade, we have written into our trade agreements a safeguarding provision, which, in the agreement with Great Britain, for example, reads as follows:

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We are prepared to give full effect to this safeguarding provision whenever adequate evidence is developed to show that the depreciation of another country's currency has, in fact, prejudiced the industries or commerce of this country. Your statement contains no such evidence. Nor has evidence of this type, with reference to any country with which we have concluded a trade agreement, been presented, to date, to the interdepartmental organization charged with the execution of the trade agreements program.

Equally unsupported is your assertion to the effect that "even in normal times these (reciprocal trade) agreements have proved a real hardship to many American producers." To which producers do you refer?

Surely you do not mean those millions of producers in agriculture, forestry, mining, and manufacturing industries—including many in your own State of Oregon—who, in recent years, have been overwhelmed by lack of adequate foreign markets for their surplus output; and to whom the reduction of trade barriers in foreign countries, secured through trade agreements, has given a new hope, a new opportunity, and an actual expansion of sales at home and abroad. They could not have been hurt by the trade agreements.

As for the branches of production immediately affected by the adjustments of our tariff rates embodied in the trade agreements, every possible care has been

exercised by the interdepartmental trade agreements organization, comprising five departments of the Government, to make sure that the producers concerned are amply safeguarded against injury. Experience in connection with the negotiation and operation of 22 agreements offers abundant proof of this. It also affords full demonstration of the fact that, here again, we are prepared to reconsider any action taken whenever adequate evidence is developed to indicate the need for modification—whether such need arises out of the appearance of facts previously unknown to the Government or out of changed conditions.

Let me cite two cases. In 1938, after the trade agreement with Czechoslovakia was signed and its terms were made public, new information was presented to the interdepartmental organization, which indicated the desirability of making changes in the duty adjustments granted in connection with certain glass and cork products. Accordingly, before the agreement was put into effect, we negotiated an amendment, embodying the necessary changes. In recent weeks, because of emergency conditions arising out of the European war, it has been found desirable to alter the terms of our trade agreement with Canada as regards the reduction of our import duty on fox furs and skins. Accordingly, on November 30, 1939, I issued formal notice of intention to negotiate with Canada a supplemental trade agreement relating to these products.

There is in existence a convenient channel through which information and views bearing on every feature of the trade-agreements program can be presented by the interested parties both before and after the negotiation of any agreement. It is the Committee for Reciprocity Information. With that channel you are well acquainted since you have availed yourself of its facilities on several occasions to furnish the interdepartmental trade-agreements organization with valuable data in behalf both of industries concerned with a possible adjustment of our tariff duties and of industries seeking to secure a reduction of trade barriers against their products in foreign countries. If you or any one else have evidence pointing to the desirability of change in any phase of the trade-agreements program or in any of the existing trade agreements, such evidence is thoroughly welcome. But I am sure that you would neither expect nor desire the executive branch of the Government, in performing a function with which it has been charged by the Congress, to act on the basis of unsupported assertions.

Finally, I should like to refer to your statement that "Secretary of State Hull has never discussed Reciprocal Trade Agreements in the light of changed conditions made necessary by the conflict in Europe." More than 2 months ago, in an address before the National Foreign Trade Convention in New York on October 10, 1939, I gave special consideration to precisely this problem. I dealt with it even more extensively in my address before the national annual meeting of the American Farm Bureau Federation in Chicago on December 5, 1939. In case these addresses have escaped your notice, I take pleasure in sending you herewith copies of the full text.

I should like to call your attention particularly to my Chicago address. On that occasion, I presented what I consider as conclusive evidence of the advantages secured by the country as a whole, and more specifically by our farmers, from the operation of the trade-agreement program. I also indicated some of the urgent reasons why this Nation, in its own best interest and in the face of the present grave emergency conditions, should continue to adhere to the policy underlying that program.

Please let me assure you that the Department of State and the other appropriate agencies of the Government are studying with the utmost care every phase of the possible effects of war in Europe upon the foreign trade of the United States and upon the operation of the trade agreements now in effect. The step we have taken with respect to the Canadian agreement, mentioned above, is an example of our readiness to act whenever circumstances point to the need for action.

Your entire statement, taken in conjunction with other utterances recently made by you, clearly has for its purpose the discrediting and destruction of the trade-agreements program, which would mean a return to the embargo tariffs of the Hawley-Smoot regime or their equivalent, and to a process of iniquitous logrolling in tariff adjustment. The "evidence" you now adduce in support of your assertions that trade agreements have imposed hardships on our domestic producers is on a par with the "evidence" trumpeted throughout the country 10 years ago by the sponsors of the Hawley-Smoot tariff in support of their reckless assertions that tariff embargoes would give our agriculture and industry permanent and resplendent prosperity.

We all know that the operation of the Hawley-Smoot tariff did not prevent, but was largely responsible for, the worst economic disaster which has ever struck our country. No one can disprove the fact that the trade-agreements program has been an essential factor in bringing about the substantial economic recovery from the heartbreaking conditions of the early thirties, which has occurred in this country during the last 6 years. During the present emergency no greater misfortune could befall our Nation than a return to the evil policy of tariff embargoes which would inevitably be the case if the trade-agreements program were abandoned. That would be tantamount to leading the country back to the kind of economic prostration into which a policy of tariff embargoes helped so greatly to plunge it only a few years ago.

Sincerely yours,

CORDELL HULL.

Senator CLARK. I desire to place the following statistical data in the record regarding the textile industry.

The CHAIRMAN. That may be done.

(Same is as follows:)

United States Textile Industry

<i>Decrease 1929-33</i> ¹	
Wage earners.....	233, 788
Wages paid to wage earners.....	\$716, 125, 000
Value of production.....	\$4, 437, 433, 000
<i>Increase, 1935-37</i> ²	
Wage earners.....	126, 650
Wages paid to wage earners.....	\$178, 386, 000
Value of production.....	\$1, 000, 775, 000

¹ Census of Manufacturers data published every odd year only.

² Latest available data.

Source: Data published by the Census of Manufacturers.

The CHAIRMAN. Is Mr. J. Howard Proper here?

(Mr. Proper presented the following memorandum prepared by him on behalf of the American Champagne Guild, New York City, of which organization he is general counsel.)

MEMORANDUM SUBMITTED BY J. HOWARD PROPER ON BEHALF OF THE AMERICAN CHAMPAGNE GUILD, NEW YORK CITY, RELATIVE TO EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

This memorandum is submitted by the American Champagne Guild, Inc., in opposition to the extension of the Reciprocal Trade Agreements Act.

Under paragraph 803 of the Tariff Act of 1930 champagne and other sparkling wines were dutiable at \$6 per gallon. The information contained herein strictly pertains to the American champagne industry and the writer does not intend to make any comments upon the economic and international consequences of this act. In a trade agreement with France effective June 15 1936 the duty on these imports was reduced to \$3 per gallon.

Since the effective date of the trade agreement with France, the franc has been devaluated to such an extent that cheap French imports are being dumped into the American market resulting in ruinous competition to our American champagne industry.

We ask, therefore, that the present act be allowed to expire so that at the expiration of the present trade agreement the duties will return to the same level of 1936.

HISTORY OF THE AMERICAN CHAMPAGNE GUILD, INC.

The American Champagne Guild, Inc., is an association of domestic champagne manufacturers, all of whom manufacture champagne by the original French process, i. e., secondary fermentation in the bottle.

This is the most costly process of making champagne and is the only one permitted in the champagne district of France as well as in the United States. There are other cheaper methods, but the product cannot be labeled champagne.

The members of the guild produce approximately 65 percent of all the champagne made in the United States. Hundreds of people are dependent upon this industry for livelihood, including grape growers, farmers, skilled workmen, and laborers.

Two of the members of the guild were established before the Civil War. Champagne has been produced in this country for more than 80 years.

The members of the Guild are: American Wine Co., St. Louis, Mo., established 1859, producers of Cook's Imperial; Pleasant Valley Wine Co., Rheims, N. Y., established 1860, producers of Great Western; Roma Wine Co., Fresno, Calif., producers of Roma American Champagne; Vineyardists, Inc., Penn Yan, N. Y., producers of Vintner's American Champagne; D. W. Putnam Co., Hammondsport, N. Y., producers of Golden Age; George F. Lonz, Middle Bass, Ohio, producers of Ile de Fleur.

There are at least six other members of the industry, all of whom are vitally interested in this application, although they are not members of the guild.

THE CONDITION OF THE AMERICAN INDUSTRY

(a) *The manufacturer.*—During the prohibition era the production and sale of champagne came practically to a standstill; huge inventories were carried in the wine cellars and no sales were permitted for the reason that champagne was not used for sacramental and religious purposes, this being the only legal outlet for wines. It became necessary for the producers to heavily mortgage their plants and property. Some closed down completely.

With the advent of repeal in December 1933 complete rehabilitation became necessary. Additional loans were negotiated for the purchase of grapes and materials. Plants had to be repaired and new equipment installed. Inventories had to be built up. Champagne must age at least 1 year in the bottle before being sold.

The champagne manufacturers have accomplished all of these things and are placing upon the American market a product which by comparison is the equal in equality of good French champagne and far superior to the cheap brands which are now being widely distributed throughout the United States.

With all of the handicaps above enumerated and with the high costs of grapes and labor, the American consumer is paying an average of \$2.49 per bottle for American champagne.

On the other hand this same consumer can now purchase imported French champagne for as little as \$1.89 per bottle.

The difference in the cost of production in America and in France partly accounts for the situation.

The cost of champagne grapes grown in the United States east of the Rocky Mountains during the past few vintage seasons has averaged approximately \$135 per ton. While statistics are not available, reliable information indicates that the cost of similar grapes in France is lower by at least 50 percent. Included in this cost is the labor for maintaining the vineyards, picking the grapes and delivering them to the winery. In France many vintners own their own vineyards, whereas in this country these vineyards are owned by independent grape growers who depend upon the vineyards for a livelihood. Grape growers in France get from 27 to 40 cents per day, this in comparison with our minimum wage of \$2.40 per day. The disgorgier, a skilled workman in the manufacture of champagne, receives in France approximately 20 francs per day or 50 to 60 cents. This same workman in this country receives approximately \$3.60 per day. In some sections of the United States where trade-union agreements are in effect, unskilled labor starts with 50 cents per hour, and particularly in the State of Missouri the disgorgier is getting from 55 to 65 cents per hour.

The manufacture of champagne consists entirely of hand labor. Every bottle in the process is handled at least 250 times. The direct labor cost entering into the manufacture, excluding the maintenance of the vineyards and the picking of the grapes, amounts to at least \$1.80 per case. This cost does not include cases, bottles, labels, corks, packing, shipping, freight, sales expense, advertizing or taxes. It may fairly be stated that the cost to manufacture American champagne is at least four times greater than making French champagne.

(b) *Consumer.*—American manufacturers have spent thousands of dollars to educate the consumer along temperance and modification lines. Our price range is such that the products are available to the American public generally as it is not in the case of expensive French champagnes, available only to a selected few. Even with all the advertizing and publicity, the American consumer is not yet champagne or wine conscious. During prohibition the prevalent drinks

were whisky and gin, but with repeal, a new market had to be created. The consumer, generally, appears to be label conscious rather than quality conscious. Many expected to purchase a fine French champagne offered by reputable concerns, only to be disappointed after purchasing cheap French wines offered under various names. It has been said by one consumer that he would prefer to purchase American champagne with a French label than to purchase the best French champagne with an American label.

The industry is confronted with the situation of the consumer being offered an inferior French champagne at a far lower price than it is possible for him to purchase a quality American product. Everywhere the retailer as well as the jobber is pushing the cheaper French product because of less sales resistance.

(c) *Farmer and grape grower.*—Before prohibition in the Finger Lakes district of New York State approximately 20,000 acres of vineyards were under cultivation. A survey made in 1927 indicates an acreage of about 11,307. Figures alone do not indicate the real picture. The vineyards are in very bad condition and the yield is 30 percent less in the same amount of acreage than before prohibition.

At the present rate of consumption of American champagne our present acreage more than supplies the necessary champagne grapes. Similar conditions exist in the other grape-growing sections of this country, with the possible exception of California. Naturally, with increased use of American wines this acreage would again increase and sections of the country formerly dependent upon the grape-growing industry will return to prosperity. Then too, with such an increase in consumption, the price to the consumer would be reduced and additional labor employed.

STATISTICS

Attached hereto and marked "Exhibit I" are statistics showing the production and tax-paid withdrawals of champagne, sparkling wine, and artificially carbonated wine in gallons and cases from July 1, 1933, to December 31, 1938. An analysis of these figures show:

Tax-paid withdrawals show a steady increase each fiscal year beginning July 1, 1933, up to and including June 30, 1937, except for a slight decrease in the fiscal year 1934 and 1935. The fiscal year July 1, 1936, to June 30, 1937, showed sales of 164,712 cases. It was about this time that the franc was being devaluated and thereafter American sales decreased. For the 6-month period from June 30, 1938, to December 31, 1938, sales totaled 92,577 cases, and considering this figure, it must be borne in mind that the major part of champagne sales occur during the months of October, November, and December. Comparative statistics for January and February 1939 and January and February 1938 are as follows in gallons and cases:

January 1939: 16,008 gallons, 6670 cases. January 1938: 23,088 gallons, 9,620 cases. February 1939: 11,294 gallons, 4,706 cases. February 1938: 22,888 gallons, 9,537 cases.

From the foregoing figures it will be seen that there has been a tremendous decrease in the sale of American champagne for the months indicated.

There is also attached hereto and marked "Exhibit II" a comparison for the fiscal years ending June 30, 1937, and June 30, 1938, of tax-paid withdrawals for American champagne and sparkling wine, and the duty-paid imports of French champagne only. An analysis of these figures indicates the following:

Duty-paid imports of French champagne for the fiscal year ending June 30, 1938, show an increase of 223 cases over the fiscal year ending June 30, 1937. On the other hand, tax-paid withdrawals of American champagne for the same period showed a decrease of 14,224 cases. While actual figures are not available to the present date, we are reliably informed that there has been very little change except in a further devaluation of the franc.

THE DUMPING OF CHEAP FRENCH CHAMPAGNES HAS DEMORALIZED THE AMERICAN MARKET

During preprohibition and up until the last year our domestic champagnes sold in competition with imports and brought about one-half the price of the imported product. Today we are confronted with an imported product being dumped on the American market and retailing as low as \$1.80 per bottle.

There are innumerable brands upon the market, all of which no one has ever heard of.

On March 9, 1939 and numerous other times, R. H. Macy Co. advertised their *Etoile Rouge Champagne* at \$1.98 and this advertiser states as follows: "Available

at this absurd price only because world conditions have destroyed the growers' markets in vast sections of the globe."

There are two main reasons for this dumping. First, France has lost the markets of Russia, Germany, and Italy, and has an overproduction of champagne. Secondly, the devaluation of the franc is the main factor in this dumping.

When the trade treaty agreement was entered into the State Department advised that the tariff had been reduced from \$6 to \$3 per gallon and that this reduction amounted to about 61 cents per bottle on a bottle which retailed at that time from \$5 to \$7. Evidence had been introduced showing that this would not be ruinous competition for American champagne and the reduction of 61 cents per bottle would not bring imported champagne into the price range of the domestic.

On June 15, 1936, the effective date of the trade agreement, the rate of exchange was 6.586 dollars per hundred French francs. In June of 1937, the rate of exchange dropped to 4.440 dollars per hundred French francs. The average rate of exchange during 1938 amounted to 2.880 and today it is approximately 2.25.

In view of this devaluation it is now possible for importers, department stores, and retailers to purchase in France champagnes for as low as \$3.50 per case and lay it down in New York at a lower price than the American manufacturer can afford to sell it to the jobber. French champagne, including all duties, taxes, and transportation, cost the importer about \$13 per case, while the actual cost to the American manufacturer including taxes is a minimum of \$13.50, not including any profit or selling expense.

Our market, therefore, is flooded from coast to coast with these French champagnes underselling our American products and creating a condition which may possibly result in the bankruptcy of our American firms.

It was only on February 23 that the New York Times carried a release in which Senator Georges Portmann pressed the Commerce Minister of France to obtain concessions from the United States in compensation for the war expenditures France is making in America. In part he stated as follows:

"There has been some agitation (United States) for breaking the trade agreement with France. Certainly we know that constitutional rules exist forbidding a reduction of more than 50 percent below the tariffs of 1930 but the war has created entirely new conditions. In view of our large war purchases in that country can we not find means to send a larger amount of our wines there? May I ask that the Commerce Minister use his utmost efforts to obtain from the Washington Government a lowering of tariff duties and taxes on our wines which could stimulate the consumption of them over there by making prices lower for the consumer?"

Such a program, if adopted, would complete the ruination of the American champagne industry.

From the foregoing facts it is therefore evident that this industry has been a victim of the Reciprocal Trade Agreements Act, and we respectfully urge that the act should not be renewed.

J. HOWARD PROPER,
General Counsel, American Champagne Guild, Inc., New York, N. Y.

EXHIBIT I.—Statistics showing the production and tax-paid withdrawals for champagne, sparkling wine and artificial carbonated wine from July 1, 1933, to Dec. 31, 1938

	Production	Tax-paid withdrawals	
		Gallons	Cases
	Gallons		
July 1, 1933, to June 30, 1934.....	532, 874	284, 421	118, 509
July 1, 1934, to June 30, 1935.....	310, 660	263, 772	106, 905
July 1, 1935, to June 30, 1936.....	413, 848	289, 970	120, 821
July 1, 1936, to June 30, 1937.....	481, 123	398, 308	164, 712
July 1, 1937, to June 30, 1938.....	489, 012	361, 171	160, 488
July 1, 1938, to Dec. 31, 1938.....	132, 297	222, 184	92, 577
Total.....	2, 359, 814	1, 816, 826	787, 012

These figures are compiled from the annual reports issued by the Alcohol Tax Unit of the Bureau of Internal Revenue.

EXHIBIT II.—*Comparison of tax-paid withdrawals of American champagne and sparkling wine for the fiscal years ending June 30, 1937, and June 30, 1938, with duty-paid imports of French champagne for the same periods*

	Tax-paid withdrawals American champagne	Duty-paid imports French champagne
Fiscal year ending June 30, 1937:		
Gallons.....	395,308	521,561
Cases.....	164,712	217,329
Fiscal year ending June 30, 1938:		
Gallons.....	361,171	522,104
Cases.....	150,488	217,543

The committee will recess until 10 o'clock tomorrow morning.
 (Whereupon at 4:45 p. m. recess was taken until the following day,
 Friday, March 1, 1940, at 10 a. m.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

FRIDAY, MARCH 1, 1940

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, in the Finance Committee Room at 10 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will come to order.

The first witness this morning is Mr. W. L. Clayton, of Houston, Tex. Mr. Clayton is representing the American Cotton Shippers' Association.

STATEMENT OF W. L. CLAYTON, HOUSTON, TEX., REPRESENTING AMERICAN COTTON SHIPPERS' ASSOCIATION

The CHAIRMAN. Tell about your concern and the nature of your business, who are you, and your reaction to the reciprocal trade agreements.

Mr. CLAYTON. My firm is Anderson, Clayton & Co., cotton merchants. I appear here, Mr. Chairman and gentlemen, as a representative of the American Cotton Shippers' Association, with general offices at Memphis, Tenn., and also on my own account as a cotton merchant and a citizen.

Practically all the cotton merchants in the South belong to the American Cotton Shippers Association through its affiliated State associations. This association at its last four annual meetings has endorsed the reciprocal trade-agreement program.

I wish now to strongly urge the extension of the Trade Agreements Act. Cotton is peculiarly an article of world commerce. The commercial production of cotton is limited to a comparatively small part of the earth's surface. It is consumed throughout the world.

In the United States, more than 50 percent of our cotton production is normally exported in competition with the production of numerous other cotton-exporting countries. Obviously, if tariffs on goods imported into the United States are raised so high as to substantially reduce the volume and value of such imports, foreigners have fewer dollars with which to buy our cotton and other commodities and must turn to other sources of supply. This is what happened following the enactment of the Smoot-Hawley tariff bill marking the third substantial increase in tariffs since the World War. World buying power in the United States was thereby substantially destroyed. Agriculture was bound to be the chief sufferer in this situation.

In 1930, the year the Smoot-Hawley bill was passed, the rest of the world, through its merchandise exports to the United States, had a

little over three billions to spend in this country. They actually spent in that year nearly half of that sum, or nearly one and a half billion dollars for our farm products alone. By 1932 there had been such a drastic shrinkage in our imports that the foreigners spent in this country only three quarters of a billion dollars for our farm commodities, or just about half of what they spent in 1930.

You cannot shut out imports without also shutting in exports.

In 1932 we bought from the outside world just 30 percent as much merchandise as we had bought in 1929. The shrinkage in our outlay for foreign goods of \$3,000,000,000—

Senator VANDENBERG (interposing). What year was that?

Mr. CLAYTON. In 1932.

Senator VANDENBERG. Everything shrunk in proportion, did it not, all around the world?

Mr. CLAYTON. Everything shrank; yes, sir. Surely the advocates of economic self-sufficiency as the road to prosperity in this country could hardly ask for a closer approach than this to their coveted goal. But the other side of the picture is that in 1932 we sold to the outside world just 30 percent as much merchandise as we exported in 1929, a shrinkage in foreign purchases of our goods of three and a half billion dollars. Indeed, 1932 witnessed the lowest point for many years in our foreign trade. It is no mere coincidence that 1932 also established other records in this country not pleasant to contemplate, such as the lowest prices for all time for our farm products, the highest point for all time in unemployment, and the lowest point for half a century in our economic well-being. Incidentally, 1932 was the year in which farmers were losing their homes and farms at so rapid a rate that economic and social disintegration threatened.

The only sound and permanent solution of the farm problem is the reopening of the channels of international trade. Only in this way can purchasing power be restored to our agricultural surpluses. The reciprocal trade agreement program is a modest step in that direction. It approaches the subject from the point of view of the best interests of all the people instead of the special interests of groups. Since the passage of the reciprocal trade agreements, our annual volume of foreign commerce has increased in value by 2½ to 3 billion dollars, divided about equally between exports and imports.

Senator VANDENBERG. What do you base those figures on? Have you the actual figures by years?

Mr. CLAYTON. Yes, sir; I can give them to you.

Senator VANDENBERG. I wish you would.

Mr. CLAYTON. In 1934, the total exports of United States merchandise were \$2,100,000,000, and the total imports were \$1,636,000,000, making a total of \$3,736,000,000. In 1937, the exports were \$3,298,000,000, and the imports were \$3,000,000,000, making a total of \$6,300,000,000. It shows an increase of nearly \$3,000,000,000.

Senator VANDENBERG. Yes; but the Trade Agreements Act did not generally become effective until along in 1936, while you compare with 1934 and then give all the credit to the Trade Agreements Act.

Mr. CLAYTON. I don't intend, Senator Vandenberg, to give all the credit to the Trade Agreements Act, but if you take even 1936, 2 years after the Trade Agreements Act was passed, the exports and the imports totaled \$4,800,000,000.

Senator TOWNSEND. What was each?

Mr. CLAYTON. \$2,400,000,000 of exports, and \$2,400,000,000 of imports. It just about balanced. That was in 1936. In 1937 they had jumped to \$6,300,000,000.

Senator VANDENBERG. What were they in 1938?

Mr. CLAYTON. \$5,200,000,000.

Senator VANDENBERG. In 1938 they were \$5,000,000,000, and in 1936 they were \$4,800,000,000. They are practically the same as they were in 1936 when the trade agreements really became effective.

Mr. CLAYTON. The act was passed in 1934. I don't know how soon the agreements became effective. At various times, I presume.

Senator VANDENBERG. There were one or two in 1934 and three or four in 1935. They really were not swinging until 1936.

The CHAIRMAN. Have you 1939?

Mr. CLAYTON. I have the totals for 1939; yes, sir. They are \$5,400,000,000 in 1939.

Senator VANDENBERG. How was that divided?

Mr. CLAYTON. \$3,123,000,000 for exports and \$2,276,000,000 for imports.

Senator VANDENBERG. I make no point of the questions I asked you. I have just come to the conclusion that I can take the available figures on this subject and make a swell speech on any one of four sides.

Mr. CLAYTON. You can usually do that, I believe, with any set of figures.

The CHAIRMAN. You can do that on anything. [Laughter.]

Mr. CLAYTON. Surely this additional trade has been reflected in promoting recovery from the depths to which our economy sank in 1932.

The present war is creating some grave new problems for American agriculture, especially cotton. Practically all of our cotton exports go to Europe and Asia. The nations of these continents are either at war or preparing for war. In these circumstances, they are living off of their capital, especially as regards purchases in the United States. They are sending us their gold and liquidating their securities. What will they do for dollars when these things run out, as they must sooner or later?

Already there are signs that such precious dollars as those nations can command will be husbanded for the purchase of essential war materials which only the United States can furnish. Tobacco, cotton, and other farm products will more and more be bought in those countries willing to accept goods in payment, thus not only effecting an exchange of goods but also providing cargoes for the ships both ways. Today most of the ships coming to our Gulf ports for cotton come in ballast. Ships are worth at charter \$1,000 a day and upwards. Is there any wonder that the foreign buyers of American cotton are turning more and more to other growths?

When this war ends, America will find itself in the position of King Midas and finally when we shall have acquired all of the gold in the world, we will be compelled to face the immutable law of international trade, "He who would sell must also buy."

Senator VANDENBERG. Meanwhile, what will we do with the gold?

Mr. CLAYTON. I cannot answer that. In the end, we must bow to this law or reconstruct our domestic economy in an effort to find other jobs for some twelve to fourteen million persons normally employed in connection with our export and import trades, and

to find other uses for some seventy-five to one hundred million acres of agricultural land normally employed in producing for export.

For a century prior to the outbreak of the World War, the principle of international division of labor made tremendous strides throughout the world. The last quarter of a century has unfortunately witnessed a reversion in the directions of economic nationalism. This has notably resulted in a world-wide revolt against the free market. Much of the world's economic and political ills are traceable to this development. Responsible opinion appears to be crystallizing on the view that the next peace, if it is to have any hope of permanence, must be based upon the principle of the division of labor on a world-wide basis. The trade-agreement program is a modest effort to keep alive that principle. Its abandonment at this time could only be interpreted as a step backward toward economic self-sufficiency. Believing that such action would constitute a grave national error, I earnestly recommend that the Trade Agreements Act be extended.

Senator VANDENBERG. Mr. Clayton, you do not think that we can combat external self-sufficiency solely through these trade agreements, do you? Haven't we got to have a lot of other weapons, too?

Mr. CLAYTON. I don't know about the weapons, Senator Vandenberg, and I do not contend that we can combat it solely with the trade-agreement program. I am merely saying that I think that the trade-agreement program helps to keep alive a principle which we should not see die if we can help it.

Senator VANDENBERG. The thing that challenges my fears is that we may keep this principle alive through an agreement which we faithfully execute and the other fellow does not, because the moment he has made an agreement with respect to tariffs with us, then he discovers some devices by which he checkmates every advantage that we were supposed to get. For instance, in one instance I think we made a trade agreement with a major country, and within 6 days afterward they depreciated their currency. We made an agreement with another, and within 2 weeks, I think, they installed blocked exchange which practically nullified every advantage we were supposed to have gotten. I want to be an idealist and keep a lot of fine principles alive, but I do not want to be a sucker about it, and it seems to me that in a world at war and in the post-war period of adjustment, the self-sufficiency is found to reassert itself viciously everywhere, and that you just cannot deal with that condition on the unconditional most-favored-nation theory. When you get through, all you will have left is your ideals, and the rest of the world will have everything else.

Mr. CLAYTON. Senator, I appreciate that, but when this war ends, it will be either a totalitarian world or more or less a democratic world. If it is a totalitarian world, foreign trade will be conducted on that principle, which will be a barter principle, such as Germany employed prior to the beginning of this war. If it is a democratic world, I think it means going back to a fairly free exchange of world goods such as we had prior to the beginning of the last war.

Senator VANDENBERG. Already we have found it advantageous to barter a little rubber for cotton as we did, did we not, with England?

Mr. CLAYTON. I question the advantage of it. We have done it.

Senator VANDENBERG. I think you are consistent in that statement. Have the trade agreements helped cotton?

Mr. CLAYTON. Yes, sir.

Senator VANDENBERG. How?

Mr. CLAYTON. By increasing world trade or trade between the United States and the rest of the world, and anything that permits the rest of the world to increase their shipment of goods to this country is bound to help cotton, because some of the money, some of the dollars thus created, will be used to buy our cotton and have been so used:

Senator VANDENBERG. Don't you think the major portion of our export trade is due to a recuperation in the world buying and consuming power?

Mr. CLAYTON. I do not think it would have been possible for us to make use of that recuperation if we had not reduced somewhat our tariffs on foreign goods so that those goods could come into this country.

The CHAIRMAN. Are there any other questions?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Clayton.

The next witness is Mr. Oscar Johnston of Mississippi, president of the National Cotton Council of America.

STATEMENT OF OSCAR JOHNSTON, SCOTT, MISS., PRESIDENT, NATIONAL COTTON COUNCIL OF AMERICA, MEMPHIS, TENN.

The CHAIRMAN. Mr. Johnston is from Mississippi, a very good State. He is president of the National Cotton Council of America and he is very familiar with the cotton industry. We will be glad to hear you, Mr. Johnston.

Mr. JOHNSTON. Thank you, Mr. Chairman. My name, as the Senator stated, is Oscar Johnston. My address is Scott, Miss. I appear representing the raw-cotton industry which is organized as a general welfare corporation under the name of the National Cotton Council of America. The council, for the benefit of the committee, is composed of cotton growers, the ginners, the warehousemen by whom it is stored and compressed, the cotton merchants or dealers, and the first processors of cottonseed, the oil mills. The council embraces the entire Cotton Belt.

There are 19 of our 48 States that produce cotton, 10 of them in which it is produced as a major crop, 3 of them in which it is a vitally important crop, and the others in which it is not so important but still is a fairly heavy crop. In those States, each of the five interests I have named and to which I shall refer hereafter as the raw-cotton interests, have organizations, as, for example, the Farm Bureau or Grange, the Ginners Association, the Warehousemen. Each of these organizations in each of the cotton-producing groups selects a designated equal number, three each, of representatives who serve on the council. So that the council is composed—its voting power is lodged in 215 delegate members selected by the organized groups within each interest, and in that way it is representative of the 2½ million farm families representing 10½ to 11 million farm people who actually work in the fields and produce cotton, of some 12,500 operators of cotton gins, some 5,000 operators of cotton warehouses, some 4,500 cotton merchants or shippers, and some 550 cottonseed crushers.

The shippers have their major organization in the American Cotton Shippers Association which was represented a moment ago by Mr. W. L. Clayton, who appeared. I am appearing on behalf of the industry as a whole.

At an annual meeting of the delegate members of our council's convention held on the 14th of February in New Orleans, a resolution was adopted. Omitting the preamble, the resolution is:

Whereas the tariff policy—

of cetera—

Now, therefore, be it resolved, That the National Cotton Council of America urge the Congress to approve House Joint Resolution 407 providing for authority for the Executive branch of the Government to conclude without further legislative action reciprocal trade agreements with foreign governments; and *be it further*

Resolved, That the officers of the National Cotton Council of America be instructed to transmit copy of this resolution to the Senators and Congressmen from the cotton-growing States.

Following the authorization given in that resolution, further action was taken by the officers, and in this connection let me point to this fact. The organization, as I have stated, is composed of five groups, but may not take a position with respect to any matter of general policy except upon the affirmative vote of two-thirds of the delegate members representing each of the five interests, the interests voting separately; so that when a resolution such as this was proposed—as a matter of fact, this resolution was unanimously adopted—but when any resolution is adopted by the council, it must be representative of the expressed views of two-thirds of the total representation of each of the five interests.

Following that action, the officers of the council sent out to the county committees and to representatives of the council in the various counties producing cotton, requests that they poll and get the sentiment expressed by petitions of the leaders of the cotton industry in their respective counties. There are approximately 900 counties in the 19 States producing cotton. No effort has been made to organize in the States of Kansas, Illinois, Kentucky, and Florida, because in the 4 combined, only about thirty or forty thousand bales of cotton are produced, but omitting those States, there are some 800 counties producing cotton. The council has organized committees in each of those counties made up of the leaders within the cotton industry in those respective counties.

We also communicated with various civic bodies, chambers of commerce, Kiwanis Clubs, Rotarians, and others, and we present here for the record resolutions from the States of Texas, Louisiana, Arkansas, Tennessee, Mississippi, Alabama, Missouri, and quite a number of resolutions from various communities and towns, which I propose to put in the record. The resolutions are all endorsing the House Joint Resolution 407 and urging the Congress to enact that measure as it came from the House.

The CHAIRMAN. They will be inserted in the record.

(The same are as follows:)

SUMMARY OF RESOLUTIONS PASSED BY CHAMBERS OF COMMERCE AND CIVIC ORGANIZATIONS AND FILED WITH THE NATIONAL COTTON COUNCIL HEAD-QUARTERS IN MEMPHIS, TENN.

Name of organization and location.—Bonham Rotary Club, Bonham, Tex.; Rayville Kiwanis Club, Rayville, La.; Chamber of Commerce, Jonesboro, Ark.; Hope Chamber of Commerce, Hope, Ark.; Hope Kiwanis Club, Hope, Ark.; Dover Stewart County Chamber of Commerce, Dover, Tenn.; Chamber of Commerce, Vicksburg, Miss.; Farm Bureau Association, Athens, Ala.; Hayti Lions Club.; Hayti, Mo.; Caruthersville Rotary Club, Caruthersville, Mo.; Steele Rotary Club, Steele, Mo.; New Orleans Board of Trade, Ltd., New Orleans, La.; Shelby Chamber of Commerce, Shelby, Miss.

The above mentioned resolutions endorsed the Reciprocal Trade Agreements Program and favored extension by passage of House Joint Resolution 407.

BONHAM ROTARY CLUB,
Bonham, Tex., February 7, 1940.

Whereas a motion was duly made and adopted by the Bonham Rotary Club in support of House Joint Resolution 407 now pending before Congress.

Witness our hands this the 7th day of February 1940.

BONHAM ROTARY CLUB,
C. R. JONES, *President*.
W. P. DUCKETT, *Secretary*.

RESOLUTION OF THE RAYVILLE KIWANIS CLUB, RAYVILLE, LA.

Be it resolved by the Rayville Kiwanis Club, Rayville, Richland Parish, La., as follows:

That the development and maintenance of export markets for American cotton and cottonseed products is a vital necessity to the people of the Cotton Belt, and

We believe that this can best be accomplished through the instrumentality of the reciprocal trade agreements program. This program will expire on June 12, 1940, unless Congress authorizes its continuance.

That there is pending before the Congress House Joint Resolution 407, the purpose and effect of which is to extend for a period of 3 years the authority now vested in the Executive Branch of our Government to negotiate reciprocal trade agreements with the nations of the world.

That the Rayville Kiwanis Club, by this resolution, respectfully urge upon Congress the speedy enactment of House Joint Resolution 407, *Be it further*

Resolved, That copies of this resolution be forwarded to Hon. Allen J. Ellender, Hon. John H. Overton, United States Senators, Hon. Newt V. Mills, Member of Congress from Fifth Congressional District, all of Louisiana, and to National Cotton Council, Memphis, Tenn., and that all of the above are respectfully urged to put forth their best effort for and on behalf of the farmers in the Cotton Belt.

RAYVILLE KIWANIS CLUB.
H. C. CHAMBERS, *President*.

Attest:

W. A. COOPER, *Secretary*.

I, W. A. Cooper, secretary of the Rayville Kiwanis Club, do hereby certify that the above and foregoing is a true and correct copy of the resolution adopted by the Rayville Kiwanis Club on Jan. 31, 1940, at Rayville, La.

W. A. COOPER, *Secretary*.

RESOLUTION

Whereas the South with sound economic reasons has always fought for the enlargement of our foreign trade and because the necessity of a world market for cotton and the other products of the South is vital to our very existence; and

Whereas the reciprocal trade agreements are the best immediate means of obtaining this all-important trade and if the reciprocal trade agreements are not authorized the South will be plunged into economic woes of such intensity that no program could bring about any measure of prosperity: It is therefore

Resolved By the Jonesboro, Ark., Chamber of Commerce that our representatives in the Congress of the United States be urged to enact House Joint Resolution 407 to extend for a period of 3 years the authority to negotiate reciprocal trade agreements with the nations of the world.

Passed and adopted this February 5, 1940.

D. B. AYCOCK, *President*.
S. W. BOWKER, *Secretary*.

Whereas the reciprocal trade agreements have been of inestimable benefit to agriculture as a whole and the Cotton Belt in particular in finding a foreign market for surplus cotton, and

Whereas our production of cotton must be materially reduced unless this foreign market can be maintained or even enlarged, which means a curtailment of cotton acreage, a disastrous displacement of labor and a serious disturbance of our national agricultural economy.

Therefore, we, the members of the Hope Chamber of Commerce, do hereby urge our Representatives and Senators from Arkansas to use every effort possible in support of House Joint Resolution No. 407, now pending before Congress, which will extend for a period of 3 years, the authority now vested in the Executive branch of the Federal Government to negotiate reciprocal trade agreements with the nations of the world.

HOPE CHAMBER OF COMMERCE,
GUY E. BATZE, *President*,
R. A. BOWEN, *Secretary*.

This resolution was unanimously adopted at a regular meeting of the Hope Chamber of Commerce, Thursday, February 8.

R. A. BOWEN, *Secretary*.

Whereas the reciprocal trade agreements have been of inestimable benefit to agriculture as a whole and the Cotton Belt in particular in finding a foreign market for surplus cotton, and

Whereas our production of cotton must be materially reduced unless this foreign market can be maintained or even enlarged, which means a curtailment of cotton acreage, a disastrous displacement of labor and a serious disturbance of our national agricultural economy: Therefore

We, the members of the Hope Kiwanis Club, do hereby urge our Representatives and Senators from Arkansas to use every effort possible in support of House Joint Resolution No. 407, now pending before Congress, which will extend for a period of 3 years, the authority now vested in the Executive branch of the Federal Government to negotiate reciprocal trade agreements with the nations of the world.

HOPE KIWANIS CLUB,
C. P. TALLESON, *President*,
A. W. STUBBEMAN, *Secretary*.

This resolution was unanimously adopted at a regular meeting of the Hope Kiwanis Club, Tuesday, February 6.

A. W. STUBBEMAN, *Secretary*.

RESOLUTIONS

Whereas it being the intent and purpose of the Dover-Stewart County Chamber of Commerce in its deliberations and endeavors to promote and attain to such objectives which might make for the betterment of the town of Dover, the county of Stewart, the State of Tennessee, and the United States of America, and ultimately for the entire world; and

Whereas there is soon to be presented to the Congress of the United States measures to be enacted or rejected providing for the continuance of the present reciprocal trade-treaty program, and

Whereas believing that, in his wisdom and long experience, that the illustrious Secretary of State, Cordell Hull, truly, sincerely believes that the continuance of such a measure will ultimately go far toward the stabilization of world markets, toward a future better peace understanding; and

Whereas that the Dover-Stewart County Chamber of Commerce did, in regular session assembled, Monday, February 5, by their unanimous vote approve the measure as it is to be presented to the Congress: Therefore be it

Resolved, That a copy of these resolutions be sent to each of the Senators of Tennessee, Senators K. D. McKellar and Tom Stewart and a copy to Congressman Joseph W. Byrns, Jr., and that a copy be spread on the minutes of the Chamber of Commerce of Dover-Stewart Counties and that a copy be furnished to the Stewart County Times, and that a copy be sent to the Chamber of Commerce of Memphis, Tennessee.

DOVER-STEWART COUNTY CHAMBER OF COMMERCE.
J. B. RIDINGS,
J. B. RIDINGS, *Chairman, Committee*.
J. L. MAJOR.

RESOLUTION

Recognizing the need for increasing exports of cotton, and believing that through the instrumentality of reciprocal trade agreements, it is possible to develop and maintain export markets for surplus cotton and cottonseed products without serious domestic economic disturbance: Be it

Resolved by the Board of Directors of the Vicksburg Chamber of Commerce, That authority now vested in the Executive branch of the Federal Government to negotiate reciprocal trade agreements with the nations of the world should be continued for a period of 3 years from June 12, 1940, the date present authority expires.

This is to certify that the above is a true and correct copy of resolution adopted by the board of directors of the Chamber of Commerce of Vicksburg, Miss., in a regular meeting held February 2, 1940.

W. N. MINER, *Secretary-Manager.*

RESOLUTION

Realizing that the authority of our Government to negotiate reciprocal trade agreements with other countries, expires June 12, next; and

Whereas the trade treaties already made with foreign countries have enabled us to regain much of our foreign trade; have brought untold benefits to the Nation at large and especially to the Southern cotton producers; and

Whereas there is now pending in the Congress House Joint Resolution 407, extending the authority of the Executive branch of Government to continue to make such reciprocal trade treaties: Therefore be it

Resolved, That we urgently request our Representatives in Congress to do all in their power to secure the enactment of said House Joint Resolution 407 believing that this reciprocal program is the only available means to escape from the injustice done this section by the high protective tariff. We also believe that this program promotes peace and brings about a better understanding between peoples of other nations.

Resolved, That a copy of this resolution be sent to each of our United States Senators and the Honorable Sam Rayburn, and the National Cotton Council, Memphis, Tenn.

The above resolution was offered by Commissioner C. F. Stevenson; seconded by Commissioner E. C. Fogg, and unanimously adopted.

J. A. HARPER, *Mayor.*

To the Congress of the United States, now assembled in the Seventy-sixth Session:

Whereas the cotton farmer, on account of high tariffs and loss of foreign markets, for many years has not received parity price for his product, and

Whereas under high tariffs his price is governed and established by the world market, and his purchase prices are boosted by a tariff wall, and

Whereas nonparity prices have caused and will continue to cause a greatly lowered standard of living among cotton farmers, and

Whereas we believe reciprocal trade treaties will tend to lessen the present great disparagement in the cotton farmer's selling and purchasing prices.

Therefore, we, the directors of the Limestone County (Ala.), Farm Bureau Association, assembled at Athens, Ala., in regular session on this the 24th day of February, 1940, do respectfully request that the United States Senate adopt and enact House Joint Resolution No. 407; and request and authorize Director W. G. Peebles to send a copy of this petition to the National Cotton Council of America for presentation to the Senate committee considering said resolution.

NATIONAL COTTON COUNCIL OF AMERICA.

ATHENS, ALA.,

February 24, 1940.

Find above as directed and authorized.

Yours truly,

W. G. PEEBLES.

RESOLUTION

Be it resolved by the Hayti Lions Club of Hayti, Mo., at its meeting held on the 5th day of February, 1940, That the passage of House Joint Resolution No. 407, now pending before the National Congress, is of vital interest to this section of the country; therefore, this civic body realizing the effect that would be occasioned should this Joint Resolution fail to pass, petitions the National Congress as follows:

The reciprocal trade agreements as supported by the joint resolution has been of inestimable value to the cotton-growing sections, and that the abandonment of it would, in our judgment, be the equivalent of saying to the nations of the world that the United States is unwilling to negotiate with them further for the restoration of normal trade—our export markets.

Therefore we ask and urge upon Senators Bennett, Champ Clark, Harry S. Truman, and Representative Orville Zimmermann, other Congressmen from Missouri and Members of the National Congress, to give their utmost efforts in support for passage of House Joint Resolution No. 407.

Respectfully submitted.

HAYTI LIONS CLUB,
By FRED GLASSCOCK, *President*,
O. POPHAM, *Secretary*.

RESOLUTION

Whereas there is now pending before Congress House Joint Resolution 407, which will extend for a period of 3 years the authority now vested in the Executive branch of the Federal Government to negotiate reciprocal trade agreements with the nations of the world; and,

Whereas said reciprocal trade agreements have been of inestimable value to cotton; and,

Whereas the continuance of the reciprocal trade agreements is the greatest immediate hope for solving the all-important foreign trade problem; and,

Whereas the Cotton Belt is very dependent upon foreign trade and our economic life depends upon the development and maintenance of export markets for cotton and cottonseed products: Be it therefore

Resolved, That the Caruthersville Rotary Club go on record as endorsing House Joint Resolution 407 and urging that our Congressmen and the Senators from our State be urged to support said resolution, and that a copy of this resolution be forwarded to each of these gentlemen.

G. W. LINCOLN, *President*.
HAROLD DONER, *Secretary*.

RESOLUTION

Whereas there is now pending before Congress House Joint Resolution 407, which will extend for a period of 3 years the authority now vested in the Executive Branch of the Federal Government to negotiate reciprocal trade agreements with the nations of the world; and,

Whereas said reciprocal-trade agreements have been of inestimable value to cotton; and

Whereas the continuance of the reciprocal-trade agreements is the greatest immediate hope for solving the all-important foreign-trade problem; and

Whereas the Cotton Belt is very dependent upon foreign trade and our economic life depends upon the development and maintenance of export markets for cotton and cottonseed products: Be it therefore

Resolved, That the Steele Rotary Club go on record as endorsing House Joint Resolution 407 and urging that our Congressmen and the Senators from our State be urged to support said resolution, and that a copy of this resolution be forwarded to each of these gentlemen.

RUSSEL FRANKS, *President*.
LEW YEAGER, *Secretary*.

RESOLUTION UNANIMOUSLY ADOPTED AT THE REGULAR MONTHLY MEETING OF THE BOARD OF DIRECTORS OF THE NEW ORLEANS BOARD OF TRADE, LTD., ON FEBRUARY 14, 1940

As one of the great ports of the Nation, New Orleans is acutely sensitive to those changes in the affairs of nations which serve to expand or contract the free

exchange of commodities in international trade. The compiled statistics of the export and import traffic of the port are an open book which any intelligent citizen may read and understand.

For over a decade we pursued a tariff policy which almost completely isolated this Nation, making it virtually impossible for other nations to supply us with any commodity which could conceivably be produced at home under the most artificial conditions. Our restricted exports brought us only gold which we did not need.

Our isolationist attitude was infectious. Other nations built up barriers directed particularly against our trade. Even free-trade nations adopted a nationalistic policy. We sold less and less abroad because we would not buy abroad. We sacrificed friendly cooperation and gained only dislike and distrust abroad. Foreign enmity replaced this Nation's former great influence in world affairs.

In 1934 Congress gave to the President limited and qualified authority to attempt to retrieve a part of the influence and the commerce this Nation had deliberately sacrificed. He was authorized to negotiate reciprocal trade agreements. Under the wise management of our eminent Secretary of State many such treaties have been consummated and the walls of partition are gradually being broken down. Our Nation has renewed and strengthened many old international friendships and our foreign trade is reviving noticeably even during the dislocation of a European war.

Much remains to be done and the President's powers will lapse with the end of June unless renewed.

Resolved, By the New Orleans Board of Trade, Ltd., that we heartily endorse Joint Resolution 407, now before the Congress, designed to extend for a period of 3 years the power now vested in the Executive to negotiate reciprocal trade agreements with the nations of the world.

Resolved, also, That copies of this resolution be sent to the Honorable Cordell Hull, Secretary of State; to the Louisiana Senators and Congressmen; to the New Orleans commercial agent in Washington, and to the press.

F. T. HICKERSON, Jr.,
President.
 J. H. RICAN,
Secretary.

Whereas House Joint Resolution 407 is now pending in the Congress of the United States of America; and

Whereas the aforesaid resolution is intended to give a 3-year extension of authority to the executive branch of the Federal Government to negotiate reciprocal trade agreements; and

Whereas being a business group economically dependent on the cotton farming industry; and

Whereas the above resolution and the future fostering of reciprocal trade agreements will promote the economic welfare of the cotton farming industry: Now, therefore, be it

Resolved, By the Shelby Chamber of Commerce, of Shelby, Miss., at the regular meeting of its board of directors assembled this the 5th day of February, 1940, as follows:

(1) That the Shelby Chamber of Commerce is unanimously in favor of House Joint Resolution 407, and is in hearty accord with its context, the purpose of which is to promote reciprocal trade agreements in the future.

(2) That a copy of this resolution be sent to the National Cotton Council of America with the authority for them to use the same to foster the passage of the aforesaid House Joint Resolution 407.

(3) That the secretary be, and he is, authorized and instructed to send a copy of this resolution to the Representative of this congressional district, and a copy to the two Senators from Mississippi.

(4) That the secretary be, and he is, authorized in this discretion to submit a copy of this resolution to the press for publication.

The above resolution was passed by unanimous vote at the meeting on the date first above mentioned after motion duly made and seconded, and question called.

SHELBY CHAMBER OF COMMERCE,
 GEO. A. JOHNSON, *President.*

Attest:

JEWETT J. BURSON *Secretary.*

Mr. JOHNSTON. At the same time, there were lodged with the council and are on file with the same—and because of the number, several thousand, and the volume, I shall not put them in the record, but these are available for inspection at any time—petitions of between 22,000 and 25,000 of the farm leaders and industry leaders and cotton leaders throughout the Cotton Belt. Those petitions are from the States of Alabama, Arkansas, Arizona, California, Florida, Georgia, Louisiana, Mississippi, Missouri, North Carolina, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, and some scattered. I will introduce a tabulation of them, and as I say, the petitions with the original signatures are on file in the office of the council at Memphis, Tenn., and will be transmitted here at the request of the committee, at any time, or those from any particular State will be so transmitted if desired.

The council has endorsed the reciprocal trade-agreement program and recommends that the authority of the executive branch of the Government be continued as it has existed for the past 6 years, for a number of reasons, and it has endorsed it unanimously.

I will say further that in my travels about through the Cotton Belt and the contacts I have there, I have found I think, to date, no man engaged to any major extent—as a matter of fact, I recall of no one in the cotton industry at all, from the producer through to the crusher of the seed and the merchant who markets his cotton, who takes a contrary view. They are as nearly unanimous as I have ever known in recommending that it be continued.

We feel that the trade agreements in the past 6 years have been of material benefit to cotton, primarily in the manner stated by Mr. Clayton a few moments ago, in that it has tended to promote an increase of foreign trade, and anything that creates dollar exchange abroad, anything that promotes foreign trade must of necessity be beneficial to a commodity of which from $3\frac{1}{2}$ to 8 million bales and from \$150,000,000 to as high as 600 and 700 million dollars annually are exported. It is bound to be benefited by that kind of a program.

Again it has been protected in that in the case of a number of the countries, notably Great Britain, Canada, the Netherlands, Belgium, I believe, and probably one or two others with whom we have negotiated reciprocal trade agreements, the terms of the agreements have bound cotton into those countries on the free list. There was a tendency developing to tax imports of American cotton—Italy, for example, taxes the importation of our cotton in lira that will amount to approximately 6 cents a pound, not permitting cotton to come freely into Italy. In the agreement mentioned, cotton has been bound on the free list. We feel that a dangerous situation has been developing, not only since the Smoot-Hawley Tariff Act—I think the Fordney-McCumber Act did more damage indirectly than did the Hawley-Smoot Tariff Act, but the application and the effect of the Fordney-McCumber Act was lessened and the damage done by it was lessened by reason of our policy of investing in foreign securities and giving them dollar exchange for a period of time after that. It was only at the enactment of the Smoot-Hawley Tariff Act in 1929 and following that that we virtually discontinued our purchase of foreign securities, and had already discontinued lending, so that the application of the tariff coinciding with the discontinuance of the credit policy, or the extending of credit or buying of securities, made the blow appear to fall immediately following, and gave all of the blame for it, or the

credit for it, to the Hawley-Smoot Tariff Act, while, as a matter of fact as I say, I think the tariff provisions themselves of the Fordney-McCumber Act were more serious and of more serious effect.

I think you will find this true, gentlemen, that since 1914, the imports of America have been under the exports by an aggregate of 31 billion dollars. That 31 billion dollars has been paid possibly as much as six or seven billion by credit and bona fide paper that has been given. A very large part of it, fourteen to sixteen billion dollars of it, has been paid by obligations that are in default or have been repudiated, and the balance of it has been paid in gold, which, as Mr. Clayton has said, is of rather questionable value in the long run when we get it all.

Now, when you think that in a period of 26 years we have shipped abroad approximately twenty-three to twenty-five billion dollars worth of good wares and merchandise for which we have received either bad paper or gold, you must, I think, concur that we are running into very serious situation. We feel that the negotiation of the reciprocal trade agreements has been helpful in getting rid of that particular situation in that it has tended to increase world trade.

We feel further, in addition to the direct benefit that has been received, that there is a very strong psychological reason for continuing the treaty power at this time in the executive branch of the Government, and by that I have reference to this fact, that with the enactment of the Fordney-McCumber Act with the Johnson Act, with the various provisions for countervailing duties, and finally the Smoot-Hawley Tariff Act, we have rapidly built up a feeling of retaliation and resentment abroad, and our example was being followed very rapidly abroad by retaliatory measures, and we were to a certain extent—well, I do not say primarily responsible but I think we had a serious share in the responsibility for the development of the spirit of nationalism throughout the world.

With the enactment of the final act, the Hawley-Smoot Act, the world was of the opinion, the psychology abroad was, that the back of the hand of the United States was turned, that we were developing self-sufficiency, and would only come into the market for those things that we could not produce, such as tin, rubber, manganese, tea, spices, and coffee—things that we must import.

With the enactment of the Reciprocal Trade Act, a ray of hope was held out to the world that we were willing to negotiate. The 22 agreements were negotiated, 21 of them I believe being extant and in existence today. Under them, we think there very definitely has been a stimulus to trade that has been interrupted of course with the development of the war, and today we find this difficult situation: Japan is trading on totalitarian state capitalism; Italy is doing the same thing; Germany is doing the same thing; Russia is doing the same thing; France and England jointly are doing the same thing. And there is a strong indication that very shortly the Scandinavian Peninsula will be doing the same thing, combining together in an effort to protect themselves. There are no major countries today trading on a democratic basis with the possible exception of Holland or the Netherlands as a major nation.

When this war ends, they may continue to so trade or they may not. It would be serious for us if they do, because there is a serious question,

I think, in the minds of every economist and every student of international and national economy as to the ability of independent merchandising, of the independent merchant, in the handling of democratic trading with a totalitarian state capitalism.

I think it would be extremely difficult for us now to discontinue this act, this power, and that such action will in my judgment be interpreted abroad as a return to a system which had been unfortunate in its psychological effect, if no other way, abroad, and will I think rather seriously injure our ability and our position in the economic conferences which must be held when this war is over and in which I think it is vitally important that this Nation have a part.

By maintaining the authority in existence—whether trade agreements will be or will not be negotiated during the existence of the war, I of course have no idea. I am rather skeptical as to whether there will be any or any major treaties enacted during this time, but whether there are or are not, the power is there and the authority is there, and we have not locked the door and thrown the key away and said to the world that we have gone back behind our wall of nationalism with all of its barriers to international trading.

So I think there would be a very unfortunate psychology resulting from a termination of the act at this time rather than leaving it in for another 3 years with the hope that during that period of time the war will end and negotiations will be had.

I have noted some suggestions that the bill be modified so as to require approval of the agreements by various Cabinet members. It has seemed to have been understood by those urging that course that the agreement was simply negotiated with the Secretary of State. The power is conferred on the Executive and his whole Cabinet, and it is for the President to determine and allocate this authority, and it is my understanding that actually the Departments of Commerce and Agriculture and the State Department—

Senator CLARK (interposing). And the Treasury.

Mr. JOHNSTONE. Yes; and the Treasury; thank you. That they have jointly negotiated these agreements, and then they go to the Cabinet, and it is inconceivable that the President would set up a Cabinet and not confer and discuss with the Cabinet the matter of approving so important a matter as a trade agreement of any kind with a nation.

So our own group, the cotton industry, sees no reason to make any modification or amendment. We feel that it would be definitely unfortunate to require the approval of these treaties by congressional action, not because of lack of confidence at all in the Congress or in its ability, but because of a realization born of years of watching the situation, knowing how difficult it is for a legislative body with representatives in all the various areas reaching a general agreement regarding a matter that is of general welfare without being influenced by the specific application to some isolated area or some very small minority of the people. For that reason we have felt that the power should be continued just as it has been vested in the past and as it has been we think rather wisely handled.

We have wanted to see more agreements with the industrial nations to whom we sell our agricultural commodities. I might say without attempting facetiousness that for the last 7 years the farmer has

had faith, hope, and parity. There are some little indications now that he might lose parity, and if he does, he will darn sure lose faith, and he will have nothing left but hope, but maybe when this war is over—

Senator CLARK (interposing). He has very little of that.

Mr. JOHNSTON. Yes. That is what he got out of the Pandora box, and he is using that and living out of it. He hopes when this war is over that this Nation will sit in the conference and that more agreements will be negotiated, and that there will be some form of individual trade throughout the world and not a resort to state capitalism throughout the whole world, including our own Nation.

I thank you for this opportunity of presenting the cotton people's views, and my own personal views on the subject. I am a cotton farmer, incidentally, producing cotton, engaged in no other business, and draw no revenue from any other source except cotton farming. I have no compensation for my position with the National Cotton Council, of course.

We urge that House Joint Resolution 407 be extended for another 3-year period.

The CHAIRMAN. How much cotton do you produce a year?

Mr. JOHNSTON. I produced this last year about 18,000 bales. I say "I produced." I do not, of course. The tenants operating the property produced about 18,000 bales. That means some 1,400 families or about 4,000 human beings.

The CHAIRMAN. Are there any questions?

Senator VANDENBERG. Is that a personal ownership or a corporate ownership?

Mr. JOHNSTON. Corporate.

Senator VANDENBERG. What is the name of the company?

Mr. JOHNSTON. The Delta & Pine Land Co., the charter issued by the State of Mississippi in 1886. It has been operating these particular properties since 1912. It operated other properties prior to that time. I have been connected with it as president since 1926.

Senator VANDENBERG. Is the corporation American-owned?

Mr. JOHNSTON. No; the corporation—there are two corporations. They are both partly American-owned. The bonds of one of them are American-owned. The bonds of the other are British-owned, and a major part of the stock is British owned, but the corporation officers, the board of directors, and all the tenants are native Mississippians, and the corporation markets its cotton through a cooperative marketing association and sells it all in this country.

Senator VANDENBERG. The general corporation control is British?

Mr. JOHNSTON. If they cared to exercise it, yes; in that they are the major creditor, holding the bonds, and have trusted with them the voting power of the stock, but they have exercised no control of that kind in the 14 years that I have been with it. It is operated entirely by our own management and our own board of directors, and when we can, with the aid of parity, we send them some interest on their bonds.

The CHAIRMAN. Are there any other questions?

(No response.)

The CHAIRMAN. Thank you very much.

Mr. JOHNSTON. Thank you, Senator.

(Mr. Johnston submitted the following tabulation by States of signed petitions to Congress urging enactment of H. J. Res. 407, which was ordered inserted at this point:)

NATIONAL COTTON COUNCIL OF AMERICA,
Memphis, Tenn., February 27, 1940.

Tabulation by States of signed petitions to Congress received to date urging enactment of House Joint Resolution 407 to extend for a period of 3 years the authority now vested in the Executive Branch of our Government to negotiate reciprocal trade Agreements with nations of the world

State in which the petitions were signed	Number of petitions received to date	Number of signatures on petitions received	State in which the petitions were signed	Number of petitions received to date	Number of signatures on petitions received
Alabama	88	2,028	Missouri	18	362
Arkansas	114	2,609	North Carolina	39	723
Arizona	2	15	New Mexico	6	261
California	9	134	Oklahoma	31	809
Florida	4	58	South Carolina	30	648
Georgia	77	1,270	Tennessee	108	2,404
Illinois			Texas	187	4,144
Kansas			Virginia		
Kentucky			All others	9	159
Louisiana	69	1,422			
Mississippi	230	4,866	Total	1,018	21,959

The CHAIRMAN. The next witness is Mr. John Lee Coulter, representing the National Association of Manufacturers.

STATEMENT OF JOHN LEE COULTER, WASHINGTON, D. C., REPRESENTING NATIONAL ASSOCIATION OF MANUFACTURERS

The CHAIRMAN. Mr. Coulter, you are not now, of course, a member of the Tariff Commission, but you were.

Mr. COULTER. I am entirely engaged in private consulting work for all who may wish to make analyses or economic studies.

I have had my brief statement mimeographed, because there are two or three pages largely of tabular matter. Of course, I won't read those tables. I will read it merely as a basis for possible subsequent questioning.

The CHAIRMAN. You did appear before the House Ways and Means Committee?

Mr. COULTER. Yes, sir.

(At the request of Mr. Coulter and by direction of the chairman, the statement of Mr. Coulter as submitted to the committee, will be found at the conclusion of his testimony.)

The CHAIRMAN. You may proceed.

Mr. COULTER. Parties represented: A list of organizations in the upper Mississippi and Missouri River Valleys in addition to the Tariff Committee of the National Association of Manufacturers, who invited me to make a detailed objective study of the reciprocal trade-agreements program and to represent them before the Congress of the United States, will be found in the proceedings before the Ways and Means Committee of the House of Representatives and need not be repeated here unless desired by the committee. The desire here is to avoid repetition.

Position taken: I shall not repeat in detail the definite position taken by the National Association of Manufacturers or the many other organizations represented by me, nor restate the many reasons presented before the Ways and Means Committee why the reciprocal

trade-agreements program should not be continued; or if continued, why agreements entered into should either (a) be approved by the Senate as treaties, or (b) by both Houses of Congress as legislation intended to produce revenue or to regulate commerce. Those are the two important conclusions reached.

Statistical and economic studies: All of the statistical data and economic studies bearing upon these different aspects of the subject are now readily available in the printed hearings before the Ways and Means Committee and need not be repeated here unless desired by the Finance Committee or developed for discussion in response to questions which may be raised.

That statement is because the House proceedings carried something over a hundred pages, I think, of my testimony under questioning, and it did not seem justified to ask to reproduce any of that tabular material.

Specifically then, I come before you today on account of four or five aspects of the subject which are developed.

I. GENERAL DOWNWARD TARIFF REVISION INCONSISTENT WITH ENTIRE SERIES OF PROGRAMS TO ADVANCE DOMESTIC COSTS, PRICES, NATIONAL INCOME AND REVENUE FOR THE NATIONAL GOVERNMENT

Perhaps the most outstanding characteristic of national legislation and administration for several years has been the tendency to develop policies, each and every one of which has pointed in the direction of higher wages, shorter hours, higher taxes, and a multitude of other charges, all pointing in the direction of higher cost of production, higher prices, and recovery of national income to the levels of the post-war decade, 1921-30. It has been generally argued that when this board program has been largely accomplished, revenue for the National Government will be ample without any new and additional taxes to balance the Budget and begin a liquidation of the national debt. Efforts have been made to harmonize money, banking, currency, and credit policies with those charges indicated. But when it comes to treatment of foreign trade, the whole program has been reversed, and instead of selective adjustment of so-called barriers to international trade carefully balancing each concession made by the United States against some concession made by a foreign country, the policy adopted seems clearly to indicate a broad general downward revision of the tariff in direct conflict with efforts to improve the wage-hour structure for labor and the price structure for agriculture.

II. DEBTOR-CREDITOR STATUS OF THE UNITED STATES AND RELATIONSHIP TO TRADE-AGREEMENTS PROGRAM

Proponents of the reciprocal trade-agreements program continue persistently to point to the shift from debtor to creditor status of the United States between the pre-war period 1910-14 and the post-war period 1920-29. This one change in international economic status is constantly cited as sufficient justification for a complete unilateral downward revision of the tariff in order to stimulate a very large increase in volume of imports due, it is said, to the new creditor status of the United States. In this connection, two tremendously important factors seem to be constantly kept out of the picture.

These two factors are: (1) Leaving aside the ten or twelve billion-dollar item of debt between European governments and the Government of the United States, statistics published by the United States Treasury and Department of Commerce would indicate that there is a great question of doubt whether the United States is now a net creditor Nation. In other words, investments of American nationals in foreign areas have been tremendously reduced during the last 10 years whereas investments of foreign nationals in the United States have tremendously increased, so that our investments abroad and foreign investments in this country may at the present time be not far from balanced. In other words, the arguments constantly presented some years ago for a general downward revision of the tariff because of the shift from debtor to creditor status for this country no longer have such merit as they seemed to have at that time.

SENATOR VANDENBERG. May I ask you, Dr. Coulter, whether there is any clearing house of authentic, dependable information on the relative ownership of foreign securities here and our negotiable securities abroad?

MR. COULTER. The data on that subject have been improved steadily for a period of about 18 years. It was started in 1922 or 1923 by the Foreign Investment and Finance Division of the Bureau of Foreign and Domestic Commerce. Those data have been improved consistently and steadily since 1923.

I received a report on my return to the office this morning—I had been out of town—bringing the data fairly well down to the year 1939. I doubt if these data have yet appeared in the hearings before either the House or the Senate. If they have, I have not noted them, but even during the last calendar year, apparently the net imports of capital, that is, the net increase of foreign investments in this country over our investments abroad, changed to the tune of nearly 2½ billion dollars, largely, of course, on account of the importation of 3½ billion dollars of gold.

SENATOR VANDENBERG. I do not want to interrupt the continuity of your statement, but I would like to know at that point if there is a reasonably dependable figure measuring the total foreign investment in the United States and the total United States investment abroad in securities.

MR. COULTER. I think the two sides of the picture, the best presentation, is in the form of two bulletins issued by the Department of Commerce—one on our investments abroad and the other the investments of foreigners in this country, which bring it up to within the last 2 years, being a fairly adequate analysis of that subject. That, supplemented with the movements of gold and services during the last 2 years, lead to the conclusion which I have here presented, that leaving aside the intergovernmental debt of ten or twelve billion dollars—war debt—our investments abroad and foreign investments in this country, including, of course, foreign credit balances in our Federal Reserve banks and earmarked gold which they have lying here, now are in substantial balance; in other words, that argument that we had become a vast creditor nation at some place between ten and twenty billion dollars has completely disappeared during this recent period.

SENATOR VANDENBERG. Can you assign a figure to that investment here and the investment abroad which you now say balances?

Mr. COULTER. The statement here of the foreign investments in the United States, published by the Department of Commerce, brings us to the year 1937. Foreign investments in the United States are given at that time as of January 1, 1937, at \$7,638,000,000.

Senator VANDENBERG. How would you readjust that over the intervening 3 years?

Mr. COULTER. The best judgment I have, including this figure, which I just got this morning, would bring that total of foreign investments in this country substantially up to \$11,000,000,000.

Senator VANDENBERG. How much of that 11 billion would be listed securities?

Mr. COULTER. The summary table here gives this figure. The foreign investments in the United States held as American securities and other foreign long-time investments in the United States is \$6,108,000,000, with a footnote which states that it should be noted that changes in the average annual market prices on common stocks may exert an important influence on the annual changes in this item.

The CHAIRMAN. Your idea is that under the present method that is so reasonably accurate that there is no need for a new bureau to be established to add to the expense of the Government and to save time to get more accurate information?

Mr. COULTER. I think that they have reached as near accuracy on the grand total by cooperation with the Treasury and the Commerce Departments and all other agencies that currently, and only a few months late, it approaches a useful figure. I think the great need is for a board or commission which has these data currently, country by country, because though we are actually substantially in balance, as a creditor and debtor nation, with the world, we may be tremendously out of balance with Europe, we will say, or with Latin America or with Asiatic areas or with Canada, and our trade relations might be vitally affected. It might easily be possible to say to Great Britain or to European countries,

We buy from your colonies \$3,000,000,000 worth of coffee, tea, cocoa, rubber, oil seeds, tin, and so forth, and we have got \$3,000,000,000 worth of cotton and tobacco and we want to sell it, and we do not propose to go ahead on the basis that we have been going.

I would not personally want to say offhand that we should threaten blocked exchange or that we are going to insist upon their using the exchange to stimulate in turn our exports, but we may have to come to that if the rest of the world does. We literally do want to sell 2 or 3 billion dollars' worth at least of our burdensome surpluses, and we are ready to buy 2 or 3 or 4 billion dollars' worth of foreign products, and we can say that the exchange is going to be used for that purpose. In that event, we would need, like the British Board of Trade does have since the times of the McMillan report in 1931 or '32, a board like the Tariff Commission or some other board currently having the balances of investments between the United States and each of the special foreign areas.

Senator VANDENBERG. Aren't our governmental statistics usually 2 or 3 years old?

Mr. COULTER. Yes; but at long last, by fussing with this thing consistently for 10 or 15 years, I am proud to see here issued by the Department of Commerce the preliminary statement giving the total amount of goods, merchandise, gold and silver, and services up

through December 31 of last year, within 2 months after the close. If they would do that with a lot of other important data, it would be a marvelous accomplishment and something that we would all be tickled with. Both when I was on the Tariff Commission and later in the Government Export Service, and since, I have frequently remarked that no business could possibly survive if they could not file a balance sheet short of 2 years after the close of the business year.

The CHAIRMAN. They have made progress. As far as that item is concerned, they have it within 2 months?

Mr. COULTER. Yes.

Senator BARKLEY. Do you have an extra copy of that?

Mr. COULTER. No, sir; I have been out of town right up to this morning. It is to my mind a very fine accomplishment on their part.

The CHAIRMAN. Now you may proceed.

Mr. COULTER. (2) The other group of factors quite generally waved aside and given little or no consideration is the fact that foreign trade (total volume of exports and imports) during recent years has represented no more than one-third of the total volume of international payments.

The statement I have just handed you indicates that of our total imports of gold, silver, currency, and services—because foreign travel is equivalent to an import item—that actual imports are about \$2,300,000,000, or just about one-third of the total payment, so that what I say here has worked out exactly for this last year, although I used the rough figure.

Gold, silver, and currency movements have become an overwhelming factor in international economic relations, and, finally, such service items as freight, insurance, remittances of interest and dividends, immigrant remittances, travel, and a host of other items account for an extremely large percentage of total international payments. What is needed in this country more than any other one thing, in connection with our foreign economic relations, is a current record of transactions between the United States and each of the several foreign countries. This must include not merely movements of commodities but payments of every character and investments and indebtedness of every sort. That is the very question, Senator, that you asked.

III. THE PROBLEM OF FLEXIBILITY

Much was said before the Ways and Means Committee of the House of Representatives and in the debate before the House with reference to flexibility. But some would make it appear that the so-called flexibility provisions of the Tariff Acts of 1922 and 1930 were quite dormant during most of the period and that little was accomplished, while, in contrast, they would make it appear that the reciprocal trade-agreements program is truly flexible. An objective survey of the two systems clearly indicates that the provisions of the acts of 1922 and 1930 provided substantial flexibility. Attached hereto is a one-page exhibit setting forth the extent to which investigations were carried forward under the acts of 1922 and 1930.

I pause to say here that, instead of 63 decisions between 1922 and 1934, there were 716 comprehensive investigations conducted.

Senator CLARK. Have you included in this exhibit of yours the number of cases that were made under the flexible provisions of the 1930 act?

Mr. COULTER. No, sir.

Senator CLARK. I will insert that in the record in connection with your testimony.

Mr. COULTER. There were 62 or 63.

Senator CLARK. I will insert that table in connection with your testimony.

Mr. COULTER. That was so fully developed in the House, that, while this aspect was not, this is purely supplementary to what we put in the House record. There were 62 rate changes made.

Senator VANDENBERG. May I ask the Senator from Missouri whether, under the table he has put in the record, it is indicated when the last change was made under the flexible provisions?

Senator CLARK. I have not got it in my physical possession yet, but I will ask that it be prepared.

Mr. COULTER. I have a list if you want the full list, naming each of the changes.

Senator CLARK. I would be glad to have it.

Senator VANDENBERG. Do you know whether the flexible provision has been used at all during the last 3 or 4 years?

Mr. COULTER. I think substantially not. I would have to look to see if there have been one or two changes.

The CHAIRMAN. Are there any recommendations between 1922 and 1930 that reduced the rate under the 50 percent increase and reduction of the President, which he had a right to do under the Fordney law, and just pigeonholed and did not carry out?

Mr. COULTER. No.

The CHAIRMAN. There were none?

Mr. COULTER. All of the Presidents since the act of 1922 approved every report or finding that went from the Tariff Commission to the President's office, with two exceptions, two items, and those two were returned to the Tariff Commission for further study.

The CHAIRMAN. What two were they?

Mr. COULTER. I would have to go back and look them up.

Senator VANDENBERG. Sugar was one of them?

Mr. COULTER. I think sugar was.

Senator CLARK. Bobwhites were in that list too, weren't they?

Mr. COULTER. Well, in that bobwhite case they found the cost of the feather in the tip of the coloring of the tail. That was allowed to pass by as a sort of a pants-presser case or a sick-chicken case that everybody could talk about for the rest of time and jokingly, and they decided that they could use it as a historical reference of ridiculous experimenting. But the other 716 cases are easily listed.

Senator BARKLEY. In other words, you put the chicken case and the bobwhite case on the same plane of ad absurdum?

Mr. COULTER. Yes. They were something that had--well, psychological aspects. Technically they made a case. They thought they found what it cost, but it was a poor illustration of a cost-of-production study.

The CHAIRMAN. Up to 1930, though, under the Fordney Act, the President did not have to sign a recommendation of the Tariff Commission; did he?

Mr. COULTER. No; he did not have to. He was permitted to pigeonhole if he wished to, but, as I say, every report of findings by the

Tariff Commission throughout both acts, except two, were approved by the Presidents who were in power.

The CHAIRMAN. And the other two were, where there was a reduction made, they were sent back to the Tariff Commission?

Mr. COULTER. No; I think that those two which were sent back—one of them—yes, that was a reduction, but it is my recollection that it was President Roosevelt that sent it back, because it was this Cuban situation. But I would have to look that up. In the sugar case, I was still on the Tariff Commission, and we found that a reduction in the duty was merited on the basis of the difference in the cost of production, but unless accompanied by some quantitative control measure, it would not seem to be wise procedure.

The CHAIRMAN. Proceed.

Mr. COULTER. I was just referring to the fact of flexibility versus nonflexibility.

In contrast, an objective study would seem to disclose that flexibility is almost completely absent under the reciprocal trade-agreements program. New rates of duty or present rates are bound against change for a period of 3 years except as a result of negotiation between this country and a foreign country. If a foreign country is unwilling to negotiate, then it would appear that our own Government is bound against change for a period of 3 years.

Senator VANDENBERG. Is it all right to interrupt you?

Mr. COULTER. I don't mind, sir.

Senator VANDENBERG. Does that statement apply also to the escape clause in the trade agreement?

Mr. COULTER. There are in most trade agreements two or three so-called escape clauses. One of them provides that, if there is a currency depreciation, the countries may take up the discussion. Another escape clause is that if a third or other country appears to be getting the major benefit under a given concession, either country may open that for discussion, and there are one or two other special escape clauses on quotas, but I know of no escape clause with reference to binding items on the free list, binding current rates of duty without change or reducing rates, and of course there is none on increasing rates because no rates are being increased.

Senator VANDENBERG. Then, as I understand you, you think that the escape clause is relatively limited in its jurisdiction? What I also want to know is whether we are free agents to use the escape clause without the ultimate consent of the other party to the treaty.

Mr. COULTER. Only in two or three very special instances. The case of currency devaluation, the case where a third or a fourth country is getting the main benefit substantially, but so far as with us now, we would want with a country that we have bound an item on a free list or we have bound a rate of duty and should decide that we want to put a duty on or raise the duty or if we lowered a rate, we could not know under any escape clause change it ourselves. Congress perhaps could, because they may say that these are not treaties, and they are all-powerful and could change it, but under the treaty, we would have to open it up for discussion and unless they agreed to it we would be in an embarrassing position.

We had that illustrated in the case of the silver foxes with Canada. Nonchalantly, we went ahead and made certain concessions to Canada on silver foxes. The war broke out and the European countries said,

"We have no time for silver foxes, our ladies cannot wear them," and there was no market in Europe. Hundreds of thousands of silver foxes from Canada commenced flooding across our border. We had just let down our barrier, and they sent them in. Our industry just collapsed. We have hundreds and hundreds of farmers from Maine to Minnesota and in various colder northern areas where the major activity of the farmers is wild animals in captivity being produced for pelts, where they raise these animals and sell the pelts. Literally every one of them was being forced into bankruptcy.

Our Government, instead of saying, "We are going to restore the duty on silver foxes," had to go to Canada and say, "We acted too fast. The World War has broken out, your market is gone, and our market is being flooded, and we want to make a restriction." Canada not wishing to have difficulty agreed not that we might restore the duty, but said, "We will agree to limit the number of fox furs which will be brought into the United States, on these terms." That was a consent, you see.

Senator CLARK. What actually happened was this, was it not, that when a situation developed owing to the war, that more silver foxes were imported into the United States, the United States took the matter up, as a negotiation, to be sure, which is the theory and the purpose of the act, took the matter up with Canada, and Canada agreed to accept the quota which had been suggested by the silver-fox producers of the United States to our State Department.

Mr. COULTER. That is what I say. That was and that is the only case—

Senator CLARK (interposing). In other words, we did it by negotiation instead of a new retaliatory measure.

Mr. COULTER. There was no retaliation.

Senator CLARK. No; there was not.

Mr. COULTER. This is the one case out of 1,101 rates of duty where the negotiation was entered into, and that is why I called attention to it.

Senator VANDENBERG. What I want to know is—let us make it a purely academic question—what I want to know is whether Canada could have refused us and thus held us at the agreement level for 3 years.

Mr. COULTER. Undoubtedly. We have no right unilaterally to say that we made a mistake or conditions had changed. We do have a definite provision that in case either country desires to reopen, they invite the other country to sit down and talk it over, and we showed the finest sort of neighborly relations in this case. We don't know what would happen if we asked some other foreign country to change a current string of duties which we thought we wanted changed.

Senator VANDENBERG. So the escape clause is merely the privilege of negotiating?

Mr. COULTER. Exactly.

Senator VANDENBERG. And not the privilege of escape.

Senator CLARK. Well, the escape clause in some cases is an absolute right, isn't it?

Mr. COULTER. Yes.

Senator VANDENBERG. That is what I would like to know. Where is there an absolute right?

Mr. COULTER. In the case of currency devaluation, in case where it is shown that a third or fourth country is gaining the major benefit.

Senator CLARK. And the American industry is suffering a loss by reason of it?

Mr. COULTER. Yes; and the American industry is suffering a loss by reason thereof. But there is no escape clause except that of negotiation in the thousand items of changed rates.

Senator VANDENBERG. So that, in the three instances Senator Clark described, the escape clause is conclusive as respects the right to escape?

The CHAIRMAN. The fox producers in this country were very well satisfied with the action of the group negotiating the treaty?

Mr. COULTER. I think so.

The CHAIRMAN. I will read, Dr. Coulter, from Mr. Maurice Fitzsimmons, who seems to have been the spokesman for the United Fur Producers of America, in which he says:

I hope you are going to continue to have that type of law on the statute books of the United States so that we can go ahead with confidence.

And he praised the group with the action that was taken, and the fine cooperation they had shown with these producers. That is true, is it not?

Mr. COULTER. Yes; that is why I cited it. That is the only case that we have been able to get any consideration on, no matter how badly the American market seemed to be threatened. But negotiation is possible in every case.

Senator BARKLEY. What is the average price received by a farmer in the United States for fox pelt?

Mr. COULTER. At what time? At the present time?

Senator BARKLEY. Any time.

Mr. COULTER. Well, I will say this. During the late twenties, I would say the average price was between \$300 and \$400.

Senator BARKLEY. At the farm?

Mr. COULTER. At the farm for a good silver fox pelt. I speak of my own personal knowledge. I am a native of Minnesota and farm up there and have silver fur foxes and still am growing foxes there. At the present time the price is about \$30 or \$40.

Senator BARKLEY. That was an abnormal price back there?

Mr. COULTER. Yes; but \$30 to \$40, if anything, is abnormal now.

Senator CLARK. Silver fox has gone out of style, hasn't it?

Mr. COULTER. No; they are more in style in this country than in the whole history of the country, because they are so cheap.

Senator CLARK. That is the reason they are going out of style, isn't it?

Mr. COULTER. Ten years ago, at that time only the very rich could buy them, because a fine one cost from \$1,000 to \$2,000. Now, you can buy substantially the best on the market, a full fine silver fox for under \$100. Eighty-five dollars finished in retail, and they are being used in greater quantities than ever, because any young lady can save up that much. That is less than the cost of silk stockings during a year.

Senator VANDENBERG. Now, you have to have a platinum fox in order to be swanky.

Mr. COULTER. They have been able to get a few of them in Norway. There is one special class or breed of silver fox which is a

platinum tint, and there are only a few hundred in the world, and there are a few people of wealth, persons of great wealth that are buying those, and of course they are evidently the envy of the ladies.

Senator CLARK. The only reason they are more swanky than the ordinary silver fox is that they cost more.

Mr. COULTER. Yes; due to the scarcity. But the average run at the present time—we are selling at the present time on the fox farm in which I am interested at home in Minnesota, we are selling probably 3,000 pelts—they are just now pelting at the close of the winter season when the fur is at perfect condition—and we won't average over \$35.

Senator BARKLEY. What happens to that \$35 pelt before it gets around a woman's neck to make it cost \$100 or \$150.

Mr. COULTER. I will say that at the present time you can get practically the choicest of them under \$100; \$75 to \$85.

Senator CLARK. Ready to wear?

Mr. COULTER. Yes.

Senator BARKLEY. Retail?

Mr. COULTER. Yes; retail. And the only reason we can at the present time in this country is because Europe, England, France and the rest of them, have absolutely clamped down on the use of any foreign exchange for that purpose.

Senator BARKLEY. You say that the average pelt that costs \$35 on the farm would finally turn up at \$100?

Mr. COULTER. No; at \$75 or \$85.

Senator BARKLEY. What happens to it to raise the \$40?

Mr. COULTER. First there is the local treatment of the pelt to keep it from deterioration, then the tanning, a very delicate tanning operation to protect the fur and clean the furs and then comes the upholstery work or the building up with the silk lining, the artificial eyes put in and the treatment of the nose and the claws.

Senator BARKLEY. There is some face lifting goes on?

Mr. COULTER. Oh, yes; and it is a very delicate operation. About half of the cost or nearly half of the final cost goes into the final process. We tried to find a short cut on some of these things, but we have not been able to get by the furrier.

Senator BYRD. How many of those does it take to make a coat?

Mr. COULTER. An ordinary length coat, not over about 10.

Senator BYRD. That would cost about \$1,000?

Mr. COULTER. Yes. Of course, most of the coats are bobtailed coats, only half length. They have the half length coat now that just comes to the waist, I know about this because I am financially interested. But it is rather interesting that out of something like 1,200 tariff changes or nearer 1,500, if you count the items bound and the rates bound, that we have only this one case to use as an illustration of the possibility of flexibility, the possibility of negotiating a change, and I think that is one of the most important things that should be provided if this system is to be perpetuated, the provision for flexibility.

Even court review or investigations under the provisions of section 336 of the act of 1930 are eliminated, once an item has been bound in a trade agreement.

What has been said with reference to binding items on the free list or binding present rates equally applies to the new lower rate structure incorporated in the agreements. And it applies likewise to

the levy of new excise taxes or other revenue measures which might otherwise be provided by Congress. In substance it would appear, in fact, that a large degree of flexibility was provided under the Tariff Acts of 1922 and 1930 whereas an extremely rigid program is being incorporated under the reciprocal trade agreements which are being negotiated.

IV. ATTEMPTS TO SECURE MITIGATION OF FOREIGN TRADE BARRIERS IN THE FORM OF FOREIGN CONCESSIONS TO THE UNITED STATES, AS A BASIS FOR INCREASING OUR EXPORT TRADE—AS A MOTIVE FOR NEGOTIATING RECIPROCAL TRADE AGREEMENTS

Thus far, during the proceedings before the House of Representatives, great stress has been laid upon the idea that under the reciprocal trade agreements program the United States has been able to secure many so-called concessions from foreign countries intended to mitigate foreign trade barriers, thus resulting in an increase in the volume of exports from the United States. In this manner it has been urged the United States might at least hope to recover some of the foreign market formerly held for surplus agricultural products in the United States in addition to certain commodities of mass production. It has been argued that directly this would aid in the solving of the farm problem and indirectly, by providing employment in factories for the export market, would likewise aid in the solving of the farm problem. Statistics were presented before the Ways and Means Committee to demonstrate that an objective analysis of our export trade does not disclose any measurable benefits coming to the United States as a result of the so-called foreign concessions. In other words, while undoubtedly foreign countries have made gestures of friendship in the form of so-called concessions to us, they have proceeded to increase rather than decrease all manner of other devices such as (a) quota systems with licenses, permits, etc., (b) exchange control programs, including blocked exchanges, etc., sometimes as an important revenue producer, (c) barter arrangements, compensation agreements, etc., (d) internal regulations and controls such as in the use of imported products in combination with or in lieu of domestic materials, that is prohibiting the making of flour unless 99 percent of it is of domestic origin, and so forth; and (3) a dozen other miscellaneous schemes, all having the same general effect as complete revision of their own tariff structure.

It would seem that the only objective approach would be to attempt to measure the results secured from the so-called foreign concessions in trade agreements thus far put into effect.

The first trade agreement negotiated under the present program did not become effective until September 1934. We may, therefore, take the first 8 months of 1934 as the last substantial period prior to the first trade agreement. It is unsatisfactory to go back to an earlier period such as 1932 or 1933 because of the complete change in international monetary relations due to currency devaluation, et cetera.

I pause to say that I positively just won't compare 1932-33 import-export data during that period when one country after another, we included, were changing monetary relations, because the figures are not comparable unless you relate both to an original gold base.

Senator BARKLEY. The result would be the same, would it not, if all nations were doing that?

Mr. COULTER. They were going at different rates. That is the point. I am not criticizing anybody for doing it—

Senator BARKLEY (interposing). But the average difference in the ratio after the devaluation had taken place in all countries was about the same as it was before.

Mr. COULTER. After a period of a year or two had passed. Britain, between September 30, 1931, and our devaluation beginning, we will say, in May or June 1933—nearly 2 years—had gone off about 40 percent. We then, between the summer of 1933 and January 31, 1934, had gone off 41 percent. So that then we found ourselves back after a 2-year disarrangement on a basis so that our statistical data are comparable and the ratios were about back to normal.

Japan was going through some gyrations. The various Latin countries on pesos and milreis. France and Belgium in May 1935. And then the so-called gold bloc, and finally Switzerland and the Netherlands had it. It is that period of seesaw that I cannot bring myself to compare however one explains depression, whether it was world-wide or caused here or caused there. Until we come to January 1934, when substantially the great bulk of currencies, currency manipulation had ceased—there have been some minor ones since.

Senator BARKLEY. France yesterday devalued her franc.

Mr. COULTER. No, she just merely revalued her gold reserve and put it on a basis with her franc.

Senator BARKLEY. Well, it amounts to the same thing.

Mr. COULTER. Yes.

Senator BARKLEY. They got a profit of 50,000,000,000 francs by the transaction.

Mr. COULTER. Yes, by changing the value of her gold in storage, but that did not change the ratio between the franc and the pound, or the pound and the dollar.

Senator BARKLEY. It is only for internal effect?

Mr. COULTER. Yes.

Senator BARKLEY. And will not affect our international trade?

Mr. COULTER. That is correct; it should not. So I personally think the wise comparison is to take the early part or even the full year of 1934 after most of the currency manipulations have been carried out, as a starting point.

In contrast, after September 1, 1939, a new world war had enveloped the leading countries of Europe. We may, however, take the first months of 1939 as the most representative recent period available (especially since the new Canadian agreement and the agreement with the United Kingdom became effective January 1, 1939). In other words, we can compare the first 6 or 8 months of 1934 before the agreement but after substantial currency stabilization, and the first 6 or 8 months of 1939 before the new war.

Attached hereto is an exhibit showing a comparison of our exports during the first 8 months of 1934 with the first 8 months of 1939.

Now, may I say that this is the most controversial point that I have run into.

During the period in question trade with five foreign areas was in constant or intermittent chaos due to invasions, revolutions, declared or undeclared wars, moral embargoes, economic sanctions, trade discriminations, et cetera. These five were Germany (including Austria and Czechoslovakia), Italy (including Ethiopia and Albania),

Spain, Japan, and China (including Manchuria and the Chinese ports).

It would seem desirable in any objective analysis in the change of the export trade of the United States to segregate these from the total export trade.

I am told this morning that a representative of the State Department before your committee in my absence expressed doubt about the statistical wisdom of setting these abnormal areas apart, indicating that they might be more or less an arbitrary action. That, of course, is a matter for your committee. I personally, after all of my study and it has been years and years, I am convinced that we should not only have a true comparison as to base period, but a true comparison as to countries or destinations involved, and I would commend to your serious consideration the setting aside of those areas.

Senator CLARK. Do you think the German invasion of Austria and Czechoslovakia, each one of which took less than 48 hours, interfered seriously with Germany's foreign trade?

Mr. COULTER. Oh, yes. Immediately, you see, Austria was within the purview of our discrimination against Germany and we no longer would receive anything from Austria.

Senator CLARK. Supplementary duties under the antidumping laws.

Mr. COULTER. Substantially our imports from Austria fell to almost zero, and obviously their purchases from us likewise.

Senator CLARK. Do you think the Italian invasion of Albania which lasted 3 or 4 days interfered with Italian foreign trade?

Mr. COULTER. Immediately it made no difference, but immediately Albania became a part of the Italian Empire and subject to all the rules and regulations of the Italians.

Senator CLARK. During how much of this period did the Albanian invasion have anything to do with it?

Mr. COULTER. Ever since the day Albania was included as a part of Italy, because their trade is regimented 100 percent. The Albanian trade balances in the world are governed entirely by the Italian Government, and their whole trade is on a bilateral or barter basis, and their trade shows that our exports with these five fell off because they had no balance with us, and we could not buy from them because we could not go into barter with them. The only barter we have gone into is the attempt at a barter, I think it was between cotton and tin, and a previous attempt at barter with the old Farm Board on coffee for wheat with Brazil. Substantially, that is our experience.

I greatly commend it to your final study as to whether those five areas where trade is controlled absolutely by oral embargoes, economic sanctions of the League of Nations which we joined or revolutions or invasions and declared and undeclared wars. And when you do that, I call your attention to the fact that then our exports to the nontrade agreements countries is increased at about as rapid a rate or a more rapid rate than to the trade agreement countries; in other words, the 70 or 75 foreign trade areas with whom we have not negotiated and who made no concessions to us, our exports to them have increased as rapidly or more rapidly than in the case of the trade agreements with the 21 countries.

Senator BARKLEY. Since when?

Mr. COULTER. Any comparison, Senator, that you will take. Give me the two dates and I will furnish you a table within 24 hours showing that whether you compare 1932, 1933, 1934, or 1935—in every comparison that has been made, when you take out these five countries, you will find that it was evidently other factors that determined the rate of expansion of our exports.

Senator BARKLEY. To what extent did the inability of those countries to obtain goods from the belligerents have any effect upon our increase in exports to them?

Mr. COULTER. I am referring to the period before the new World War broke out, before September 1—up to September 1 of last year. And then since these five areas were involved in revolutions, wars, and so forth, I think that they should be segregated and looked at objectively on their own merits, and I have no feeling as to what your conclusion should be once you examine it in that light.

The Department of Commerce within recent weeks submitted a similar comparison bringing it up through November 1939, that is 11 months of 1939. They took the first 11 months of 1934 and 1935, and compared it with the first 11 months of 1938 and 1939, and I have made that same segregation in that case, and it shows exactly the same results. I have it right here, both their reports—and then when you separate these five—their report is in the Commerce Weekly and is brought up to the first of last December. They took January to November 1934 and 1935, then January to November 1938 and 1939. These five areas, our exports to them decreased 8½ percent instead of an increase. Our total exports to the trade-agreement countries increased 60.5. That is almost the same, you see, as the figure that is commonly used—61 percent. A change of a few months did not make any difference. And the exports to the non-trade-agreement countries after excluding Germany, Italy, Spain, China, Japan, was 63.4 percent. That is just slightly higher. But I would not say it was higher for any reason except the general world recovery in prices, the general world improvement in currency stabilizations, the general expansion and of course some preparedness for war had begun prior to that period. So I don't care what period is used. The only question is whether it is helpful to segregate these warring areas before you make your comparison between trade-agreement and non-trade-agreement areas.

Now, briefly my fifth point is this:

Foreign-exchange depreciation is a factor in trade-agreement program.

Foreign trade is probably affected more by changes in currency values in different countries than by changes in tariff rates. During the past 8 years there have been more fundamental changes in currency ratios than in rates of duty. Practically every important nation engaged in foreign trade has passed through a period of depreciation. Many have not materially changed rates of duty. Ratios between the currencies of the several nations change almost from day to day. With similar changes in rates of duty today, we would have chaos. In this field there are unquestionably more chaotic conditions than in any other phase of international economic relations. What the days, or months, or years ahead of us have in store no one can accurately foresee.

Senator VANDENBERG. What would you do about that?

Mr. COULTER. I would not bind this country for a 3-year period with anybody any more than I would sign a contract to sell my house 3 years from now or to buy a factory or to buy any article. I would not bind myself under any trade-agreement program without an opportunity to immediately cancel the whole agreement or to impose a countervailing duty equal to any change in the currency movement.

The CHAIRMAN. That was your view in 1937?

Mr. COULTER. Yes.

The CHAIRMAN. And that was your view in 1934?

Mr. COULTER. Yes.

The CHAIRMAN. You did favor the flexible provisions of the Fordney law?

Mr. COULTER. Yes, I favored flexible provisions then and I favor flexibility now. I appeared before your committee in 1932 when the first depreciation discussion took place, and I testified at that time as a member of the Tariff Commission for the Commission. I have made no change in position. I merely call attention that these currency movements are such a terrifying thing in business and in every international transaction that to bind ourselves in these trade agreements is a fatal error.

Senator VANDENBERG. Still, I understood from our previous discussion that the escape clauses which are our right under the escape clause in respect to currency depreciation, are absolute.

Mr. COULTER. We have a right to attempt escape; yes.

Senator CLARK. We have an absolute right to escape, don't we?

Mr. COULTER. I am wondering whether the subject has been discussed before the committee—

Senator CLARK (interposing). What good is it going to do to attempt to escape if you don't have a right to escape? Just making an effort does not do you any good.

Mr. COULTER. I would reiterate the statement I have just made that these changes are taking place so fast that if that escape clause— if anyone attempted to use that escape clause, you would have a dozen changes to make daily, therefore I would not rest on any such escape clause.

Senator CLARK. That is equally true of the flexible provisions of the tariff, isn't it?

Mr. COULTER. Under the old act, you mean?

Senator CLARK. Under any act.

Mr. COULTER. Yes; under any we have had. The other was not sufficiently flexible. I quite agree, if that is your point. I quite agree that out of seven-hundred-and-odd studies that must have been up for better adjustments that they were slow. I am not defending the slow processes of the old act, but on the other hand—

Senator CLARK (interposing). The point I was making was that you said that to meet the changes in currency manipulation requires six or seven changes a day. That would be equally true with the flexible provisions of the tariff, wouldn't it? If you tried to use the flexible provisions of the tariff under the 1930 act, let us say, to meet currency manipulation, you would have to make five or six changes a day in that, too, wouldn't you?

Mr. COULTER. No; because tariff changes are not being made at that rate. Currency ratios are changing just chronically, one country after another, and weeks or months pass and there is no automatic

way by which you can use your escape clause. It should come from someone other than me to call attention to the fact that we have actually used the escape clause once—it has never been mentioned—never referred to.

Senator CLARK. It is not a secret, is it?

Mr. COULTER. I don't see why it should be, but I am citing this as I cited the case of the silver fox, because I was a member of the Committee for Reciprocity Information and I had a hand in writing the escape clause into the first agreement where it was written in, the Belgium agreement, and almost the day that that agreement was signed, Belgium departed from the old currency basis—depreciated her currency, and the State Department realized that there was a very difficult and a very dangerous situation, because Belgium was put quickly into a position to export to this market and literally greatly disturbed our trade arrangements. They could float boatloads of plate glass, of certain textiles, and certain chemical groups, and other items in. On the other hand, it made Belgium an absolutely impossible place for us to sell, and the Secretary of State, I know as a matter of official fact, did say to Belgium that if that happened it is going to kill our whole program; it will make a miserable situation and it would be very embarrassing for this Government to have to, the day after—almost the day after the signing, I think this was May 1, 1935, to have to withdraw, and Belgium did the same thing that Canada did in the silver fox case. Belgium said, "We believe you are right and we, Belgium, the Government will restrict exports of these several important groups of commodities to the United States." They said, in other words, "We won't let our own corporations and our own businessmen disorganize your market and disrupt it because we do not want to see this other thing happen."

Senator CLARK. Well, I thought you said just a moment ago that one of the great virtues of which you complain of the Reciprocal Trade Agreements Act is that you are binding yourself for 3 years.

Mr. COULTER. Yes.

Senator CLARK. Now, according to the statement that you have just made, in the case where there was manipulation of the currency, the United States had an absolute right not to be bound for the 3 year, and possibly the one reason that the Belgian Government entered into this agreement to limit their importations was that they knew that however embarrassing it might be to a particular administration or to Secretary Hull personally or to President Roosevelt personally or anybody else, that if they persisted in that, the United States would have a right to escape and not be bound for 3 years as you have insisted a moment ago we would be.

Mr. COULTER. I cited this, Senator, to help you, because it is at least a little grain of support for the position of the trade agreements. There is that one case—

Senator CLARK (interposing). Certainly we would not be bound for 3 years if we wanted to exercise the escape clause in a situation like this.

Mr. COULTER. That is true, but because that would be such a violent action, and because we have not in any case—and in that case they said, "We will come to your rescue," and they came to our rescue.

Senator CLARK. But we did not have to use the clause?

Mr. COULTER. That is exactly right, and I say there is a little grain of support involved, but it is a mighty small one when you examine the tremendous chaos and fluctuations which are taking place in rates of currency in currency ratios. But knowing that that had not been called to the attention of this committee and the House committee—

Senator CLARK (interposing). I am very much interested in it, because it bears out exactly what I thought the effect of the escape clause would be. It may not be necessary to use the escape clause, but the mere fact that it was on the statute books, and the Belgians knew that it was on the statute books and could be used, make it to our mutual advantage not to force the United States into a position where they had to use the escape clause and abrogate the agreement.

Mr. COULTER. I cited that because it does show the slow but possible way that a foreign country may yield to us and save us from embarrassment. On the other hand, they may not.

Senator CLARK. Thank you for citing it. Don't you think it was better for the Secretary of State to get together with Belgium and say, "It is better for us to agree on this," rather than to start in hiking the tariff up again, and Belgium hiking hers up and starting in on another retaliatory cycle?

Mr. COULTER. I strongly urged it. I was on the committee that drafted it and naturally I favored it. So I say, even with that possible escape, it is so slow and so uncertain, and the other changes are so fast and so sudden, that it does not protect this country.

Changing rates of duty at the present time is the most hazardous in the history of modern business, so intimately related are the changes in currency values. We are well aware of the fact that escape clauses are included in trade agreements and that the administration has taken certain precautions, but it is impossible for the administration to know the hundreds of thousands of individual transactions in foreign trade which take place from day to day which are disastrously affected because of the impossibility of making adjustments under escape clauses, however, well-intentioned they may be.

It is our judgment that further trade agreements should not be entered into; but if they are to be continued, provision should be made permitting immediate cancellation of the trade agreement in the case of any country as a result of further currency manipulation or changes in currency ratios.

Senator VANDENBERG. I don't like to seem dumb about this, but haven't we got that right under the escape clause as you described it?

Mr. COULTER. I think you would have to serve notice on them and get into a discussion and give them an opportunity to change ratios or put in some other control method in some way so that our country would not be injured as a result. Like Germany today—putting in two kinds of marks, a foreign mark and a domestic mark. It is my understanding that we would have to take it up as a matter of negotiation.

Senator CLARK. We would have to give 30 days' notice, isn't that true?

Mr. COULTER. I think it is.

Senator CLARK. I think I read it into the record yesterday.

Senator HERRING. Well, do we have an escape clause, "yes" or "no?"

Mr. COULTER. We have an escape clause that we can do something about if something else does not happen.

Senator HERRING. We do have the right then to escape.

Mr. COULTER. Under certain conditions and after a certain period. I am arguing for an automatic immediate cancelation within 24 hours, if you please, if the country suddenly depreciates the currency with millions of dollars of goods in transit which can disrupt your whole market, so that we can say, "We will do so and so."

Senator HERRING. You say under the present escape clause, we cannot do that?

Mr. COULTER. No.

If such a provision cannot be included then provision should be made providing for the automatic application of compensatory duties equal in amount to the extent of foreign devaluations. That would be another way of doing the same thing—let the treaty ride, but say, "You have depreciated your currency 20 percent, and we will add 20 percent automatically to the duty on the article in question." If this provision were included as an immediate protection to American agriculture, industry, and labor, supplementary provision might then be added for conversations to proceed looking toward such adjustments as might be deemed desirable. The important thing is that there should be automatic protection granted rather than merely a provision for a long-drawn-out discussion between the Government of this country and the government of some foreign country.

Other countries have been doing that. The day after Great Britain departed from the old parity between the pound and the franc, France imposed a compensatory exchange dumping duty equal to the extend to which the English pound had depreciated. Within 30 hours, Canada did the same against Britain, because the Canadian dollar followed the American dollar and did not follow the British pound. It is not a novel idea. It is just that we are not providing any protections for sudden changes and chaotic conditions.

VI. MOST-FAVORED-NATION TREATMENT

The N. A. M. recognizes the place of most-favored-nation treatment in commercial treaties.

Senator HERRING. Do you speak for the board of directors of the N. A. M.?

Mr. COULTER. Mr. Young, who will follow me, is the chairman of the tariff committee, who carried all the recommendations through the resolutions committee, the coordinating committee and to the board of directors and finally to the convention.

Senator HERRING. Does the tariff committee represent the members? Do they agree with this position?

Mr. COULTER. The members of the tariff committee are nearly unanimous, but there are some on the tariff committee, because the tariff committee is selected so as to be sure to get every possible variable, and there are always on the tariff committee at least one or two who have other interests superior to their domestic interest as manufacturers.

Senator HERRING. Who are the members that disagreed with this tariff committee?

Mr. COULTER. Last year, throughout the year as far as I recall now, there were only two, Mr. Mallon, who was the member of the committee representing the flour-milling industry, and a gentleman whose name I do not recall now, who represented Wrigley Bros., and those were the only two. There were one or two other corporations in which they said to their export subsidiaries, "Do as you please. If you think it helps you, go and get any concessions you can."

Senator CLARK. Was the resolution submitted to the membership at large?

Mr. COULTER. Through the annual conference. Last year there were something over 2,000 delegates present when it was submitted to them for a vote. The membership is actually about 7,000.

Senator CLARK. Are you permanently employed by the National Association of Manufacturers, or are you employed for the purpose of representing them on this matter?

Mr. COULTER. When I left the Government service 4 or 5 years ago, I set up an office as a consulting economist, and my services are available to many different people.

Senator CLARK. I am not interested in your business; all I was trying to get at was whether your report was for the N. A. M., or whether you were merely employed to present their case.

Mr. COULTER. I am not on a salary basis with them, because I have many other clients, but they retained me to follow the trade agreements a little over 3 years ago, and I took every trade agreement as it developed, followed every change, every foreign concession, every concession we made, and followed in detail the actual imports and exports of every commodity quantitatively, the changes in price, and have made regular monthly reports to the committee from year to year.

Senator CLARK. You did not participate in the formation of this policy?

Mr. COULTER. They make their own policy based upon their various opinions and upon my studies.

Senator CLARK. I must say that the National Association of Manufacturers has advanced very considerably since the odoriferous days of the notorious Colonel Mulhall in their representation before the committee.

Mr. COULTER. Their attitude may have been more emotional then. They are trying to make it purely objective and factual.

Senator VANDENBERG. I think they are very well represented today.

Senator HERRING. Dr. Coulter, does the board of directors of N. A. M.—they support free enterprise, do they not?

Mr. COULTER. Absolutely.

Senator HERRING. But they oppose the removal of the barriers to trade?

Mr. COULTER. No; I will tell you. Their position in one sentence is this—they absolutely maintain 100 percent support for the free enterprise system within the American general protective system.

Senator VANDENBERG. Free enterprise and free trade are not the same thing, are they?

Mr. COULTER. No. Free enterprise itself—

Senator CLARK (interposing). You mean free enterprise between the States?

Mr. COULTER. Between all business, agriculture, labor, and industry and professional and all classes within the United States. But the United States as a whole then has a general American system based on the protective tariff system, and in that they have constantly favored the largest possible volume of foreign trade, both imports and exports, where it did not either displace labor or destroy the farm price, the price that the farmer gets for his products, because they realize that their biggest market in the world is the farm market, and unless the farmer is prosperous and can buy from them, their market is destroyed. Therefore they say that within the American system of protection, they want the largest possible volume of both exports and imports that won't displace American labor and destroy their wages or the price of their product.

Senator HERRING. Your theory then is that this is going to destroy the labor standards and work to the detriment of agriculture?

Mr. COULTER. Yes.

Senator HERRING. That is the interest that the N. A. M. has, that they are trying to protect the farmers?

Mr. COULTER. Yes; selfishly, if you please. We all have a certain amount of enlightened selfishness. They want the American market, and the biggest segment altogether is the farm market, and if the farmers cannot have their prices maintained—if foreign products come in and displace them and you continue that process, you are destroying the market for industry. As you destroy that, they have a smaller market and their overhead charges bear heavier and heavier per unit of product, and their costs are forced up, and the whole thing is a vicious circle. That is the main thesis.

Senator GUFFEY. The president of the National Association of Manufacturers is Mr. Prentiss, is he not?

Mr. COULTER. Yes.

The CHAIRMAN. He is also president of the Armstrong Cork Co. and they have a plant at Lancaster, Pa.

Mr. COULTER. He was elected president only within the last 2 months, and he does not sit on any specific committee.

Senator GUFFEY. His company was very much opposed to the increase in the tariff on linseed or rape seed. At the last bill we had up, he opposed that.

Mr. COULTER. Wasn't that following exactly what I said? He would not want the duty changed on one segment unless it was coordinated.

Senator GUFFEY. Because they use those two products, don't they?

Mr. COULTER. Over and over, his testimony before this committee, back in 1929, for instance, was that if you put the tariff on flaxseed and on linseed oil, that there should be a correlated change on linoleum and paints and varnishes, and that is what this committee did. They raised the duty on flaxseed, and Senator Frazier came before this committee from North Dakota and said, "That will do us absolutely no good unless you make an exactly identical change on oil and on linoleum and paint, because otherwise they will merely import the oil or import the linoleum and our market for linseed is destroyed." So it was the farmers who came in at that time and asked for that adjustment. Mr. Prentiss holds that position. I have heard him testify off and on for 10 years but I have not discussed this with him since he became president of the National Association.

Senator GUFFEY. Do you think that he will approve of your approval of the Department of Commerce?

Mr. COULTER. Yes.

Senator GUFFEY. You think he will?

Mr. COULTER. Absolutely.

Senator GUFFEY. That is the first time I ever heard him say anything favorable of the administration in 8 years.

Senator VANDENBERG. It is the first time he has had anything favorable to say. That is not his fault; it is the fault of the administration.

Mr. COULTER. I have heard him express the wish that some of these reports might be out within 1 or 2 years, and I have heard him use the expression, "We have to file our income statement within 60 or 90 days; we have to just concentrate on it." I know that today there are a number of gentlemen who intended to be there this week or next week to appear before this committee who have wired and said, "We are just absolutely forced to stay at home and prepare income tax and other Government statements, and we have not the time."

Senator HERRING. It is nice to be able to make one.

Mr. COULTER. What is that?

Senator HERRING. To have an income tax to pay.

Mr. COULTER. They will have to file it whether they pay any taxes or whether they show a tremendous loss. They have to file all of the data just the same. I have heard Mr. Prentiss say that if we could only get reports on Government data and statistics more quickly—and one thing that he compliments most highly is the Federal Reserve Board.

Senator GUFFEY. Will you call his attention to this report that is published within two months?

Mr. COULTER. The Treasury now at the end of 90 days—well, they feel, and I have no doubt but what they are right—that they should not disclose international transactions except after a 90-day lapse, and they are doing that—which is a very valuable thing. There are some very reliable reports. I would say this, that there is no doubt but that under our modern machine methods of tabulations and calculations and computations that used to be done by hand, that the Government reports could very well, if they were brought into vigorous realization of the desirability of their reports, that we could have them a year or 2 years sooner than we do.

Just take right now—the Commerce Department has not gotten out its report on 1938 exports or imports of commodities by countries. Isn't that terrible? The latest figures we could use, where you want to combine exports and imports of commodities by countries, the last year we can use is the 1937 statistics. They haven't even got the 1938 report out, and now it is March 1940. I think they certainly should be able to get it out in 6 months with the new punch cards and the mechanical tabulating machines, with which they can work out the percentages and the values and all of that. But I don't think that Mr. Prentiss is a bad man at all. Frankly I have seen him before this committee and others, and I think he has a great deal of merit in—

Senator GUFFEY (interposing). He has a lot of ability.

Mr. COULTER. A lot of ability.

Senator CLARK. I usually think well of my clients, too.

MR. COULTER. Oh, these are not my best clients. They are pretty hard boiled. If I did not get better paid from some of the other clients that I have, I would not be able to continue my office.

Senator HERRING. You are not speaking for the farmers?

MR. COULTER. You would be surprised at the checks that I have gotten in the last few months from farm groups to speak for them. The Greater North Dakota Farm Group, the South Dakota Farm Group, the Minnesota Associates, and even the Veterinarians Association of North Dakota have said, "Our prosperity depends on farm prosperity." And they say, "Go to it and here is \$25 enclosed."

Senator VANDENBERG. Anybody from Iowa?

MR. COULTER. No; only from those States. I was President of the State Agricultural College there and they know me. I think they, if they knew me in Iowa, they would have sent me some money too.

Senator HERRING. We do quite a bit of farming there.

MR. COULTER. You bet. They know me out there and they have confidence in me, evidently.

Senator CAPPER. We all know of your active interest in the affairs of North Dakota and particularly in the agricultural industry. I would like to know what conclusion you have reached as a result of your examination into this reciprocal trade situation. What assistance has really come to the wheat farmers of North Dakota and of Kansas, the two leading wheat producing States, as a result of the reciprocal-trade agreements?

MR. COULTER. I would say that thus far absolutely none, although a number of foreign concessions have definitely been granted, and I will cite you the two most important foreign concessions and then point out why we have gained nothing from them thus far.

The first concession was granted by the Netherlands agreement, and incidentally I was at that time a member of the Committee for Reciprocity Information. They agreed that they would increase their quota restriction so that the United States might supply or that the Netherlands millers might purchase a larger proportion of their imports, they not being a principal wheat-growing country. But then they added a footnote to read:

Provided American wheat of the quality we desire is available at the time we desire it in the place we desire it and at a price consistent with what we can secure other wheat elsewhere.

Well, the farm board, and then this Wallace's program of lending and other factors came in, and we just never had any wheat available for them under that apparent concession until we commenced paying 20 or 30 cents a bushel export bounty. Then the Netherlands said that with the war in prospect and the need for a reserve and with the Government of the United States paying about a third of the price for them, they said here is a good chance for us to slip in and buy ten or fifteen million bushels of American wheat, since the Government of the United States makes up the difference between the world price and their price. I cannot see a practical gain to us in that agreement.

Senator CLARK. It is a fact, is it not, that under 3 years of the Hawley-Smoot tariff from 1931 to 1933, inclusive, the farm income of the United States raised wheat to the amount of \$769,510,000, which rose under 3 years of the trade agreements period from 1936 to 1938 to \$1,452,000,000, or an increase of \$682,490,000. That is ex-

clusive of Government payments. And for Kansas, exclusive of Government payments, the cash income from wheat during the 3-year period of the Hawley-Smoot tariff, 1931 to 1933, inclusive, was \$149,365,000, which raised during the trade agreements period 1936 to 1938, to \$284,103,000, or an increase in one 3-year period of about \$134,738,000. Those are the official figures furnished by the Department of Agriculture.

Mr. COULTER. Do you have the similar figures for the 8 years under the Fordney-McCumber Act?

Senator CLARK. No; I do not have them.

Mr. COULTER. It is a very interesting contrast if one would make it. This is an objective study of prices, values, droughts, and so forth.

We know the prices of 1933, 1934, 1935, and 1936, and we know why the price of wheat went up, and we know the present loan policy, which personally I very heartily endorse.

Senator CLARK. Wheat never sold down at 23 cents a bushel as it did in 1932.

Mr. COULTER. I think the Trade Agreements Act went into effect in June 1934 and I think 1934 was a drought year.

Senator CLARK. Yes; I can testify to that.

Mr. COULTER. And I also recall the serious drought and the wheat price structure and the loans made, and I know, and I think you know, Senator, why the price is where it is. And if you want an objective study of the prices of wheat over a 10- or 20-year period, it is very easy to make it and get it. It has absolutely not the slightest relation to the Trade Agreements Act. It is an extraneous matter, but it is part of the general economic situation, of course.

Senator GUFFEY. Did you answer Senator Clark's question about the price of wheat? Has it sold down to that since the Trade Agreements Act?

Mr. COULTER. No; but in my experience as a farm boy it did.

Senator GUFFEY. That is not the period I was interested in.

Mr. COULTER. I was answering Senator Capper's question, and I say that the first major foreign concession to us was in the Netherlands agreement, and I have stated the best information I have. I have followed the exports and the imports painstakingly each year, both in quantity and in value.

The other change of major importance which may ultimately have some value—I am hoping so—is in the British agreement. Britain, as you recall, had the Ottawa agreement between the Dominions and Britain, in which preferential rates were established as between the Mother Country and the Dominions and Colonies. In that, there was a 6-cent differential against foreign wheat, but that was not against American wheat; it was against Argentine wheat or Rumanian wheat or anybody's wheat, because as a matter of fact England needed and was getting certain classes of wheat from the United States on which it did not make any particular difference.

In the British agreement effective the 1st day of January of last year, England removed that 6-cent per bushel differential. Whether that has been or will be absorbed in the change in the transportation arrangement—you know, Canada has certain provisions with reference to the movement of Canadian wheat. It could not pass through the United States. If it did, it became earmarked as American wheat and had to pay the duty over in England. It had to go out the St.

Lawrence or through the Canadian route. Ultimately there may possibly be some advantage that we do not know. England, through the Runciman-Rocca agreement with Argentina made a similar arrangement. Then by the imposition of quotas, we seem not to have gained anything thus far.

It is said, Senator, that Cuba, because of our agreement with Cuba, takes now a million barrels of flour from America. I would direct your attention that first the Cuban type of agreement is the type that I and many others think is desirable—bilateral agreements—where specific concessions are granted both ways and certain advantages attained. I think they should be made by the Senate as commercial treaties. But here is the significant thing, and that is that 80-and-some percent of that wheat now being shipped to Cuba during the entire period since September 1934 to date is made out of Canadian wheat, brought in in bond, milled in this country; the mill feed is left here and the flour sent on to Cuba; and I cannot for the life of me see how that million barrels of flour shipped to Cuba by way of the United States helps the farmers to sell their wheat. It is Canadian wheat. The only period during which substantially any American wheat was used in the Cuban flour was during those few months when Secretary Wallace was paying 30 cents a bushel subsidy to American wheat where it was used and exported. You see, with $4\frac{1}{2}$ bushels of wheat in a barrel of flour, and with $4\frac{1}{2}$ times 30 cents, that is \$1.35 on a barrel of flour, and during a few short months some American wheat was used. But even to Cuba, that export of a million barrels of flour does not use Kansas or North Dakota or Minnesota wheat.

The CHAIRMAN. Is the Canadian wheat of a different character from that that you get in Minnesota?

Mr. COULTER. No; it is identically the same. Minnesota, North Dakota, and Canada.

The CHAIRMAN. Is it the same as you get in Kansas?

Mr. COULTER. Kansas is a little different; but it is a hard wheat. No; the advantage is merely that the Canadian price is more nearly in line with the world price and ours is above the world price on account of our wheat-loan policy and our production-control policy and our drought.

The CHAIRMAN. What percentage of the Canadian wheat went into the exportations to Cuba?

Mr. COULTER. For the period from September 1934 down to date, except for those few months of subsidy, about 83 or 84 percent was Canadian wheat. That is shown in the Department reports issued regularly, monthly, in monthly summaries of foreign commerce issued by the Department of Commerce, Bureau of Foreign and Domestic Commerce. So, it is easy to compile it under that method and see it and then make your own calculations. There is a difference of 83 or 84 percent which is Canadian wheat. Canadian wheat is more nearly in line with the world price level.

Senator VANDENBERG. Did you present any testimony in the House hearings showing the relative increase in wheat and wheat-flour exports from 1935 to 1938 as between agreement countries and non-agreement countries?

Mr. COULTER. Not specifically; no, sir. I think somebody else did.

Senator VANDENBERG. I was wondering where I got the figure. You talk about chaos in foreign trade—if we don't have chaos in the

statistics before this committee, I don't know what we could call it. Somebody undertook authentically to say before the House committee—and I thought it was you—that our wheat-flour exports increased, from 1935 to 1938, 361 percent to agreement countries and 792 percent to nonagreement countries.

Mr. COULTER. Our exports?

Senator VANDENBERG. Yes; our exports of wheat and wheat flour.

Senator CLARK. What year is that?

Senator VANDENBERG. 1935 through 1938. That would be 1935, 1936, 1937, and 1938.

Mr. COULTER. That is comparing the year 1935 and the year 1938?

Senator VANDENBERG. Yes.

Mr. COULTER. I recall that those are substantially the correct figures, but the reason was that in 1935 we had almost no exports because of the tremendous drought of 1934, and in 1938 we had the bumper crop and a subsidy.

Senator VANDENBERG. Are those the general figures?

Mr. COULTER. In that general direction.

Senator VANDENBERG. Are those the general figures?

Mr. COULTER. In that general direction.

Senator VANDENBERG. I asked Secretary Wallace about it and he chuckled a little while over something or other and said that he did not have the figures and agreed to provide them later, and I have just looked at the record and I find that he says that the correct figures show an increase of 270 per cent to agreement countries and only 147 percent to nonagreement countries.

Mr. COULTER. Our exports now?

Senator VANDENBERG. He comes to a diametrically opposite conclusion on the figures.

Mr. COULTER. The difference would be due to one factor. In the years to 1938 we should not and he should not and the Department of Commerce should not include Great Britain as an agreement country, because Britain and the colonies trade agreement did not become effective until January 1, 1939. At the present time all of these tables there submitted, even up to those 1938 figures; they include Great Britain as a trade-agreement country, and we did have a substantial export to Britain, and they shifted that to the agreement from the nonagreement group, although the data was for the year before the agreement become effective.

It is an interesting thing there. You will find it in another place in the hearings before the House. I don't recall who put it in, but actually if you take that item out of Britain and her colonies before January 1, 1939, you will find that the figures which you read first are correct.

Senator VANDENBERG. It certainly leaves an innocent bystander somewhat perplexed and baffled.

Senator CLARK. Does anybody know where those figures came from that you got, Senator?

Senator VANDENBERG. I suppose they can be identified. I got them out of the House hearings.

Senator CAPPER. I take it, then, that you have reached the conclusion that in the light of the experience we have had in the past 5 years under those reciprocal trade agreements that the wheat producers out West have little or nothing to hope for so far as help under the reciprocal trade program is concerned?

Mr. COULTER. I can find no gain to them.

The CHAIRMAN. But you thought that the Cuban agreement was very fine and in the right direction with reference to wheat and wheat flour, and you found that the agreement we made with England and the Canadians with reference to preferential treatment to wheat was all right and in the right direction?

Mr. COULTER. I think that it was a good gesture, but it gained us nothing—that is my point.

The CHAIRMAN. But you think probably it will?

Mr. COULTER. I am hopeful, but I have not seen any evidence yet of any substantial gain, and we have been going on now for 5 or 6 years, and we are in a somewhat chaotic condition, and I don't think we should continue negotiating this sort of thing in such a chaos.

The CHAIRMAN. I understood you to say that only 1939 affected the United Kingdom on the preferential treatment.

Mr. COULTER. That is true. And also, of course, during 1939, England was out getting a reserve, and inventory, in preparation for war, and we were paying subsidies, and incidentally it was after the relative bumper crops of 1937 and 1938, and I can find nothing in there to indicate that any of our change in exports was due, thus far, to any foreign concessions granted by countries to us.

The CHAIRMAN. The farm groups do not belong to your organization, do they?

Mr. COULTER. I am representing a great many different farm organizations, and I may say this is exactly the position which the National Grange has taken after they had a very extensive study made.

The CHAIRMAN. But they are not a part of the National Manufacturers Association?

Mr. COULTER. No, sir. They have various organizations——

The CHAIRMAN (interposing). And I understood you to say that you were employed by the National Manufacturers Association only as a consultant?

Mr. COULTER. And I am also employed by various farm groups likewise as a consultant.

The CHAIRMAN. Does that employment put a responsibility on you to go out and make speeches against this proposition?

Mr. COULTER. No, sir; neither group.

The CHAIRMAN. You would not do that?

Mr. COULTER. Neither group has ever sent me to represent them on any speaking tour.

The CHAIRMAN. And you have made no speeches in the country against the reciprocal trade agreements or in criticism of them?

Mr. COULTER. I was invited by the National Live Stock Association to speak at their convention in Denver as a guest speaker at their own expense, to give my impression and interpretation of trade agreements as far as I had studied them, and I did give an address there.

Senator VANDENBERG. Is that against the rules now?

The CHAIRMAN. No.

Mr. COULTER. As such, I was employed for that day by the National Live Stock Association, because they paid my expenses and invited me over as a guest speaker, and I gave them my impression of the effectiveness thus far.

The CHAIRMAN. You have carried on no propaganda?

Mr. COULTER. No, sir.

The CHAIRMAN. You have sent out no memoranda or tried to influence people on it?

Mr. COULTER. No, sir.

The CHAIRMAN. You have written no articles for the Republican National Committee, have you?

Mr. COULTER. No, sir.

The CHAIRMAN. And you have had no conference with them?

Mr. COULTER. No, sir. In all of these years, I have never gotten one penny out of them. I think they did support me as a member of the Tariff Commission back in 1930, but it was a unanimous vote, so, Senator, you must have supported me too, so I don't feel that I owe them a cent, and I have never been in politics.

The CHAIRMAN. I thought at that time that President Hoover did a very good job when he appointed you. You served how long?

Mr. COULTER. I served the full term out. I was at the time president and had been president for some 10 years of a very fine State college, an A. and M. college, and was rather anxious to get back into my field as a student of economics, and I sacrificed going on in the educational field to get back into economics. It has not turned out satisfactorily, because the depression came and other circumstances, and I have often thought that I probably should not have made the change.

The CHAIRMAN. I don't know where the Republican National Committee can go to get their information better than to you.

Mr. COULTER. They have their own staff.

Senator CLARK. They can go to Mr. Mollin, which they do.

Mr. COULTER. They may, for all I know. But they have never asked me to compile anything for them, and now that my time is so well taken by a number of different organizations I have not applied to either party for a job with them. I would take on either of them if you give me an interesting proposition.

I worked for President Wilson for several years. He and I had been fellow professors of economics and government, and when he came here, he prevailed on me to join him in a confidential capacity as an economic adviser and I stayed several years. You will find me listed at that time as a member of the staff of the Department of Commerce.

The CHAIRMAN. You were not one of the 1,032 economists who signed this protest to Congress in 1930 against the Smoot-Hawley tariff bill and prophesied certain things would happen?

Mr. COULTER. No.

The CHAIRMAN. You were then a member of the Tariff Commission?

Mr. COULTER. Yes; I was here with the Government and I would not have been eligible to participate even if they had asked me, but furthermore my analysis of economics has always been, from the very beginning, the applied economics, and it is not my philosophy. The philosophy of economics is like the philosophy of the Bible, "If my enemies smite me on one cheek, turn the other," and be lovely and neighborly about it,—but in practice we get red in the face and straighten back and get emotional and we don't do that.

I have been entirely in the field of applied economics, Senator, and the college professor crowd—I have hired lots of college professors. They talk free trade as a principle, but I always tried to show them

the desirability of giving at least some lectures on the practical application and how different countries deviated from a desire for their neighbors' property and so forth—the applied side of economic life. So I am quite out of sympathy with trying to apply in vague generalities the philosophies of the theorist of free trade in a perfect society with the practical problems of everyday life. I would say that if this country wanted to depart from its general protective structure, that it ought to decide to do so over a period of say 25 years and just say that automatically every year for the next 25 years, all tariffs and all wages and farm prices and everything are to go down 3 or 4 or 5 percent, and let us get back to a purely world basis, and see whether we can live that way or not. I would not do it slashing one way or the other.

Senator LODGE. What has been the wage trend since the trade agreements have been in effect?

Mr. COULTER. There has not been an extreme trend one way or the other. Already, by 1934, wages were substantially restored, and there had not been a terribly big cut in wage rates.

Senator LODGE. I mean in real wages.

Mr. COULTER. Real wages, I would say, may have gone down because prices have gone up and the hourly wage has not changed greatly. The problem there is to segregate your unemployed and take only those actually employed. Real wage goes down as prices advance.

Senator LODGE. You would not say that the wage-and-hour law has as yet had any effect in raising wages?

Mr. COULTER. Not as a whole, but it has, applied to a few marginal groups—relatively small in number I think. I have not followed that special question as closely as I might.

Senator LODGE. Would you not say that there has been an inconsistency between trying to raise wages and shorten hours and improve working conditions on the one hand, and trying to reduce tariffs on the other?

Mr. COULTER. My opening statement was that this was directly in conflict.

The CHAIRMAN. Is there anything else?

Mr. COULTER. Just my concluding paragraphs.

VI. MOST-FAVORED-NATION TREATMENT

The N. A. M. recognizes the place of most-favored-nation treatment in commercial treaties. We, however, call attention to the fact that reciprocal-trade agreements are a very special or distinctive type of commercial treaty. Over a long period of years this subject has been under discussion and we have always taken the position that reciprocal-trade agreements should be bilateral in character. Being bilateral in character, concessions granted by this country or received from the other country obviously cannot be extended under any most-favored-nation arrangement.

We desire also to call attention to the fact that there are two very distinctive types of most-favored-nation treatment; one of these is the conditional, the other is the unconditional.

The argument in favor of using the conditional most-favored-nation clause in connection with reciprocal tariff agreements has been well

expressed as follows by the United States Tariff Commission, composed of such experts as Dr. N. W. Taussig, Dr. Thomas Walter Page, and others in its special 1919 Report on Reciprocity and Commercial Treaties, page 42:

The evidences show that the conclusion of reciprocity treaties is likely to lead to claims from States outside the agreement, which, if granted, will defeat the purpose of the treaties, and which, if not granted, occasion the proffering of a charge of disloyalty to treaty obligations. The practice of making reciprocity treaties requires the conditional construction of the most-favored nation clause.

We very definitely oppose the application of the unconditional most-favored-nation treatment as a feature of such reciprocal trade agreements as are negotiated. Even when extension is granted under the conditional procedure, it would seem of the utmost importance that all foreign countries, in each case, make clear that they are extending concessions to the United States in return for concessions granted by this country. In the past we have, in fact, been extending all of our concessions to approximately 100 different tariff or trade areas and receiving most-favored-nation treatment only from the small number with whom trade agreements have been negotiated or with which most-favored-nation commercial treaties are in existence.

I have not tried to present much in the way of statistics, because I think we did a fairly good job in the House, and it is all in the record of the House committee.

Senator CLARK. I want to ask the doctor something about his figures before the House committee. It will take quite a little time, and I suggest we take a recess.

Mr. COULTER. That will be agreeable to me.

The CHAIRMAN. I have agreed to take two witnesses immediately after we meet. We will take you this afternoon when the Senator will ask you some questions. We will meet at 2 o'clock.

(Whereupon, at 12:40 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

The hearing was resumed at 2 p. m., pursuant to adjournment for the noon recess.

(Mr. Howard I. Young, St. Louis, Mo., chairman of the tariff committee, National Association of Manufacturers, made his statement, which will be found at a subsequent place in this day's proceedings.)

(Mr. Edward A. O'Neal, president of the American Farm Bureau Federation, made his statement, which will be found at a subsequent place in this day's proceedings.)

(Mr. Earl C. Smith, Chicago, Ill., president of the Illinois Agricultural Association, made his statement, which will be found at a subsequent place in this day's proceedings.)

**STATEMENT OF JOHN LEE COULTER, WASHINGTON, D. C., REPRESENTING NATIONAL ASSOCIATION OF MANUFACTURERS—
Resumed**

The CHAIRMAN. Senator Clark desires to ask you a question or two, Mr. Coulter.

Senator CLARK. Doctor, I want to ask you about the table that you put in the record over in the House hearing.

Mr. COULTER. Yes, sir.

Senator CLARK. On page 2124 in the hearings of the Committee on Ways and Means of the House, you made this statement and a table appears there, which I will ask to have inserted.

Dollar value of imports fell off at exactly the same rate as exports, from \$4,399,000,000 in 1929 to \$1,323,000,000 in 1932, a decrease of 69.9 percent. That this resulted from the price collapse, and was not related to tariffs or rates of duty, is conclusively shown by the fact, almost always overlooked, that the decrease was at the same rate in the case of "imports free from duty" as in the case of "imports subject to tariff."

	Total general imports	Imports on free list	Dutiable imports
1929.....	\$4,399,000,000	\$2,941,000,000	\$1,458,000,000
1930.....	3,061,000,000	2,028,000,000	1,033,000,000
1931.....	2,091,000,000	1,394,000,000	697,000,000
1932.....	1,323,000,000	883,000,000	440,000,000

Now, Doctor, may I ask you where you got this table?

Mr. COULTER. From the report of the Bureau of Foreign and Domestic Commerce of the Department of Commerce.

Senator CLARK. I call your attention to the Foreign Commerce and Navigation and Statistical Abstract for 1938, page 443, and there seem to be two tables which you from your table have passed from one basis to another without calling attention to the fact at all. In other words, is it not true that you have listed the general imports for each year from 1929 to 1932, and then in showing those imports which are subject to duty, you switched the imports for consumption without indicating the change?

Mr. COULTER. The two figures are so nearly the same that the difference is only in decimal point, and if the question is one as to whether it was one or two decimal points, I will say that the error is mine, but the two figures were 69 percent.

Senator CLARK. I notice in the official figures, there are two entirely separate tables, one of general imports and one of imports for consumption, which are apparently materially different in some instances.

Mr. COULTER. They do not make a difference of 1 percent, Senator. The Commerce Department for a long period has separated imports for consumption between free and dutiable, but has not separated general imports between free and dutiable, and one report comes out a little later than the other, but the two reports do not differ a matter of 1 percent.

Senator CLARK. How did you make up this table, because it apparently does not conform to either of the official tables—which I ask to be inserted in the record?

The CHAIRMAN. Without objection the tables will be inserted.
(The tables are as follows:)

United States general imports

Year	Total	Free of duty	Subject to duty
1929.....	\$4,399,000,000	\$2,843,000,000	\$1,556,000,000
1930.....	3,061,000,000	2,051,000,000	1,010,000,000
1931.....	2,091,000,000	1,381,000,000	709,000,000
1932.....	1,323,000,000	879,000,000	444,000,000

United States imports for consumption

Year	Total	Free of duty	Subject to duty
1929.....	\$4,339,000,000	\$2,880,000,000	\$1,458,000,000
1930.....	3,114,000,000	2,081,000,000	1,033,000,000
1931.....	2,088,000,000	1,392,000,000	697,000,000
1932.....	1,325,000,000	886,000,000	440,000,000

Source: Foreign Commerce and Navigation and Statistical Abstract for 1933, p. 443.

Mr. COULTER. I suspect the difference is the fact that practically every year the Department of Commerce after a few months revises withdrawals from warehouses—

Senator CLARK (interposing). For imports on the free list, you have a figure for 1929 of \$2,941,000,000, and the official figure for imports for consumption for 1929 is \$2,880,000,000. You adopt the figure for imports for consumption of \$1,458,000,000, which differs materially from the figure in the official figures of the imports subject to duty of \$1,556,000,000.

Mr. COULTER. How much is the difference?

Senator CLARK. \$8,000,000.

Mr. COULTER. \$8,000,000 out of one-billion-and-some-dollars. If it were \$10,000,000, it would not represent the changes made by the Department of Commerce, probably 3 or 6 months later from the revision. There is always a small quantity being withdrawn from warehouses and included in one set of figures.

Senator CLARK. In 1930, you list imports on the free list of \$2,028,000,000, and you list figures for general imports at \$2,051,000,000. The official figures for imports for the same is \$2,081,000,000. That is a matter of some \$60,000,000.

Mr. COULTER. Less than one-half of 1 percent, it might represent the changes made by the Department of Commerce in their revisions. They are always revising this figure on a little later revision than the published report. We have to take the published report, and their final revision, very carefully done, make those slight differences, but the figures which you are reading does not make a difference of 1 percent.

Senator CLARK. Instead of using either the "Import for consumption" or the "General imports" and indicate your change, if you do make a change, you choose, rather, to subtract the dutiable imports for consumption from the total general imports and simply arrive at an imaginary figure.

Mr. COULTER. No; I would have to take—

Senator Clark (interposing). In other words, your figures apparently do not agree with either one of the sets of official figures.

Mr. COULTER. Mine were taken from the Statistical Abstract. I will be glad to have them verified. I will be glad to do that, because I know that it would not differ 1 per cent. I know it would merely represent their latest revision, and always I like to have their latest revision.

Senator CLARK. Now, Doctor, let me ask you if it is not also a fact that, in setting up your figures, you completely ignored the fact that many of the products which in 1929 under the then-existing tariff were entirely free from tariffs and were made dutiable under the Hawley-Smoot Tariff Act, and in addition some products which were dutiable in 1929 were made free under the Hawley-Smoot Tariff Act. Did you give any effect to those?

Mr. COULTER. I took the figures as presented by the Department of Commerce—

Senator CLARK (interposing). As to commodities, you did not pay any attention—

Mr. COULTER (interposing). I did not change their figures.

Senator CLARK. For instance, I did not make this statement myself, but it was made at my request by the proper authorities. The Tariff Act of 1930, I am informed, transferred articles valued at \$212,000,000 in 1929 from the free to the dutiable list and articles valued at \$41,000,000 in 1929 from the dutiable list to the free list—a net amount of \$171,000,000 of articles transferred from the free to the dutiable list?

Mr. COULTER. That is correct.

Senator CLARK. Therefore, it would seem that the 1929 duty on free and dutiable are not comparable figures.

Mr. COULTER. Within a range of one or two points. Even if I had changed the groups and added one group and subtracted the other, you would not have had a difference of more than a few points; therefore, I thought it best not to change their figures.

Senator CLARK. This is also a fact, is it not, Doctor, that in the middle of 1932, that excise taxes on copper, petroleum, and certain classes of lumber were imposed which had previously been free of duty, so that for about half of the year 1932, imports of such products were included in the dutiable imports, increasing the total dutiable imports by the corresponding amount and making the unadjusted 1932 dutiable figure noncomparable with the 1929 dutiable imports?

Mr. COULTER. The Commerce Department interprets merely for statistical purposes that excise tax, and I believe later they also include the processing tax on the first processing on an imported—

Senator CLARK (interposing). I do not want to get into the question of processing taxes now.

Mr. COULTER. You are bringing in this other.

Senator CLARK. That in itself is a very interesting problem.

Mr. COULTER. The two are identical.

Senator CLARK. That is perhaps true; I don't wish to argue that. But excise taxes for the purpose of free and dutiable are on the same footing as dutiable articles.

Mr. COULTER. The same as processing and the same as dutiable and I used the Commerce figures. If they wanted to classify them that way, I thought I would not make the deduction.

Senator CLARK. To show a strictly comparable situation, adjustments should be made in the 1932 figures with reference to those

products which were free in 1929 but dutiable in 1932, should they not?

Mr. COULTER. I would not want to criticize the Department, because I think it is so immaterial. The total difference, even if they changed it, would make a difference of only one or two points.

Senator Clark: The figures furnished me by the Commerce Department are that when such adjustments are made, the comparison shows that imports of dutiable products declined 73.9 percent compared to a decline of 66.8 percent for free imports between 1929 and 1932.

Mr. COULTER. Which is a very small difference. You see, the total collapse—

Senator CLARK (interposing). But it is very different from your statement that they are exactly the same.

Mr. COULTER. The word "exactly" might be, but they used the margin of possible error in their report, too. As a matter of fact, their report is not supposed to be exact. It is a foreign invoice value put on the invoices. If you import tin from India, what value do you put on it? The landed value here? That is what England would put on. We put the foreign invoice value on it. If that tin were shipped from India to England and be imported here from England, we would put the English value on it. The margin of error there is three or four times as great as this minor change which they make.

Senator CLARK. If you want to stand on the proposition that an error of 1 percent in the table of an eminent statistician is unquestionable, that is all right with me.

Mr. COULTER. I stand one thing, that I quote the Department of Commerce on procedure and the margin of error between using foreign invoice value and a landed cost or landed price accounts for vastly more than that, and that anyhow we are talking of a collapse of 69 or 70 percent, and we are not quibbling about a change of a fraction of 1 percent.

Senator CLARK. Now, I wanted to ask you one other question. You laid a great deal of emphasis this morning on the question of the depreciation of foreign currency in connection with reciprocal trade agreements in which you seem to draw the conclusion that the reciprocal trade-agreements policy ought to be discontinued by reason of the fact that foreign currencies might be depreciated. Now, if you were to abandon the foreign trade agreements entirely and repeal the act of 1934 instead of proposing to extend it, and abrogate all of the treaties, what protection would you have then against depreciation of foreign currencies?

Mr. COULTER. I would have the protection of the United States Senate, which I know would proceed at once to set up a really constructive program. I believe they would, and I believe that they may not feel that this is the time, or that they have the time right now to make such treaties with those countries.

Senator CLARK. You still would have to deal with each situation as it arose. You said this morning that you could not have any settled policy like reciprocal trade treaties, because to meet all of these various situations it would be necessary to change that policy five or six times in a day. Do you think that the Congress of the United States could deal better with each particular situation as it arose, which might be five or six times in a day?

Mr. COULTER. No.

Senator CLARK. I have seen on one or two occasions a bill pass both Houses in 1 day, but it has been so rare that you can count the number of times that it has happened upon the fingers of one hand.

Mr. COULTER. I think that Congress one of these days, in its wisdom, and I have watched and studied this record for the period of its existence, will set up something more adequate than is now provided by general statute. But don't you for a moment think that you have not already provided by general statute. Turn, if you please, to section 337 of the Tariff Act of 1930, or turn back to an original section in the Tariff Act of 1922, and you will find there a very definite program set forth for quick and immediate action in cases of foreign unfair methods in competition. Every economist and every authority who has studied this thing carefully will tell you, and I know that the courts, if they followed the general court procedure in this and other countries, would rule that a depreciation of currency would be considered the same as exchange dumping. And you have a very complete statute set up covering that, which is supplementary to section 337.

You see, on the Tariff Commission, we dealt with those things and dealt speedily, and the Tariff Commission makes an immediate investigation and report.

The CHAIRMAN. You said this morning, though, Doctor, you said this yourself, that the provisions of the flexible tariff were too cumbersome as administered by the Tariff Commission to be of any advantage in an emergency.

Mr. COULTER. That was only section 336 and the provision for changing rates, but for unfair methods of competition in international trade and for foreign discriminations, section 338, which runs over many pages and many subsections, there is very quick provision. I know of cases where the Tariff Commission had matters called to their attention and within a very few days called it at once to the President's attention, and he either acted at once or, through the State Department, called it to the attention of the other country to get a quick remedy.

Senator CLARK. As you cited this morning in the case of Belgium, there is absolutely nothing to prevent the State Department under any system from making representations.

Mr. COULTER. That is true.

Senator CLARK. That is always possible unless we abolish the State Department entirely. I understand that even the National Association of Manufacturers is not recommending that.

Mr. COULTER. No; indeed.

Senator CLARK. Not at this time.

Mr. COULTER. They have never gone into any such foolish suggestion. But merely because you have an authority to act does not take the place of an automatic action with your discussion following it, and I beg leave to suggest that this is not an offhand opinion, but it is supplementary to implement in a more effective manner provisions which were made by Congress and which have been on the statute books and in operation for a period of many years.

Senator CLARK. Now, Doctor, don't you think that the illustration which you supplied us with this morning in the case of Belgium was a very excellent illustration of the fact that when Belgium had an

agreement with us which they conceive to be probably to their advantage because of the way they made it and the way they acted, and we conceived it to be to our advantage because we entered into it, that they preferred to correct the situation about which we complained rather than that we proceed under the escape clause to abrogate it?

Mr. COULTER. May I answer that?

Senator CLARK. Yes, that is the reason I am asking you.

Mr. COULTER. I would say that that was certainly better than nothing, but let me give you a good illustration, now that you have raised it, of a specific case.

There was a factory—I will say that there were five factories—which had started into the production of making a given commodity. That commodity was being made in Belgium; also in France and in Italy. The Belgian agreement was put into effect, let us say, May 1 of 1935. These factories were distressed and disturbed because it lowered the rate of duty on this article from 35 percent to 20 percent. They discussed the question "Can we meet that competition? The tariff has been reduced from 35 percent to 20 percent."

The biggest factory—and the name is no secret, I take it—LaFrance Industries—a great weaving concern—largely cotton commodities, said at first that they would try to continue making that article under the reduction in the duty from 35 to 20 percent, and they were in considerable quantity. Within a year they had produced over 2,000,000 square yards of a certain kind of floor covering, largely of cotton material. But when, a day or two afterward, the Belgians departed from the old ratio between the Belgian franc and the dollar by currency depreciation or devaluation, a few days afterward, LaFrance Industries and the other factories making this commodity, said, "That wipes out the whole tariff." It not only reduced it from 35 to 20, but they said, "It wipes out the 20 percent." They said, "We have no protection."

Now, an actual import commenced to come in in greater quantities, and actually now, not only that factory but the other three or four factories all closed that division and those workmen were left out of employment entirely until they go on Federal support, and the cotton that should have been going into those floor coverings was plowed under. We are struggling now to find some other way out of all of this.

Senator CLARK. That same situation would happen whether you had a reciprocal trade agreement or not.

Mr. COULTER. No.

Senator CLARK. You say it wiped out all the duty?

Mr. COULTER. It wiped out all of the duty. If we had not had a trade agreement, there is no doubt but what that is the kind of a case which would have immediately come before the Tariff Commission as an unfair method of competition in foreign trade and a proceeding empowered under section 337 to take cognizance of that and to impose a countervailing compensatory duty. France and Canada and other countries do it. We do not.

I am not saying that should be put into the trade agreement; I am just saying that I believe that either you should have an automatic cut-off of a trade agreement if a foreign country by currency manipulation changes the status, or an automatic application of a compensatory duty and then discuss it after. Put it into effect and then discuss it after. I merely suggest that as two other approaches to it.

It is not a new subject, it has long been considered, Congress has legislated on it, and the present legislation is inadequate, and it is no worse because of the trade-agreement policy.

Senator CLARK. You spoke this morning at some length about the matter of the most-favored-nation clause and its application. I would like to read to you an instance cited in the book on Reciprocity by the Honorable William S. Culbertson, who was formerly a member of the Tariff Commission, as you know. He simply cited it as one illustration on the way in which the most-favored nation works very greatly to the advantage of the United States in certain instances. This is again a case dealing with Belgium.

He says on page 81:

The agreement with Belgium, dating from May 1, 1935, had scarcely come into force before the Brussels Government concluded with France a reciprocal lowering of tariffs on automobiles and automobile parts below the rates established with the United States. Three months later Belgium did the same thing with Germany in a long list of manufactures, including tools, safety razors, typewriters, calculating machines, and electrical apparatus. A similar agreement between Belgium and Italy brought to the United States lower rates on borax, silk and rayon fabrics, ties, and sheet iron for automobiles.

That is an illustration, is it not, of the way in which the most-favored-nation clause would work very much to the advantage of the United States?

Mr. COULTER. We would have gotten all of those things—

Senator CLARK (interposing). We did get them all.

Mr. COULTER. We would have gotten all of those things without the agreement with Belgium, because we already had a commercial treaty with Belgium. We did not gain anything there. Belgium does not have a three- or four-column tariff. We would have gotten those lower rates as soon as Belgium put them into effect without any trade agreement.

Senator CLARK. As it is stated here, these were the results of a special negotiation between Belgium and these other countries quoting special favors to those countries.

Mr. COULTER. But under the commercial treaty we had with Belgium, we would have gotten those concessions.

Senator CLARK. If we had been accorded most-favored-nation treatment and they would have been accorded most-favored-nation treatment under the commercial treaties, there was no change, then.

Mr. COULTER. That is true; there was no change on that point.

Senator CLARK. Then it seems that the criticism of the most-favored-nation clause is not well taken?

Mr. COULTER. I say that the unconditional most-favored-nation clause in the commercial treaties is what we have all advocated for many years.

Senator CLARK. Mr. Chairman, I ask to insert in the record a discussion of this matter on the most-favored-nation clause from Mr. Culbertson's book Reciprocity into the record, at pages 67, 68, and 69 thereof.

The CHAIRMAN. That may be done.

(The same is as follows:)

MOST-FAVORED-NATION PRINCIPLE

Fundamental in Mr. Hull's program of enlarging the volume and simplifying the flow of trade is the unconditional most-favored-nation principle, a principle introduced into our treaty structure by Chief Justice Hughes when he was Secre-

tary of State, extended by both Mr. Kellogg and Mr. Stimson when they were in charge of our foreign affairs, and now transformed into an active policy by Mr. Hull.

In a hitherto unpublished letter to Mr. Hughes, dated December 14, 1922, I wrote as follows on the two forms and interpretations of the principle:

"Our traditional most-favored-nation policy (until 1922) dates from 1778. It is based upon the idea that treaty bargaining concerns primarily only the contracting states and that a reduction, made upon the 'condition' that certain reductions be made by the other party, is not to be granted to any third power unless that power gives an 'equivalent' concession. This 'conditional' interpretation of the most-favored-nation principle extends to country B the concessions we granted to country A for a consideration only if country B makes concessions to us equivalent to those made by country A. At first glance this principle seems eminently fair. It has the appearance of equality and was adopted with the idea that it offered, if not equality of treatment, at least the opportunity to secure equality of treatment on a reasonable basis. It was inaugurated at a time when tariff rates were of minor importance as compared to the right to trade at all and to the right of equal treatment for national vessels. Trading and navigation rights in those days were bargained for as entities without too narrow an examination of the question whether the rights exchanged were not perhaps somewhat more valuable to the one than to the other country. But the old navigation laws are now a thing of the past, and international commercial policies are dominated by tariff rates and regulations. Most of the European powers have two-column tariffs and except in a few cases tariff negotiations have developed into statistical controversies over the relative value of the concessions to be made. This has rendered it almost impossible to arrive at any agreement upon the equivalent concessions to be made by the third party. In practice, therefore, the conditional interpretation of the most-favored-nation clause has broken down. In some cases the United States has taken the extreme position of asserting that the third country could offer no equivalent concession because the value of the original concession consisted in its being exclusive. Our most-favored-nation policy, therefore, which may once have been justifiable and effective, has become sterile, or, insofar as it is effective, its results are quite different from those originally sought. Instead of contributing to equality of commercial opportunity among nations, it has become the support of discriminatory reciprocity treaties—a policy again rejected by Congress within the last few months * * *

"The conditional most-favored-nation principle affords us no security against discriminations in foreign countries and in this period of reconstruction, when many countries are revising their treaties and reconsidering their grants of most-favored-nation treatment, the conditional most-favored-nation principle is liable to be applied against us, as it has been on one or two occasions in the past. Moreover, since 1914 our interest in the commercial policies of other nations has increased. Our export trade has grown in volume and variety. We have become more and more dependent on foreign sources of raw material. The volume of our foreign investment has expanded. Our selfish national interest, therefore, indicates this as the time when we should adopt an active policy to safeguard our interests in markets and in sources of raw material in foreign countries. This active policy, as contrasted with our passive and negative attitude in the past, should consist of a frank abandonment of the conditional most-favored-nation policy and the adoption of a program of revising and completing our commercial treaties on the basis of the unconditional most-favored-nation principle, that is, the principle of embodying in commercial treaties reciprocal pledges that concessions made by either party to a third power should be immediately and automatically extended to the other party to the treaty.

"This policy is clearly in line with recent legislation. Section 317 of the Tariff Act of 1922 empowers the President to make effective the principle of equality of treatment in our foreign trade relations. In the words of the conferees, who gave final shape to this act:

"The United States offers, under its tariff, equality of treatment to all nations, and at the same time insists that foreign nations grant to our external commerce equality of treatment. * * *

"Now that Congress has taken a definite stand for the policy of equality of treatment, it would seem to follow logically that in the revision of our commercial treaties we should adopt the unconditional form of the most-favored-nation clause. Thereby we should establish a treaty basis on which to insist upon equality of treatment for our citizens and products in foreign markets. The unconditional form of the most-favored-nation clause is the simplest application to commercial intercourse between nations of the equality-of-treatment principle and tends

powerfully to prevent discriminations against third countries and all the ill-feeling, distrust, retaliation, and international friction incident thereto. * * *

"Under the unconditional form when country X has pledged most-favored-nation treatment in its treaties with other countries (as in fact all the other leading commercial nations have done), a new concession made at any time or in a later treaty by country X to any country is automatically and immediately extended to all the nations having most-favored-nation treaties with country X. The result is that every such country is assured that so long as its treaty stipulations are honestly carried out its commerce with treaty countries will never be placed at a disadvantage. Thus, when all countries follow the unconditional most-favored-nation practice, equality of treatment is guaranteed generally and tendencies are set in motion contributing to commercial stability, simplicity, and uniformity of tariff rates, mutual confidence, and international goodwill."

Senator CLARK. Also I would like to call attention to the fact that the Department of Agriculture informs me that Secretary Wallace did not include the United Kingdom in his figures to show the increase in United States exports to agreement and nonagreement countries with reference to wheat and wheat flour when he supplied the following memorandum for the record, which is set out here, and which I presume is the one to which you referred this morning, Doctor. The memorandum of the United States exports of wheat and wheat flour to the 16 agreement countries rose from an annual average of 7.5 million dollars during 1934 and 1935 to an average of 27.9 million dollars during the three years from 1936 to 1938. This was a proportional rise of 270 percent. Wheat and flour exports to all other countries rose only 147 percent for the same period. They went from 13.6 million dollars for the 1934-35 average to 33.6 million dollars for the 1936-38 average.

Is that the memorandum to which you referred?

Mr. COULTER. I don't know whether it is.

Senator CLARK. I will let it speak for itself in the record.

Mr. COULTER. But the Department did include in the House proceedings over a space of probably 15 pages—it listed a great series of important items, and it included the United Kingdom and the colonies as among those with whom the agreements had been negotiated even when they quoted the 1938 figures, and the agreements were not yet in effect.

Senator CLARK. That is all, Mr. Chairman.

(Subsequently Senator Clark requested that the following letter from the Acting Chairman of the Tariff Commission to Chairman Doughton of the House Ways and Means Committee, together with an accompanying memorandum of the Commission regarding certain points in the address delivered by Mr. Coulter at Denver, Colo., be inserted in the record. This letter and memorandum appeared on pages 914-916, of the hearings held by the Ways and Means Committee on the pending legislation.)

UNITED STATES TARIFF COMMISSION,
Washington, February 10, 1940.

HON. ROBERT L. DOUGHTON,

Chairman, Ways and Means Committee, House of Representatives.

DEAR MR. DOUGHTON: Representative Woodruff, of your committee, while Assistant Secretary of State Grady was testifying before the committee, asked to have inserted in the record of the hearings on the extension of the Reciprocal Trade Agreements Act a portion of an address by the Honorable John Lee Coulter before the American Livestock Association at Denver, Colo., January 12, 1940, in which address, among other things, Dr. Coulter said: "The lapse in foreign trade, 1929-32, was not related to tariff acts in this country or foreign countries * * *." Mr. Woodruff requested an official report from the Tariff Commission on that

statement. The memorandum attached takes up the five points which Dr. Coulter raised in support of that statement in his address and discusses them.

Sincerely yours,

OSCAR B. RYDER, *Acting Chairman.*

MEMORANDUM REQUESTED OF THE TARIFF COMMISSION BY MR. WOODRUFF
REGARDING CERTAIN POINTS IN THE DENVER ADDRESS OF DR. COULTER

The extract from Mr. John Lee Coulter's address before members of the American Livestock Association in Denver, Colo., on January 12, 1940, as submitted for the record by the Honorable Roy O. Woodruff, of Michigan, refers to the following five points as regards the changes in our tariff by the act of 1930 and as regards the changes in trade between 1929 and 1932:

(1) " * * * that two-thirds of our imports were already on the free list and were left on the free list * * * "

(2) " * * * that the decrease in value of imports on the free list was exactly at the same rate as decrease in value of dutiable imports. "

(3) " * * * that value of exports to all foreign countries fell to exactly the same rate * * * "

(4) "The combined reduction in value of world imports into 109 countries represents a decrease of about 60 $\frac{1}{4}$ percent between 1929 and 1932. In other words, the decrease in the world as a whole was almost exactly the same as the decrease in the United States. "

(5) "What has been said with reference to the falling off in value of imports applies equally with reference to value of exports. "

The data available with respect to the above points are as follows:

Point 1.—In 1929, 66.4 percent of the total imports (for consumption) into the United States entered free of duty. In 1931, after the passage of the Tariff Act of 1930, the ratio was practically the same, 66.6 percent, and in 1932, during the middle of which revenue taxes, having the same effect as duties, were imposed on several important articles that had been free of duty in 1929, the ratio was again substantially the same, 66.8 percent.

The uniformity of these figures, however, must be considered in the light of the following facts:

(1) The Tariff Act of 1930 transferred from the free to the dutiable list articles of which the imports in 1929 had been about \$212,000,000 and transferred from the dutiable to the free list articles of which the imports had been about \$41,000,000. If these shifts from the dutiable to the free list, and vice versa, are taken into account, it will be found that of the total imports in 1929 those which were free of duty following the act of 1930 accounted for 62.4 percent as compared with the 66.4 percent which entered free in 1929.

(2) In June 1932 unmanufactured copper and petroleum, which had been free of duty in 1929 and remained free under the Tariff Act of 1930, were subjected to import excise taxes, the effect of which is the same as that of duties. There were, however, important qualifications as to the application of these taxes, as set forth hereinafter. An import excise tax was imposed also on lumber, including that which had been transferred from the free to the dutiable list by the act of 1930 as well as on lumber of other species that had remained free of duty under the act of 1930.

The total imports in 1929 of copper, petroleum, and the classes of lumber which remained free under the Tariff Act of 1930 were valued at \$304,000,000.¹ It is impossible, however, to use this figure for the purpose of adjusting the ratio of free to dutiable imports in 1929 as was done above in the case of the shifts from the free to the dutiable list made by the Tariff Act of 1930, for the following reasons: The revenue tax on imported copper actually consumed in the United States is 4 cents per pound, but copper may be brought in free under bond for smelting or refining, the finished product being exported, or if the tax is paid, there is a drawback if the copper enters into manufactured articles which are subsequently exported. As a matter of fact, nearly all the copper which has been imported since the tax was enacted in 1932 has been free of tax or has had the benefit of drawback. In the case of the taxes on petroleum there is a provision that fuel oil for bunkers shall continue free, and a considerable proportion of the imports of all petroleum since 1932 have entered free under this provision.

¹ The Revenue Act of 1932 also imposed a tax on imports of coal provided that it should not apply on imports from any country which took more coal from the United States than it sent to the United States. By reason of most-favored-nation agreements, this exemption was later applied to imports from certain other countries even though imports from them were greater than our exports to them. The amount of coal which has actually paid the tax is relatively small, and the figures are disregarded in this analysis.

Disregarding these complexities regarding the import excise taxes, it is apparent that if there has been no change in the relative importance of different individual commodities in the trade (as affected by quantity and price) the proportion of imports entering free of duty in 1932 would have been lower than the proportion entering free of duty in 1929 by substantially the difference between the two percentages given above (66.4 and 62.4). But there were decided changes in the relative importance of the individual commodities, and it is these which caused the proportion of imports actually entering free in 1932 to be slightly higher than the proportion actually entering free in 1929. These changes in the relative importance of commodities were due in part to the fact that increases in rates of duty (including transfers from the free to the dutiable list) by the Tariff Act of 1930 tended to cause a greater decrease in the imports of many dutiable articles than occurred in the imports of articles which remained free of duty, considered as a group, and in part to factors growing out of the depression which affected imports of different commodities in different degree.

The number of articles on a nation's free list and the proportion of its imports actually entering free of duty may or may not give an indication of its tariff policy. Even in countries which pursue a high tariff policy there is ordinarily a considerable free list, consisting largely of commodities which the country cannot produce at all or produces only in quantities insufficient for domestic requirements. These free articles may constitute a high percentage of total imports because of the restrictive effect of duties on imports of competitive articles. If the duties of a country on competitive articles were high enough to be practically prohibitive, the proportion of duty-free goods in its actual imports would approach 100 percent.

Point 2.—If the imports (for consumption) actually entered free of duty in 1929 be compared with the imports actually entered free of duty in 1932, the percentage decline would be almost identical with that in the dutiable imports, namely, 69.3 percent for the free articles and 69.9 percent for the dutiable. This practical identity of the two percentages of decrease necessarily follows from the practical identity of the two percentages given in the first paragraph of point 1. All the observations made with respect to point 1 apply equally to point 2.

Point 3.—The total value of United States imports (general)² from all countries declined between 1929 and 1932 from 4,399 to 1,323 million dollars or by 69.9 percent. The total value of United States exports (including the small reexports of foreign goods) declined from 5,241 to 1,611 million dollars or by 69.3 percent.

Point 4.—Decreases in imports of the world (109 countries) and in the imports (general) of the United States between 1929 and 1932 are compared in the following table:

{Millions of dollars}

	1929	1932	Percent change
United States.....	4,399	1,323	-69.9
Other countries.....	31,137	12,609	-69.5
Total (109 countries).....	35,536	13,932	-60.8

Point 5.—Decreases in the exports of the world (109 countries) and in the exports (including reexports) of the United States between 1929 and 1932 are compared in the following table:

{Millions of dollars}

	1929	1932	Percent change
United States.....	5,241	1,611	-69.3
Other countries.....	27,579	11,004	-60.1
Total (109 countries).....	32,820	12,615	61.6

² For the purpose of comparing the proportion of free and dutiable imports, it is more appropriate to use imports for consumption as in point 1; but for comparison with exports (including reexports) and for comparison with the trade of other countries, general imports, including some articles which are subsequently reexported, are the more appropriate basis.

Mr. COULTER. May I make one reference? I was asked the question this morning by one of the members of the committee with reference to wages and only gave a partial answer. I would like, if I may, to supplement that in the record immediately following the part included in my testimony when I come to look over the record, if I may.

The CHAIRMAN. There is no objection.

Mr. COULTER. Just during the recess I find that in fact the average money hourly earnings of the manufacturing industries in the United States did increase from an index of 100.5 in 1934 to 116.1 in 1939, which is about 16 percent increase in money hourly wage.

In money weekly earnings, it increased from 72.3 to 90, which is an increase of 18 points.

In real weekly earnings, which would take into account the difference in cost of living, from an index of 91.1 to 105.8, which is 17 percent.

Those figures come from the National Industrial Conference Board. The Department of Agriculture publishes a somewhat similar figure for industrial wages, but they only use wages in the manufacturing industries in New York State, and the wage index there increased from 183 to 217.

Senator LODGE. Are these wages confined to those industries which have been the subject of trade agreements?

Mr. COULTER. No.

Senator LODGE. Can you do that?

Mr. COULTER. I doubt it, but I will be glad to include that if I can find the data.

Senator LODGE. I think that would be very pertinent.

Mr. COULTER. Let me add just one other sentence, that the Bureau of Labor Statistics show that the average hourly earnings in all manufacturing industries has increased from 54.8 cents per hour in 1934 to 63.9 cents per hour, an increase of about 9 cents an hour, or a gain of about 15 percent, between 1934 and the last report available.

I would like also, if I may, because the question was asked and there was some discussion, to supplement with a page or so such data as are available so that it will be available in the record.

Then I wonder, Mr. Chairman, whether it would be reasonable for me to ask that my brief statement of some 7 or 8 typewritten pages be printed consecutively as a straight statement rather than scattered through a lot of discussion, so that the Members of the Senate who might want to look it over would get the full statement concisely without all of the intervening discussion. Would that be taking up too much space in the record?

The CHAIRMAN. It would not be taking up too much space, but to put the questions in one part of the record rather than as the record developed, might not be intelligible. There is no objection if you want your statement to be printed as you suggest.

(The data requested were furnished and are as follows:)

WASHINGTON, D. C., March 4, 1940.

HON. PAT HARRISON,

*Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.*

HONORABLE SIR: On Friday, March 1, when I was before the Finance Committee as a witness in connection with the proposal to extend the Reciprocal Trade Agreements Act (as provided in H. J. Res. 407), the question was asked whether there had been any important change in the average hourly earnings for

wage earners in manufacturing establishments between the time of the passage of the original Reciprocal Trade Agreements Act and the present time. I did not have detailed data immediately available, but promised the committee that I would submit a brief statement to accompany my testimony. Authorization to do this was approved by you as chairman.

Attached hereto you will find a brief table comparing average hourly earnings for wage earners in 25 manufacturing industries in December 1934 with December 1939. You will note from the table that these averages have been compiled from the reports of the National Industrial Conference Board.

Sincerely yours,

JOHN LEE COULTER,
Consulting Economist,
National Association of Manufacturers.

Comparison of average hourly earnings for wage earners in 25 manufacturing industries December 1934 to December 1939

Industry	December 1934	December 1939	Percent of increase
25 manufacturing industries.....	\$0.594	\$0.776	+30.0
Agricultural implement.....	.646	.810	+25.4
Automobile.....	.765	.980	+28.1
Boot and shoe.....	.543	.607	+11.8
Chemical.....	.605	.806	+33.6
Cotton, north.....	.438	.546	+24.7
Electrical manufacturing.....	.071	.852	+27.0
Furniture.....	.514	.676	+31.5
Hosiery and knit goods.....	.526	.681	+29.5
Iron and steel.....	.650	.850	+30.8
Leather tanning and finishing.....	.551	.685	+24.3
Lumber and millwork.....	.488	.682	+40.0
Meat packing.....	.560	.716	+27.9
Paint and varnish.....	.570	.739	+29.6
Paper and pulp.....	.538	.660	+23.8
Paper products.....	.518	.680	+31.3
Printing:			
Book and job.....	.719	.913	+27.0
News and magazine.....	.854	1.033	+21.0
Rubber.....	.772	.976	+26.4
Silk.....	.560	.582	+3.8
Wool.....	.516	.658	+27.5
Foundries and machine shop.....	.584	.772	+32.2
1. Foundries.....	.595	.759	+27.6
2. Machines and machine tools.....	.629	.774	+23.1
3. Heavy equipment.....	.624	.768	+26.3
4. Hardware and small parts.....	.537	.785	+36.0
5. Other products.....	.567	.788	+39.0

Source: National Industrial Conference Board.

Mr. COULTER. That is, the complete statement would be shown so that it would be possible for the members of the Senate, if they so desired, to read it concisely in its uninterrupted text.

The CHAIRMAN. There was one gentleman asked that his full statement be printed so that he could get some extra copies, but, I suppose the National Manufacturers Association can afford to do that.

Mr. COULTER. It is only that members of the Senate might have consecutively the five or six points which I had prepared.

The CHAIRMAN. Do you think it is possible to put the questions in one place and the statement in another place consecutively? If, as a matter of mechanics, it can be done, I will say that there is no objection. You do not think that the questions that have been put add to the statement?

Mr. COULTER. Yes; I think they decidedly do. They gave me an opportunity to amplify, but there is a consecutive relationship of the five or six points which I tried to make, and some of the members

might want to see the whole story and then go back and review the discussion on the particular points. And may I have an opportunity to look at the record so that I may make any necessary revisions?

The CHAIRMAN. You will have that privilege.

Mr. COULTER. Thank you very much.

(By direction of the chairman, the prepared statement of Mr. Coulter is printed at this point as follows:)

Parties represented.—A list of organizations in the upper Mississippi and Missouri River Valleys in addition to the tariff committee of the National Association of Manufacturers, who invited me to make a detailed objective study of the reciprocal trade agreements program and to represent them before the Congress of the United States, will be found in the proceedings before the Ways and Means Committee of the House of Representatives and need not be repeated here unless desired by the committee. The desire here is to avoid repetition.

Position taken.—I shall not repeat in detail the definite position taken by the National Association of Manufacturers or the many other organizations represented by me, nor restate the many reasons presented before the Ways and Means Committee why the reciprocal trade agreements program should not be continued; or if continued, why agreements entered into should either (a) be approved by the Senate as treaties, or (b) by both Houses of Congress as legislation intended to produce revenue or to regulate commerce.

Statistical and economic studies.—All of the statistical data and economic studies bearing upon these different aspects of the subject are now readily available in the printed hearings before the Ways and Means Committee and need not be repeated here unless desired by the Finance Committee or developed for discussion in response to questions which may be raised.

I. GENERAL DOWNWARD TARIFF REVISION INCONSISTENT WITH ENTIRE SERIES OF PROGRAMS TO ADVANCE DOMESTIC COSTS, PRICES, NATIONAL INCOME AND REVENUE FOR THE NATIONAL GOVERNMENT

Perhaps the most outstanding characteristic of national legislation and administration for several years has been the tendency to develop policies, each and every one of which has pointed in the direction of higher wages, shorter hours, higher taxes, and a multitude of other charges, all pointing in the direction of higher cost of production, higher prices, and recovery of national income to the levels of the post-war decade, 1921-30. It has been generally argued that when this broad program has been largely accomplished, revenue for the National Government will be ample without any new and additional taxes to balance the Budget and begin a liquidation of the national debt. Efforts have been made to harmonize money, banking, currency, and credit policies with those charges indicated. But when it comes to treatment of foreign trade, the whole program has been reversed, and instead of selective adjustment of so-called barriers to international trade carefully balancing each concession made by the United States against some concession made by a foreign country, the policy adopted seems clearly to indicate a broad general downward revision of the tariff in direct conflict with efforts to improve the wage-hour structure for labor and the price structure for agriculture.

II. DEBTOR-CREDITOR STATUS OF THE UNITED STATES AND RELATIONSHIP TO TRADE-AGREEMENTS PROGRAM

Proponents of the reciprocal trade agreements program continue persistently to point to the shift from debtor to creditor status of the United States between the pre-war period 1910-14 and the post-war period 1920-29. This one change in international economic status is constantly cited as sufficient justification for a complete unilateral downward revision of the tariff in order to stimulate a very large increase in volume of imports due (it is said) to the new creditor status of the United States. In this connection, two tremendously important factors seem to be constantly kept out of the picture:

(1) Leaving aside the 10- or 12-billion-dollar item of debt between European governments and the Government of the United States, statistics published by the United States Treasury and Department of Commerce would indicate that there is a great question of doubt whether the United States is now a net-creditor nation. In other words, investments of American nationals in foreign areas have been tremendously reduced during the last 10 years whereas investments of foreign nationals in the United States have tremendously increased, so that our

investments abroad and foreign investments in this country may at the present time be not far from balanced. In other words, the arguments constantly presented some years ago for a general downward revision of the tariff because of the shift from debtor to creditor status for this country no longer have such merit as they seemed to have at that time.

(2) The other group of factors quite generally waved aside and given little or no consideration is the fact that foreign trade (total volume of exports and imports) during recent years have represented no more than one-third of the total volume of international payments. Gold, silver and currency movements have become an overwhelming factor in international economic relations, and finally, such service items as freight, insurance, remittances of interest and dividends, immigrant remittances, travel, and a host of other items account for an extremely large percentage of total international payments. What is needed in this country more than any other one thing (in connection with our foreign economic relations) is a current record of transactions between the United States and each of the several foreign countries. This must include not merely movements of commodities, but payments of every character and investments and indebtedness of every sort.

III. THE PROBLEM OF FLEXIBILITY

Much was said before the Ways and Means Committee of the House of Representatives and in the debate before the House with reference to flexibility. But some would make it appear that the so-called flexibility provisions of the Tariff Acts of 1922 and 1930 were quite dormant during most of the period and that little was accomplished while in contrast, they would make it appear that the reciprocal trade agreements program is truly flexible. An objective survey of the two systems clearly indicates that the provisions of the acts of 1922 and 1930 provided substantial flexibility. Attached hereto is a one-page exhibit setting forth the extent to which investigations were carried forward under the acts of 1922 and 1930.

In contrast, an objective study would seem to disclose that flexibility is almost completely absent under the reciprocal trade-agreements program. Rates of duty or present rates are bound against change for a period of 3 years except as a result of negotiation between this country and a foreign country. If a foreign country is unwilling to negotiate, then it would appear that our own government is bound against change for a period of 3 years. Even court review or investigations under the provisions of section 336 of the act of 1930 are eliminated. What has been said with reference to binding items on the free list or binding present rates equally applies to the new lower rate structure incorporated in the agreements. And it applies likewise to the levy of new excise taxes or other revenue measures which might otherwise be provided by Congress. In substance it would appear, in fact, that a large degree of flexibility was provided under the Tariff Acts of 1922 and 1930 whereas an extremely rigid program is being incorporated under the reciprocal trade agreements which are being negotiated.

IV. ATTEMPTS TO SECURE MITIGATION OF FOREIGN TRADE BARRIERS IN THE FORM OF FOREIGN CONCESSIONS TO THE UNITED STATES, AS A BASIS FOR INCREASING OUR EXPORT TRADE, AS A MOTIVE FOR NEGOTIATING RECIPROCAL TRADE AGREEMENTS

Thus far, during the proceedings before the House of Representatives, great stress has been laid upon the idea that under the reciprocal trade agreements program the United States has been able to secure many so-called concessions from foreign countries intended to mitigate foreign trade barriers, thus resulting in an increase in the volume of exports from the United States. In this manner it has been urged the United States might at least hope to recover some of the foreign market formerly held for surplus agricultural products in the United States in addition to certain commodities of mass production. It has been argued that directly this would aid in the solving of the farm problem and indirectly, by providing employment in factories for the export market, would likewise aid in the solving of the farm problem. Statistics were presented before the Ways and Means Committee to demonstrate that an objective analysis of our export trade does not disclose any measurable benefits coming to the United States as a result of the so-called foreign concessions. In other words, while undoubtedly foreign countries have made gestures of friendship in the form of so-called concessions to us, they have proceeded to increase rather than decrease all manner of other devices such as (a) quota systems with licenses, permits, etc., (b) exchange control

programs, including blocked exchanges, etc., sometimes as an important revenue producer, (c) barter arrangements, compensation agreements, etc., (d) internal regulations and controls such as in the use of imported products in combination with or in lieu of domestic materials, and (e) a dozen other miscellaneous schemes, all having the same general effect as complete revision of their own tariff structure.

It would seem that the only objective approach would be to attempt to measure the results secured from the so-called foreign concessions in trade agreements thus far put into effect.

The first trade agreement negotiated under the present program did not become effective until September 1934. We may, therefore, take the first 8 months of 1934 as the last substantial period prior to the first trade agreement. It is unsatisfactory to go back to an earlier period such as 1932 or 1933 because of the complete change in international monetary relations due to currency devaluation, and so forth. In contrast, after September 1, 1939, a new World War had enveloped the leading countries of Europe. We may, however, take the first 8 months of 1939 as the most representative recent period available (especially since the new Canadian agreement and the agreement with the United Kingdom became effective January 1, 1939).

Attached hereto is an exhibit showing a comparison of our exports during the first 8 months of 1934 with the first 8 months of 1939. During the period in question, trade with 5 foreign areas was in constant or intermittent chaos due to invasions, revolutions, declared or undeclared wars, moral embargoes, economic sanctions, trade discriminations, etc. These five were Germany (including Austria and Czechoslovakia), Italy (including Ethiopia and Albania), Spain, Japan, and China (including Manchuria and the Chinese ports).

It would seem desirable in any objective analysis in the change of the export trade of the United States to segregate these from the total export trade. That has been done in the table submitted. The balance of our export trade is then divided between exports to trade agreement countries and exports to the other non-trade-agreement countries. Without going into detail at this point, it is sufficient to note that the statistics of the Government disclose no apparent gain in our volume of exports to the countries with which trade agreements have been negotiated.

V. FOREIGN EXCHANGE DEPRECIATION IS A FACTOR IN TRADE-AGREEMENTS PROGRAM

Foreign trade is probably affected more by changes in currency values in different countries than by changes in tariff rates. During the past 8 years there have been more fundamental changes in currency ratios than in rates of duty. Practically every important nation engaged in foreign trade has passed through a period of depreciation. Ratios between the currencies of the several nations change almost from day to day. In this field there are unquestionably more chaotic conditions than in any other phase of international economic relations. What the days, or months, or years ahead of us have in store no one can accurately foresee.

Changing rates of duty at the present time is the most hazardous in the history of modern business, so intimately related are the changes in currency values. We are well aware of the fact that escape clauses are included in trade agreements and that the administration has taken certain precautions, but it is impossible for the administration to know the hundreds of thousands of individual transactions in foreign trade which take place from day to day which are disastrously affected because of the impossibility of making adjustments under escape clauses, however well-intentioned they may be.

It is our judgment that further trade agreements should not be entered into, but if they are to be continued, provision should be made permitting immediate cancellation of the trade agreement in the case of any country as a result of further currency manipulation or changes in currency ratios. If such a provision cannot be included then provision should be made providing for the automatic application of compensatory duties equal in amount to the extent of foreign devaluations. If this provision were included as an immediate protection to American agriculture, industry and labor, supplementary provision might then be added for conversations to proceed looking toward such adjustments as might be deemed desirable. The important thing is that there should be automatic protection granted rather than merely a provision for a long, drawn-out discussion between the Government of this country and the government of some foreign country.

VI. MOST-FAVORED-NATION TREATMENT

The National Association of Manufacturers recognizes the place of most-favored-nation treatment in commercial treaties. We, however, call attention to the fact that reciprocal trade agreements are a very special or distinctive type of commercial treaty. Over a long period of years this subject has been under discussion and we have always taken the position that reciprocal trade agreements should be bilateral in character. Being bilateral in character, concessions granted by this country or received from the other country obviously cannot be extended under any most favored nation arrangement.

We desire also to call attention to the fact that there are two very distinctive types of most-favored-nation treatment; one of these is the conditional, the other is the unconditional.

The argument in favor of using the conditional most-favored-nation clause in connection with reciprocal tariff agreements has been well expressed as follows by the United States Tariff Commission, composed of such experts as Dr. N. W. Taussig, Dr. Thomas Walter Page, and others in its special 1919 Report on Reciprocity and Commercial Treaties, page 42:

"The evidences show that the conclusion of reciprocity treaties is likely to lead to claims from States outside the agreement, which, if granted, will defeat the purpose of the treaties, and which, if not granted, occasion the preferring of a charge of disloyalty to treaty obligations. The practice of making reciprocity treaties requires the conditional construction of the most-favored-nation clause."

We very definitely oppose the application of the unconditional most-favored national treatment as a feature of such reciprocal trade agreements are negotiated. Even when extension is granted under the conditional procedure, it would seem of the utmost importance that all foreign countries, in each case, make clear that they are extending concessions to the United States in return for concessions granted by this country. In the past we have, in fact, been extending all of our concessions to approximately 100 different tariff or trade areas and receiving most-favored nation treatment only from the small number with whom trade agreements have been negotiated or with which most-favored nation commercial treaties are in existence.

TARIFF COMMISSION OPERATIONS UNDER FLEXIBLE TARIFF PROVISIONS

Section 315 of Tariff Act of 1922, Section 336 of Tariff Act of 1930

Applications for rate changes.—(1) By Congress or committees; (2) by President; (3) by importers for lower rates, etc.; (4) by farmers, laborers, and manufacturers for higher rates or other changes; (5) by Commission action.

Number of applications:

Under sec. 315, Sept. 22, 1922, to June 17, 1940.....	603
Under sec. 336, June 17, 1930, to November 1939.....	289
Few since June 1934.....	892

Duplications:

Under sec. 315.....	176
Under sec. 336.....	0

Net commodities covered by applications..... 716

Indicating how generally acts of 1922 and 1930 were believed to be satisfactory.

United States exports (including reexports) first 6 months of 1934 and 1930, by groups of countries

(1,000 dollars)

	1934	1930	Increase 1930 over 1934	
			Amount	Percent
Total exports to all countries	1,030,053	1,410,427	379,374	33.4
A. Countries involved in wars, revolutions, etc.:				
Greater Germany	72,665	38,382	-34,273	-47.1
Germany	70,631	84,624	-30,007	-50.0
Austria	784			
Czechoslovakia	1,240	3,758	2,518	203.0
Italy	31,007	20,308	-4,729	-15.2
Spain	10,390	7,000	-12,367	-30.1
China, including foreign ports	43,493	44,940	1,450	3.3
China	37,046	28,755	-12,101	-32.1
Hong Kong	3,804	10,032	7,428	211.0
Kwantung	2,043	8,202	6,210	304.0
Japan	90,034	111,037	20,401	22.6
Total, war-stricken states	287,245	227,745	-29,500	-11.4
All other countries (groups B and C below)	778,608	1,187,682	408,474	52.5
B. Trade-agreement countries:				
Belgium	27,368	33,080	5,712	20.9
Sweden	15,076	39,008	23,932	159.0
Switzerland	4,420	5,874	1,454	32.8
Finland	2,495	0,267	3,762	110.7
Netherlands	28,080	41,504	12,805	44.5
Netherlands possessions	10,782	35,573	24,821	230.0
France	82,016	70,301	7,380	11.7
French Colonial Empire	5,610	0,633	4,017	71.5
United Kingdom	172,008	220,733	87,725	33.5
British Colonial Empire	20,113	38,308	18,265	90.7
Canada	149,840	201,708	51,928	34.6
Five Central American Republics	6,850	14,482	5,632	83.6
Haiti	1,022	2,292	340	37.0
Colombia	9,931	21,506	14,871	146.7
Brazil	18,671	33,307	14,698	78.7
Ecuador	1,111	2,181	1,070	96.3
Total, trade-agreement countries	530,700	787,806	248,100	45.9
Cuba	21,402	30,480	15,078	70.4
Total, including Cuba	561,102	824,376	263,184	46.8
C. Non-trade-agreement countries: Total, non-trade-agreement countries	221,120	374,238	153,118	69.2

¹ Excluding those involved in revolutions and declared or undeclared wars.

Many applications were dismissed without prejudice by the Commission after the sort of preliminary survey now made under Reciprocal Trade Agreements Act (a study of domestic consumption, production, exports, imports, prices, etc.). Applicants were advised that after a review of those data, new applications might be made. Worthy cases were carried on.

During the full period there were withdrawn:

Applications under sec. 315	0
Applications under sec. 336	16
Applications dismissed without prejudice after preliminary investigation seemed not to justify cost of production investigation:	
Under sec. 315	147
Under sec. 336	152
Applications pending under sec. 315 when act of 1930 was passed and pending applications were dismissed under sec. 336K	104
Total disposed of in this manner	419

Investigations ordered:	
Under sec. 315, applications covered.....	176
Under sec. 330, applications covered.....	123
Combined, applications covered.....	299
Total applications accounted for.....	718
Cost of production studies or detailed surveys ordered:	
Number of commodities under sec. 315.....	83
Number of commodities under sec. 330.....	114
	197

¹ Includes 2 cases returned by the President for further study.

THE CHAIRMAN. The next witness is Mr. Howard I. Young, representing the National Association of Manufacturers.

STATEMENT OF HOWARD I. YOUNG, ST. LOUIS, MO., CHAIRMAN OF THE TARIFF COMMITTEE OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

The CHAIRMAN. Did you appear before the House committee?

Mr. YOUNG. Yes, I did.

The CHAIRMAN. You may proceed.

Mr. YOUNG. Mr. Chairman and gentlemen of the Finance Committee of the Senate:

I wish to present you, as chairman of the Tariff Committee of the National Association of Manufacturers, the conclusions and recommendations of that association and of the Annual Congress of American Industry, held under its auspices, in New York City, December 6 to 8, 1930, with respect to the further extension of the Reciprocal Trade Agreements Act now receiving your consideration.

The tariff committee of the association is composed of some 35 members engaged in a variety of small and large manufacturing operations throughout the Nation. It is a standing committee which, among other things, has made a continuing study of the operation of trade agreements and, these studies, conclusions and recommendations were, in turn, submitted to the association and to the Congress of American industry with an attendance of more than 2,000 manufacturers operating in most of the States of the Union. I should like a list of the members of our committee to be incorporated in the record.

(Same as follows:)

NATIONAL ASSOCIATION OF MANUFACTURERS' TARIFF COMMITTEE, 1930

Chairman: Howard I. Young, president, American Zinc, Lead & Smelting Co., Inc.

Vice Chairman: A. C. Ackerman, president, Ackshand Knitting Co., Inc.

Fritz Anfeld, Textile Machine Works.

Royden A. Blunt, vice president and general manager, Buck Glass Co.

P. W. Bond, president, Modern-Bond Corporation.

Henry S. Bromley, president, North American Lace Co.

Willard D. Brown, president, Continental Mills, Inc.

Roe S. Clark, treasurer, Package Machinery Co.

L. J. Cox, assistant sales manager, Richardson Corporation.

H. L. Derby, president, American Cyanamid & Chemical Corporation.

P. C. Everest, president, Marathon Paper Mills Co.

Wirt Franklin, president, Franklin Petroleum Corporation.

G. Richard Freling, vice president, Erie Resistor Corporation.

P. J. Gibbons, secretary-treasurer, Vanadium Corporation of America.

J. W. Hooper, comptroller, American Machine & Foundry Co.

N. C. Jamison, president, Sauk River Lumber Co.

Mark Kelley, manager, Ozark Chemical Co.

J. L. Knipe, assistant director foreign department, Armstrong Cork Co.

Fred E. Loud, president, Murray Oil Products Co.
 R. W. Magill, president, the Kansas Milling Co.
 A. E. Mallon, vice president, Pillsbury Flour Mills Co.
 William L. Monro, president, American Window Glass Co.
 W. W. Nichols, assistant to chairman, Allis-Chalmers Manufacturing Co., Inc.
 C. M. Nicholson, president, Master Rule Manufacturing Co., Inc.
 V. S. Quinlan, Robbins & Myers, Inc.
 F. H. Ransom, president, Eastern & Western Lumber Co.
 R. J. Reynolds, vice president, Sumner & Co.
 J. R. Saville, president, The Pyrites Co., Inc.
 Hugo N. Schloss, treasurer, Liberty Lace & Netting Works.
 Karl B. Schinkman, president, York Band Instrument Co.
 W. H. Stanley, vice president and secretary, William Wrigley, Jr., Co.
 J. B. B. Stryker, president, Perkins Glue Co.
 I. N. Tate, vice president and secretary, Weyerhaeuser Sales Co.
 C. T. Treadway, president, the Horton Manufacturing Co.
 Guy A. Wainwright, president, Diamond Chain & Manufacturing Co.
 B. B. Williams, president, the Cooper-Bessemer Corporation.

Mr. YOUNG. The conclusions reached by the committee with respect to the extension of the Trade Agreements Act approved by the association and the Congress of American Industry, are as follows:

Conditions in international trade are so chaotic at present that it is recommended that the National Association of Manufacturers oppose negotiation of further trade agreements, including the revision or expansion of old agreements. Further expansion of the present program would not be in the interest of agriculture, industry, and labor.

The National Association of Manufacturers also recommends that when the Reciprocal Trade Agreements Act expires in June 1940, its further extension in its present form should be vigorously opposed.

We reaffirm our historic position of over 40 years in support of the basic theory of reciprocal trade agreements between nations, but any sound program for such agreements should provide that:

1. They be made only on a bilateral basis;
2. They be based on the findings of a nonpartisan scientific fact-finding committee, which would give all interested parties full opportunity to appear; and
3. They be approved by the Senate.

These recommendations are based on the following considerations:

1. Its appraisal of the results of the program over the 5 years of its operation, as embodied in its report.
2. Further reductions in our tariff duties violate all principles of prudence in view of the present chaotic conditions and the wholly unknown post-war situation.
3. The trade-agreements program in its present form of administration has abrogated one of the most important principles ever written into the United States tariff laws—the principle of flexible tariffs providing for changes up or down as changing conditions may warrant.
4. Unfavorable implications as to the effects of the program at the end of the war.

Dr. Coulter has presented the appraisal of the results of the program in his appearance this morning.

Before proceeding further, let me make a preliminary observation with respect to the National Association of Manufacturers in relation to tariff policy.

It is not a "high tariff" or "low tariff" organization. The difference of opinion among its members with respect to specific rates for any industry or commodity is as great as will be found in Congress. The association never, at any time, has dealt with specific rates. It has, however, been concerned about the means by which proposed rates should be determined. It originated and, for many years, advocated the establishment of an independent, nonpartisan, semijudicial Tariff Commission charged with a continuing study of the tariff, remaining an agency for its flexible adjustment upon progressive and accurate fact finding with relation to the comparative cost of production at home and abroad.

The Tariff Commission was thus to remain a fact-finding body advisory to the President and the Congress, Congress at all times being the policy-making agency. Furthermore, the association has always advocated and supported the negotiation, under normal conditions, of appropriate trade agreements by the Executive, bilateral in character and securing an exchange of reciprocal advantages limited, as nearly as practicable, to the specific nations involved.

May we direct your attention to the fact that when the Trade Agreements Act became effective the unconditional most-favored-nation clause was applicable to some 23 commercial treaties. Now, it automatically applies to any trade agreement negotiated and proclaimed, or which may be in the future and substantially all nations except Germany and its instrumentalities or any country found to be discriminating against the foreign trade of the United States.

We ask you to note further that all the trade agreements now in effect have been made for the maximum permissible period of 3 years and those which have expired during the life of the statute have by its terms been automatically renewed for an indefinite period, subject to termination upon not more than 6-months notice. It is likewise important to note that the authority conveyed by the terms of the statute includes the right to agree to a reduction or increase of specific duties within a range of 50 percent. Also included is the power to modify or repeal import restrictions, and the negotiating authority has interpreted its powers to include the modification of excise taxes and no agreement that they shall not be levied in the future during the life of particular agreements.

With this preliminary statement I beg to summarize our reasons for urging that this expiring legislation ought not to be renewed at this time and under existing conditions.

The CHAIRMAN. I had understood that it was not a unanimous recommendation of the committee.

Mr. YOUNG. That is true. It is a majority recommendation. The committee of 35 all voted for the recommendations that I stated, except two.

Senator LODGE. What was the vote?

Mr. YOUNG. Of the 35, all voted favorably but two.

Senator HERRING. That is of the committee? That does not represent the membership, does it?

Mr. YOUNG. The only answer I could give to that, Senator, is this, that when these recommendations are presented on the floor of the meeting—when they were presented on the floor of the meeting on December 8, there were approximately 2,000 people present at that meeting, and at that time there was no one voted against the recommendations as submitted for approval by the committee.

If it is extended, it ought then to be accompanied by the requirement that it would be limited, as a matter of prudence, to the negotiations of bilateral agreements only, and subject to ratification by the Senate.

To support these recommendations we urge:

First, that the power it is proposed to continue, in the face of present conditions, cannot be prudently and intelligently exercised. The conditions which confront you now, are not those presented when the original proposal was before you for consideration in 1934, nor when the statute was extended in 1937, for this nation is now confronted

with Europe and Asia convulsed in a chaos of war and a wreck of nations, and the further expansion of the conflict is unpredictable.

Within a few months Czechoslovakia, with which we concluded one of the first trade agreements, has passed from political life. Austria, with which we were about to negotiate, no longer exists. Finland, with which we concluded a treaty, is engaged in a desperate effort to preserve its life.

Who can say what States will endure? What will be the number and nature of their dependencies, their economic strength, their weakness, the value of their currencies, their capacity for production, the conditions of trade, investment, debt, and taxes? I am sure that you gentlemen will agree with me that no one can undertake to prophesy the outcome of the present struggle.

I know no representative businessman, no American industry that would undertake to bind itself to the marketing of its products under present conditions among any of the warring nations for a 2- or 3-year term. No management would take upon itself as the trustee for others, such extensive commitments to an uncertain future.

I do not know whether the contracts negotiated under this statute may be correctly described as agreements or treaties. I do know that by their terms they are international contracts between the United States and the particular nation with which they are concluded, and that they may effect, in equally binding terms, our trade relations with a hundred other States to which they are extended by the operation of the unconditional most-favored-nation clause.

Observe, gentlemen, that perhaps 25,000,000 of the youngest and most efficient of the world's population are now diverted from their normal activities either in the military service or production for armament. The combination of these military and economic forces is equal in number of all those who are now engaged in agriculture, forestry, mines, quarries, fisheries, and manufacture in these United States. The disbandment of these armies, and the diversion of military producers to normal activities, will, judging by the world's experience after the last war, present the most serious social and economic problems.

We are recognized as the best of the world's markets. At the conclusion of the present struggle this will be the market which every other nation will hope and attempt to penetrate. The trade agreements already negotiated were made at a time when the world was at peace and did not contemplate the chaotic conditions facing us today. How can we meet that which it is impossible to anticipate if we continue negotiations and agreements against an unknown future?

We are ourselves confronted with a primary national problem in the revival and development of existing industries, the creation of new ones, thereby sustaining and enlarging the demand for men and increasing our domestic employment. Appreciating that condition, we have limited through immigration legislation the entrance of foreign labor to compete with our domestic labor. But the efforts of foreign labor and the conditions which are embodied in the competitive products which we import add to the already excessive domestic unemployment problem. The importation of competitive goods is equivalent to the importation of the labor of those who make them.

We are particularly opposed to binding ourselves to further agreements for the introduction of alien production by agreements which

extend the advantages through the unconditional most-favored-nation clause to the many from whom we secure no reciprocal benefit.

Every trade agreement negotiated so far has been for the maximum permissible period of 3 years. We are now controlled by those arrangements which will automatically continue in force even if the Reciprocal Trade Agreements Act is not renewed and these agreements can only be abrogated on a 6 months' notice on the part of either contracting parties.

Second, however, if after careful consideration of all factors by your honorable body it is the judgment of your group that this act should be extended, we urge that prudence suggests at least two reasonable precautionary limitations:

1. Confine them to bilateral agreements with particular nations from which specific reciprocal advantages are obtained, and

2. Submit the ultimate agreement proposed to the only final protection afforded under our representative institutions, ratification by the Senate of the United States.

We are not urging upon your honorable committee a disapproval of the principle of reciprocal-trade agreements. We are urging that it is not a safe time in which to make them unless they are to be bilateral, and, for the present at least, subject to ratification or rejection by the Senate.

The CHAIRMAN. Thank you very much.

Senator CLARK. Mr. Young, you were not with the National Association of Manufacturers during the old Mulhall days, were you?

Mr. YOUNG. No, sir.

Senator CLARK. The gentlemen whose allegations of corrupt activities on the part of the National Association of Manufacturers was the cause of considerable scandal and a senatorial investigation. That was before your day?

Mr. YOUNG. That was before my time.

The CHAIRMAN. You are not going to let it get into that fix again?

Mr. Young. All I can tell you is this, that the membership of the National Association of Manufacturers, as I have known them, are sincerely trying to cooperate and work out the things that they think are for the best interests of the majority of the people.

The CHAIRMAN. I appreciate that.

The next witness is Edward A. O'Neal representing the American Farm Bureau Federation.

STATEMENT OF EDWARD A. O'NEAL PRESIDENT, AMERICAN FARM BUREAU FEDERATION

The CHAIRMAN. Mr. O'Neal, you appeared before the House Ways and Means Committee?

Mr. O'NEAL. I did.

The CHAIRMAN. How many are numbered in your group in the American Farm Bureau Federation?

Mr. O'NEAL. The paid membership of the American Farm Bureau Federation is about 400,000 families, or approximately 1,500,000 individuals, in 39 States. In our membership, Senator, the head of the family pays the membership fee and the wife and the children belong, so I say that we speak for at least a million and a half farm people.

The CHAIRMAN. What are your views on these reciprocal trade agreements?

Mr. O'NEAL. I would like to say, Senator, that the Board of Directors of the American Farm Bureau from various sections of the United States, have been in session and are in session now, and I would like for vice president Earl Smith of Illinois and the president of the Illinois Agricultural Association, the largest farm organization within the 48 States, to make this statement for the American Farm Bureau Federation, supplementing the statement I made before the House Ways and Means Committee (pp. 1668-1722, hearings, Ways and Means Committee). I will be right here and will be glad to answer any questions. I would like to insert in the record at this point the full text of the resolution adopted without a dissenting vote at the annual meeting of the American Farm Bureau Federation, Chicago, Ill., last December.

The CHAIRMAN. The resolution will be incorporated in the record.

TRADE-AGREEMENTS POLICY

Recognizing the fact that our tariff policies had failed to protect the domestic price of basic farm commodities generally produced in surplus volume in this country, and further that such policies had contributed to the disparity that had developed between farm prices on the one hand and industrial prices and wages on the other, the American Farm Bureau Federation in 1934 authorized its board of directors to support legislation permitting the negotiation and consummation of reciprocal trade agreements with other nations; insisting, however, that in negotiating such agreements no concessions be made which might have the effect of reducing or holding the domestic price of any agricultural commodity below the parity level.

The federation recently sponsored a study by recognized economists of the economic effects of all important existing trade agreements. This study seems to reveal that there has been a substantially larger increase in exports to agreement than to nonagreement countries, and that there has not been any appreciable difference in the percentage of increase in imports from agreement and nonagreement countries. Many factors have no doubt contributed to this increased trade, including our gold policy and a general upturn in world business. From all facts thus far available, it appears that while the greatest portion of increased exports has been in industrial products, from which agriculture has only indirectly benefited, yet this study, together with other information available to the federation, reveals that the net effect of the agreements has been helpful rather than hurtful.

In giving our support to the continuance of reciprocal trade agreements, we renew, with increased emphasis, our demand that no agreement be consummated, the effect of which might be to force or hold domestic prices for any farm commodity below parity level. Any other course would justify the condemnation of and opposition to such agreement by all agricultural groups.

We further insist that in the negotiation of trade agreements, economic factors be given consideration equivalent to the weight accorded to the factors of diplomacy and statecraft. To this end we urge that the Reciprocal Trade Act be amended to provide that no agreement be consummated unless unanimously approved by the Secretaries of State, Commerce, and Agriculture.

Mr. O'NEAL. I would also like to invite the attention of the committee to the study of the effects of the trade-agreements program on agriculture during the past 6 years, which was made by the economics department of the Iowa State College of Agriculture under the direction of Dr. Schultz. The full text of this report appears on pages 1722-1837, Hearings, House Ways and Means Committee, January 26, 1940.

The CHAIRMAN. Very well. We will hear from Mr. Smith.

**STATEMENT OF EARL C. SMITH, CHICAGO, ILL., PRESIDENT,
ILLINOIS AGRICULTURAL ASSOCIATION, AND REPRESENTING
THE AMERICAN FARM BUREAU FEDERATION**

Mr. SMITH. I think Mr. O'Neal has indicated who I am, so to save your time I will not repeat. As indicated by our president, the board of directors of the American Farm Bureau Federation has been in session in Washington for several days, and today unanimously authorized the following statement on the question before your committee:

House Joint Resolution 407, extending the power of the President to negotiate reciprocal trade agreements, is now pending before your honorable committee. At hearings on this resolution held by the House Ways and Means Committee, Edward A. O'Neal, president of the American Farm Bureau Federation, pursuant to and in accordance with a resolution adopted by the house of voting delegates of our organization, supported the principle of reciprocal trade agreements and insisted that House Joint Resolution 407 be amended to require that all treaties consummated thereunder have the approval of the Secretaries of State, Commerce, and Agriculture.

The House of Representatives adopted House Joint Resolution 407 without such amendment.

In support of the position taken by President O'Neal, the board of directors of the American Farm Bureau Federation, in session at Washington, March 1, 1940, respectfully requests your committee to consider the following:

The American Farm Bureau Federation supported the original Reciprocal Trade Agreements Act in 1934 and its extension in 1937.

Everyone recognizes that the issue is exceedingly important and highly controversial—in the consideration of which, reason and economic evidence are likely to be subordinated to emotion and political bias.

Because of the importance of the issue, the American Farm Bureau Federation recently sponsored a comprehensive study of the economic effects of trade agreements on this country. This study seemed to indicate that, while no spectacular results have been achieved, the net effects of trade agreements have been helpful rather than hurtful to American agriculture and to the Nation.

The house of voting delegates of the American Farm Bureau Federation at its recent annual meeting, after careful deliberation, concluded that reciprocal trade agreements are sound in principle, but that in supporting provisions of law to continue authority for negotiating such treaties, safeguards should be included to insure that economic factors be given at least equal weight with factors of statecraft and diplomacy. Therefore, in official resolution they urged that no trade agreements be consummated without the approval of the Secretaries of State, Commerce, and Agriculture.

It is recognized that the extension of the act will probably provide the basis of our national foreign trade policy at the conclusion of the present European war. Furthermore, no one can anticipate who in the future will have the power and responsibility for carrying out the purposes of the Reciprocal Trade Agreements Act. The broad economic effects of these policies will be of tremendous consequence to the nation, and particularly to industry and agriculture.

For these and other equally good reasons, therefore, while we reaffirm our faith in the broad principles of reciprocal trade, nevertheless we insist that, to merit support during enactment and defense thereafter by the American Farm Bureau Federation, House Joint Resolution 407 be amended so as to require that all trade agreements negotiated thereunder have the approval of the Secretaries of State, Commerce, and Agriculture.

Respectfully submitted by

AMERICAN FARM BUREAU FEDERATION.

Edwin A. O'Neal, President, Alabama; Earl C. Smith, Vice President, Illinois; H. T. King, New York; George M. Putnam, New Hampshire; Arthur Packard, Vermont; H. H. Nuttle, Maryland; O. O. Wolf, Kansas; Frank W. White, Minnesota; Francis Johnson, Iowa; Hassil E. Schenck, Indiana; H. J. King, Wyoming; George Ogilvie, Nevada; George H. Wilson, California; J. F. Porter Tennessee; Ben Kilgore, Kentucky; R. E. Short, Arkansas; Ransom Aldrich, Mississippi; Mrs. H. W. Ahart, California; R. W. Blackburn, Secretary and Treasurer, California.

I believe, Mr. Chairman, that this statement is self-explanatory, and with your permission I would like to file it with you and ask one of my associates to furnish the various members of your committee with a copy of the statement.

(At the request of Senator Johnson, the following resolutions regarding the Reciprocal Trade Program were inserted in the record:)

RESOLUTIONS ON RECIPROCAL TRADE TREATIES (FARM BUREAUS)
ARIZONA FARM BUREAU, PHOENIX, NOVEMBER 20-21, 1939

Whereas reciprocal trade agreements as drafted by the State Department have as a worthy objective the fostering of better relations between the United States and foreign countries but many of which have provisions detrimental to the best interests of United States agriculture, and

Whereas under the procedure followed by the State Department in the formulation of reciprocal trade agreements no adequate opportunity is provided whereby agriculture may exert the influence to which it is justly entitled, and

Whereas we believe that our representatives in Congress are in a better position to realize the effect of proposed trade treaties on their constituents; now, therefore, be it

Resolved, That the Arizona Farm Bureau Federation go on record as being in favor of such national legislation as will require the ratification of proposed reciprocal trade agreements by the United States Senate before such trade treaties become effective.

CALIFORNIA FARM BUREAU, JANUARY 9, 1940

Resolved, That we believe the reciprocal trade agreement legislation should be permitted to die on June 30, next, and that we urge California Senators and Representatives to support this procedure.

COLORADO STATE FARM BUREAU, HURLINGTON, NOVEMBER 16 17, 1939

Favoring the McCarran bill, which provided that no foreign trade agreement under the 1930 Tariff Act shall take effect without ratification by a majority of the United States Senate. (Part of Resolution No. 1).

MONTANA FARM ORGANIZATIONS, ST. PAUL, MINN., DECEMBER 15, 1939

Montana Division of the Farmer's Union

Resolved by, the representatives of the Northwest Farmers Union activities in annual convention at St. Paul, Minn., December 15, 1939, That--

Whereas because of various conditions arising out of drought and extremely low prices over the years, farmers of the Northwest have not only become deeply indebted to the agencies of the Federal Government and to other groups, but they have been losing their homes by the thousands and are still in the process of losing their homes, and

Whereas because of the above-mentioned facts, farmers have arrived at an economic condition wherein they are desperately endeavoring to better their condition through cooperative marketing and compliance with the triple A in reducing their acreages and livestock herds, and

Whereas such conditions and circumstances will permit of no further deflation of prices or other contingent conditions or proposals which are likely to bring about further lowering of prices, nor admit of competition with the products produced in this section, and

Whereas American agriculture, throughout the history of tariff legislation has been sold down the river for the benefit of other groups; therefore be it

Resolved, That we are in favor of the philosophy of the reciprocal trade agreement as the most likely assurance to bring international cooperation and peace, and further

Resolved, That we are opposed to the consummation of any Federal trade agreements which have in their provision agreements admitting livestock or livestock products, grain or grain products, or poultry products, or dairy products,

or any other agricultural products which can be efficiently produced in this country and which may directly or indirectly have a bearing on the supply of said products, or which may have a tendency to depress farm prices, and further

Resolved, That we believe it against the public interest to repose in a single authority the responsibility for effectuating reciprocal trade agreements and that the public interest will be best served by a requirement that all proposed reciprocal trade treaties be subject to the review and approval of the United States Senate, and further

Resolved, That copies of this resolution are directed to be placed in the hands of the Senators and Congressmen of the States of Montana, North Dakota, Minnesota, and Wisconsin, and of the Northwest Farmers Union legislative committee, and that a copy thereof be sent to Secretary Wallace, Secretary Hull, and to the committee in Washington which has been holding hearings on the Argentina trade agreement.

NEBRASKA FARM BUREAU, LINCOLN, DECEMBER 11-12, 1939

In negotiating reciprocal trade agreements, industrial goods must not be given benefit at the expense of agricultural commodities, and no tariff rates should be reduced on farm commodities, the price of which is below parity.

NEW MEXICO FARM AND LIVESTOCK BUREAU, 1939 (ANNUAL MEETING)

We are opposed to any reduction of tariff on livestock or livestock products and urge our representatives in the National Congress to use their best efforts in seeing that such reductions are not made under pending or proposed reciprocal trade agreements.

OREGON FARM BUREAU FEDERATION (NO DATE)

Commend the American Farm Bureau for its statement filed with the Federal Committee for Reciprocity Information concerning the proposed Argentine trade treaty. Endorse the general policy of the American Farm Bureau Federation with respect to trade treaties under which the federation supports the principle of trade treaties but oppose any specific treaty which has the effect of reducing the price of agriculture and livestock commodities below parity prices. We further oppose the renewal of the Trade Treaty Act unless adequate protection can be assured to agriculture through proper hearing in negotiating such treaties and they be ratified by the United States Senate.

We reaffirm our belief in the principle of the American market for the American farmer.

SOUTH DAKOTA FARM BUREAU, SIOUX FALLS, NOVEMBER 20-21, 1939

We demand that adequate tariffs be maintained especially on agricultural commodities not produced in the United States but which when imported are made into products which come into direct competition with products made from domestic agricultural commodities.

WASHINGTON FARM BUREAU, ELLENSBURG, NOVEMBER 22, 1939

* * * recommended the enactment of any increased tariffs which would bring lands not now in use into the domestic production picture and commended the American Farm Bureau for requesting that duties on imported meats be increased 50 percent.

WYOMING FARM BUREAU, NEWCASTLE, OCTOBER 30-31, NOV. 1, 1939

Whereas the Farm Bureau is a Nation-wide organization representing widely diverse interests and all types of agricultural activity, and

Whereas because of this scope it becomes necessary to clearly define our views on all matters of vital interest to our vocation, and

Whereas the reciprocal trade treaties which have been, and are being, negotiated with foreign nations seem to have lost their original intent, formally expressed by our Secretary of State in his Montevideo speech of 1934 as an exchange "of the things you have that we want for the things we have that you want," and

Whereas this project has now been so enlarged that it has completely broken away from its original expressed intent until it threatens the complete dissolution of our tariff barriers, and

Whereas these barriers have been carefully builded through many years as a means by which the American standard of life might be protected, perfected, and perpetuated; therefore be it

Resolved, That we, the Wyoming Farm Bureau, in convention assembled on this 31st day of October use our utmost endeavors to this end and urge our representatives in the Congress to do whatever lies within their power to prevent the negotiating of any more trade treaties until the United States Senate regains its constitutional right to confirm or reject such treaties.

The CHAIRMAN. The next witness is Mr. Besse.

STATEMENT OF ARTHUR BESSE, NEW YORK CITY, PRESIDENT, NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

Mr. BESSE. You are being asked to renew an amendment to the tariff act which expires on June 12 of this year. One is perplexed to account for the unseemly haste which has been exhibited by those who now favor the extension of this amendment. Indeed it is difficult to see why the supporters of the trade-treaty program would be disturbed if Congress adjourned without taking any action on this amendment. It is admitted that new trade treaties cannot be negotiated in Europe and Asia while the present armed conflicts continue; the State Department, according to its own announcement, has reached the conclusion that it is not possible to draft comprehensive agreements with the leading South American countries which will not unduly damage domestic agricultural and mining producers. Therefore there would seem to be little likelihood of any new treaties for some time to come. When the present wars are over it may or may not appear that the way to salvation is through the trade-treaty program. Would it not be more prudent for Congress to wait and determine at that time whether or not a continued delegation of its power over tariff rates is desirable? Certainly it is unnecessarily hazardous to delegate such power at the present time since no immediate use of it is contemplated and it is obvious that we will be faced with a changed set of circumstances by the time it may be possible actively to negotiate additional treaties. Congress will be in session after the war is over and in the unlikely event that such trade agreements should then appear desirable, Congress can approve necessary enabling legislation.

The enactment of this legislation diminishes the power of Congress and enhances the power of the executive branch of the Government. This is highly undesirable unless there are compelling arguments which might justify it. In the instant case no such arguments exist. The desire to retain this emergency power in the hands of the executive departments seems the only logical explanation for the State Department's eagerness, if the statement that there are no specific countries with which treaties can be negotiated at the present time, can be accepted at its face value. It is just possible of course that this statement should not be taken literally. Perhaps there is a limited meaning to the phrase, "at the present time"; perhaps the

State Department is overlooking certain opportunities—opportunities which might become more apparent in the event the act were extended. In any event those in the Senate whose opposition to the trade-treaty program has somewhat subsided since copper was dropped from the Chilean agreement and negotiations with Uruguay and Argentina were abandoned, will still face the possibility of cuts in the tariff rates on products which their States produce, if Mr. Hull's authority over the tariff is extended. Mr. Hull can give no assurance whatever in this regard without subjecting himself to accusations of logrolling similar to those which he makes as respects those Members of the Congress who were here in 1930. Without such assurances the Senators who represent the districts where copper, meat products, wool, et cetera, are produced, will be deluding themselves if they again delegate the tariff-making power and put themselves into the position where they cannot protest effectively against the use made of that delegated authority.

The State Department has said in the past that it interpreted section 350 as an instruction from the Congress to lower tariff rates, and that it felt that Members of Congress should not complain if they did so, but, rather, should amend or rescind the act if they disagreed with the way the State Department administered its provisions. This is the time to act to end the State Department's authority. It will be too late when conversations with Argentina and Uruguay are resumed, if they are, and when the scope of the Chilean negotiations is expanded. The State Department has put the responsibility squarely up to Congress. You gentlemen cannot vote the Department a grant of tariff power for the third time and then complain because the Department uses its own discretion as to how it shall exercise that power. As prudent men you cannot abdicate for another 3 years.

It has been urged that the amendment should be renewed in order that there may be no interruption in the work of the unit, and no disruption of the organization set up to negotiate trade treaties. The war has already interrupted the program. As far as the organization is concerned, there is almost no separate organization for the negotiation of these treaties. The members of the Committee on Reciprocity Information are all drawn from the various departments—State, Commerce, Agriculture, Treasury, and the Tariff Board. Almost all have other regular assignments. To a large extent the same is true of the rest of the personnel employed on this project. If the amendment were allowed to lapse and reinstated after an interval of years, the present organization could be reassembled without delay or difficulty. The argument that the amendment should be extended by this session of the Congress in order to promote continuity of the organization is therefore without validity.

The CHAIRMAN. Do you not suspect that if that policy were to be followed, that your organization would be here opposing the renewal at that time?

Mr. BESSE. I am afraid I do not quite understand you.

The CHAIRMAN. If we followed the policy you suggest, and let this program lapse now, and then started again in 4 or 5 years, don't you suppose that you and your organization would be here objecting to such a policy?

Mr. BESSE. To the renewal?

The CHAIRMAN. Yes.

Mr. BESSE. I should imagine so.

The CHAIRMAN. You appeared in opposition in 1934?

Mr. BESSE. Yes.

The CHAIRMAN. You appeared in opposition in 1937?

Mr. BESSE. Yes.

The CHAIRMAN. And you are objecting now?

Mr. BESSE. We are.

The CHAIRMAN. All right. You may continue.

Mr. BESSE. The only department which might be dismembered as a result of the decision not to pass this resolution would be the unit having to do with publicity and propaganda. Few would feel unduly disturbed because of the demise of this division. I have no exact idea of the number of persons now employed in the division, but judging from the output of statistics and tracts on peace and plenty, there would be a substantial number of people for whom other means of being of public service would have to be found if the unit were demobilized. There would, however, be gains in certain other directions. The farmers and other beneficiaries of these trade treaties have been so singularly and stubbornly unappreciative of the benefits which they have received that it has been necessary to spend an enormous amount of time, energy, and money in laying before them a picture of the advantages which they have derived from the program. Mr. Hull, Mr. Wallace, Mr. Sayre, Mr. Grady, Mr. Berlo, Mr. Long, Mr. Edminster, Mr. Fox, and others have been obliged to prepare and deliver countless addresses to these unappreciative recipients all over the country. With the unsound program abandoned these many officials will be relieved of the necessity of expatiating publicly upon the benefits of increased imports and can give themselves without stint to the more important details of administration in their respective departments. Having listened to certain of the speeches which these officials have delivered, I am inclined to think that some of them would be glad to be released from their present assignments. The discontinuance of the program would have no effect upon the collection of statistics of which the State Department has made such copious use. The statistics would still be continued, but we would be saved gratuitous and misleading interpretations of the figures by crusaders who do not understand the proper limitations of statistical data.

Another reason you are being asked to extend this program is because the State Department reports that it is not feasible to negotiate these treaties if it is necessary to present individual agreements to the Senate for approval. Mr. Grady says that the Senate will not approve such treaties when they are presented for ratification. Mr. Grady seems to think that if his technical experts work up an agreement with Australia and bring it to you for approval, you will turn it down. Accordingly, realizing this, he asks you for a blank check in advance, giving blanket approval to such treaties as he may negotiate in the future. The theory seems to be that you should give enthusiastic prior endorsement to a group of unacceptable treaties, none of which you would sanction if presented to you separately. It is a little like turning down the Florida ship canal and the Passamoquoddy project, and then approving the formation of a Super-Hydro-Greenback Corporation authorized to carry forward both projects. It is a good many years since I studied logic under Professor Royce, but unless

my thinking is very badly muddled, the fact that the Senate will not approve individual trade treaties is an argument against the proposal to continue this program, not an argument in favor of it.

The State Department also urges approval of this program on the ground that their "experts" are better qualified to ponder possible changes in tariff rates than are the Members of Congress. I have been unable to find any indication that these experts have a type of intelligence denied to members of the Senate. As a matter of fact, it would appear that the experts had given evidence of a certain degree of ineptitude. Their conclusion that more copper could be imported from Chile without damaging domestic producers is admitted to be incorrect since the error was pointed out by copper interests in Arizona and Montana. Their conviction that the country needed more beef from the Argentine has been found unsound since real information on the subject has been obtained from the cattle States. Their hope that a reduction in the duty on wool from Uruguay and Argentina would put two suits in every closet where only one suit hung before, has been found vain since the wool-growing States have explained the hazards of sheep raising. The experts seem to have been off in their calculations on dairy products from Canada; they were badly misled in connection with imports of lace from France; they seem to have had incorrect information as to the profitability of the zinc industry; they made mistakes in the matter of embroidered handkerchiefs in the treaty with Switzerland; they butchered the wool schedule badly. In connection with this latter schedule, they refused to consider what, if anything, might be done as respects the duty on raw wool upon which the entire schedule is based, but instead confined their attention to the various rates on manufactures of wool. The experts stated that the result of the cuts in the woolen schedule would be to admit a few more of the higher priced, "noncompetitive" English woolens. In the first place there are no noncompetitive woolens, and in the second place the result was exactly the reverse of what the experts predicted and the increase in imports of woolens was confined largely to the lower value brackets.

Perhaps this sounds unduly critical of Mr. Grady and his assistants. As a matter of fact, Mr. Grady is both able and sincere. I have the greatest respect for him and find myself in disagreement with him only when he puts on the spectacles prescribed by Dr. Hull to correct his Hawley-Smoot astigmatism. But, while I say again that these experts have no brains superior to those to be found in Congress, the real difficulty is that they are not able to do justice to their ability because of the manner in which reductions in our tariff rates are being made. These reductions in the main are not made as a result of the recommendations of the experts, but rather because of the insistence of some negotiator representing a foreign nation. The duty on wool fabrics, for example, was not cut because the rate was shown to be too high, but because England makes woolen fabrics and wants to increase her exports to this country. Even the experts cannot make intelligent adjustments in tariff rates under such circumstances. If certain rates can be shown to be excessive I believe they should be reduced, but I am definitely opposed to making cuts because some other country demands it. Especially is this objection valid since for the most part foreign countries do not intend to make us concessions which will prove of any lasting benefit to our export trade.

The probable value of the concessions which other countries have been offering us in return for cuts in our own tariff rates has not been considered with sufficient care. I am not referring to the fact that many concessions given us—for example, concessions by the United Kingdom on dried fruits, cosmetics, adding machines, and oysters, have been withdrawn or nullified since the advent of war—but I am referring to the fact that the intention of foreign negotiators is to agree to concessions which will not appreciably increase our exports to them. Our negotiators intend to make reductions which will result in an increase in our imports—that being a part of the Hull theory—whereas the foreign negotiators are more anxious to keep our products out than they are to let them in. Foreign nations are not anxious to increase their purchases in America. They will buy from us only if our quality is better at the same price, or our price lower than that of their present supplier. Foreign countries are willing to make treaties with us because of the increased access to our markets which they hope to obtain; but they try to arrive at a basis of agreement without opening their markets to us. I do not wish to imply any criticism of these foreign nations; quite the reverse. They are more practical than we are. My criticism is directed solely toward the theory behind our trade-agreements program—the fallacious theory that we have only to reduce our tariff rates and let in more foreign products to get concessions abroad which will enable us to dump our surpluses on a receptive world. The world will buy such of our goods as it wants and no more. Our experience during the year 1939 when, in addition to accepting \$2,318,000,000 of imports, we purchased abroad \$3,040,000,000 of gold, shows that the limiting factor is not the availability of dollar credits, as was suggested by the cotton people this morning since of this \$5,358,000,000 total credit only \$3,117,000,000 was used, by foreign nations to purchase our products.

Suppose, however, that these foreign negotiators, accidentally or otherwise, agree to concessions which might open a foreign market to us. What will the foreign producer who was formerly supplying that market do? If the former supplier is in a third country he generally gets the same concession we do, which means we are right back where we started. If the former supplier is in the country with which we make the agreement, naturally he strives to find some way to meet the increased competition from this country. Perhaps he takes it out of his profit, perhaps he contrives to buy his raw material more cheaply, perhaps he pays lower wages to his labor, but in some manner he probably does meet our competition, and again we are back where we started. We may have made life harder for the producer abroad, but we have not advantaged ourselves in the slightest. We are only deluding ourselves if we believe that the other nations of the world want to and will buy of us in greater volume if only we give them a chance. Other nations, whether wisely or not, have been endeavoring to make themselves more nearly self-sufficient. It is not reasonable to expect such nations to change that policy and follow what Mr. Hull thinks is our own inspiring example in moving toward a reduction in the domestic production of such necessities as can be provided within our own borders. Especially is this true since the present war in Europe again has demonstrated the danger of dependence upon water-borne commerce.

But, you may say, if present suppliers of foreign markets can lower prices to meet the competition of our goods moving abroad under

lower rates, is it not possible that the same thing would happen here, and that our own domestic producers would be able to cut their costs so as to offset any cuts in our own protective duties? Not only is that possible but it is the result which would most naturally follow a cut in the tariff rates on competitive imports. But we must understand two facts in this connection: First, if the domestic manufacturer is successful in finding some way of meeting this competition, he nullifies the effect of the tariff cut as far as a stimulation of imports is concerned, and thus brings to naught the attempt to increase two-way foreign trade. Second, if the domestic manufacturer manages to reduce his costs to meet the new competition, his immediate customers may benefit in lower prices but only at the expense of someone else. There is no net gain to the country as a whole. Take the case of the industry which I represent, for example. Suppose the cuts in the wool schedule result in a flood of imports, as it appears they might already have done if the European war had not commenced in September. Would we say, "Well, played Yorkshire!" allow the English to take our market, and try to make automobiles or shoes or adding machines on our worsted looms; or would we try to meet the new competition? We would try to meet the competition, of course. We cannot meet such competition out of our profits because the industry is equipped to produce more than we can sell, and therefore is too highly competitive to provide profits adequate for that purpose. But we can reduce costs—perhaps at the expense of labor certainly at the expense of the wool grower. The growers have no market save the American textile mills, and in the long run we can pay the growers no more than a price which is low enough to enable us to meet whatever competition we have to face from abroad. So in the end we get our prices down to a point where the effect of the duty cuts, as it relates to the volume of imports, is nullified. There are no additional imports and, insofar as exports are dependent upon additional imports, no additional exports. The public has gained perhaps in lower prices for clothing, but you must not forget that this is at the expense of labor or of the wool growers or both. In the unlikely event that you feel the wool growers are fattening at the public's expense, it is entirely appropriate to take steps to prevent it, but you should realize exactly what it is you are doing and not allow yourselves to be deluded into thinking that you are stimulating our export trade and contributing to the peace and prosperity of the world.

Mr. Marshall, of Salt Lake City, is here, and I think he will tell you that there are no new millionaires in the wool-growing industry.

The trade-treaty program as a means of stimulating our foreign trade, and especially our exports, has not worked and is not going to work, despite the unwarranted conclusions drawn from statistics on imports and exports. The answer to the pressure of surplus products is not an increased international exchange of competitive products which will merely transfer the surplus from one sector to another, but rather a somewhat curtailed production until such time as we can find new uses for certain of our products.

Even if I were completely wrong and the salvation of the country lay in cutting down our tariff protection, it seems to me evident that the program should not be entrusted to our present Secretary of State. Not only do his public statements indicate a distinct bias but it is clear that he has a completely erroneous conception of what

a protective tariff is and what it is supposed to accomplish. In a recent letter to a friend of mine, Mr. Hull speaks of "the precise extent to which the Government shall extend tariff favors." Those are Mr. Hull's words. Mr. Hull apparently does not consider the need for protection a proper basis for the determination of a tariff rate, but believes that tariff "favors" should be distributed by the Government as rewards to deserving persons. Under the reciprocal trade-treaty program Mr. Hull is the arbiter to determine to whom the rewards are to be distributed and in what proportion. This is not democratic government. Mr. Hull once said that the delegation of power proposed in the flexible provisions of the Tariff Act was undemocratic in principle. He now says that the preservation of our democracy depends upon a continuance of the reciprocal-treaty program which he believes should carry with it the power to distribute "favors" to those thought deserving by the Government.

I have made reference to Mr. Hull's former opposition to the flexible provisions of the tariff as embodied in section 336. You gentlemen are now asked to pass the resolution before you on the ground that flexibility in tariff rates is desirable. Flexibility is desirable. But this amendment does not promote flexibility; it destroys it. The flexible section of the tariff act is automatically suspended as respects any item included in these trade treaties. The degree of flexibility which remains is illusionary. The option does not lie with us but with the foreign capitals of London, Paris, Brussels, or other cities where sit the ministers to whom we must apply for relief if we find we have made a mistake. Short of abrogating a treaty, we have no flexibility save upon the sufferance of foreign nations. The surrender of our initiative to foreign countries explains in part why industries such as ours are so concerned when we find our name listed among the possible victims of a trade pact.

We are told that the Committee on Reciprocity Information is eager to hear from industry as to its point of view on tariff matters. We invariably have been given a respectful hearing and have found the committee friendly in the extreme, even if somewhat impervious to argument. However, we are always accused of "howling before we are hurt." I am a little perplexed to know how to protest an impending tariff cut of undisclosed amount without howling in advance. You can hardly expect us to welcome the executioner with outstretched arms, especially when it is so difficult to fit the head back on the corpse once it has been severed. The remedy, in case we are damaged, is somewhat uncertain. The so-called escape clauses appear to have been incorporated in these treaties more for their scenic value than for their utility. If we find that imports become excessive, it appears that about all we can do is to ask Mr. Roosevelt to call up King George and say, "Please, sir, would you mind if we rescinded our tariff cuts on woolsens so that some of our own weavers can go back to work?" We know that King George is a man in whom the instinct of fair play is well developed, but none the less we prefer that the power to determine American tariff rates remain in Congress rather than in the British Government.

An instance of the extent to which the State Department values the principle of flexibility which Mr. Hull now urges as an argument for extending the act, is found in the treatment of wool blankets in the trade treaty with the United Kingdom. In 1937 when imports of blankets were at an all-time high, the industry applies for a study

under section 336 to determine whether the relative costs of production here and abroad justified any alteration in the then existing rate. No action was taken. When the treaty with the United Kingdom was published, it appeared that the ad valorem rate on blankets valued at not over \$1 per pound had been bound, and the rate on blankets valued at from \$1 to \$1.50 per pound had been reduced from 37½ percent to 36 percent. The sole and only purpose of this action was to preclude any possibility of flexibility and to freeze the rates in such a way that they could not be changed no matter what conditions might develop in the future. We received confirmation of this action from the Tariff Board just a few days after the United Kingdom agreement was signed.

The argument that the trade-treaty program is an instrument of peace is invalid, not because of the prevalence of war, but because of the particular kind of trade with which the treaties necessarily concern themselves. Those who orate on the peace theme stress our need of coffee, tea, tin, rubber, and so forth, and point out that other countries need cotton and certain of our other products. But these articles are on the free lists; the duty on them cannot be reduced as there is no duty. The trade-agreement program seeks to cut the duties on competitive articles—articles whose importation is subject to a duty precisely because governments have determined to limit their entry. The trade treaties are agreements to reduce duties which have been imposed for the specific purpose of restricting imports. To the extent which the treaties work at all, they operate to increase international competition in competitive markets. It is ridiculous to believe that a program which is designed to increase the severity of competition in strictly limited markets can do otherwise than increase the international tensions which result from the struggle between nations to develop their own trade to the exclusion of that of other countries. The peace argument is applicable only as respects trade in noncompetitive items which are completely outside the scope of this trade-treaty program.

Our objections to the program are based upon the general arguments which I have endeavored briefly to lay before you, which we believe indicate that the country will be more injured than helped. Specifically, the effect on our industry to date has been unfortunate and the prospect for the future under a continuance of the program is not reassuring. Assistant Secretary Berle, speaking in Philadelphia, said that the adoption of any other policy of tariff making "could only introduce at once a great question mark into American industry." On the contrary, it would remove one of the big question marks which now exercises a retarding influence. Since the act was first passed in 1934, the question mark has constantly stared our industry in the face, and I assume the same thing is true of others. There have been threats that the duty on our products would be reduced ever since 1935; the English are even now asking additional concessions. Ever since 1935 there has been the likelihood of a reduction in the duty on wool through a treaty with Australia, the Union of South Africa, Argentina, Chile, or Uruguay. Our textile mills do not produce raw wool but it is the raw material which we use, and we have to have large stocks on hand to enable us to maintain manufacturing operations during the course of the year, until nature grows another fleece which can be sheared from the sheep in the spring. The immediate inventory loss which might have to be taken in the event of a cut in

the wool duty has hung over the head of every wool grower, wool dealer, textile mill, garment manufacturer and other makers of wool products for 5 years. It has been a question mark with a vengeance and has made it particularly difficult in an industry which has to start in December preparing to produce fabrics which do not reach the consumer until the ensuing fall.

Because of the impact of the war, a convincing case cannot be made either for or against the program by the use of figures, but for the sake of the record I do wish to give a brief résumé of the recent trend of imports of woolen fabrics. I hope I am not adding to the chaos of figures to which Senator Vandenberg referred this morning.

Immediately following January 1, 1939, which was the effective date of the cut in the tariff on woolen fabrics, the imports of such fabrics increased substantially.

The CHAIRMAN. That includes woolen and worsted fabrics?

Mr. BESSE. Yes.

I cannot prove that these imports were caused by the lowering of the duties thereon but it is a fact that many importers offered woolen fabrics in advertisements which pointed out that they were able to offer them at lower prices because of the cut in the duty. Imports were larger than for any year since 1929. The outbreak of war in Europe prevented the flood of woolen imports which we had expected, but notwithstanding the interruption in shipments from abroad after England's declaration of war on Germany, the total imports for the year 1939 were 78 percent greater than in 1938 and 20 percent higher than in 1937. They were the largest of any year since 1929. I would like to put the tabulation in the record without reading it, to save your time.

The CHAIRMAN. That may be done.

(The same is as follows:)

Imports of woven piece goods wholly or in chief value of wool and similar hair

	Pounds
1929.....	10, 233, 000
1930.....	5, 182, 000
1931.....	2, 779, 000
1932.....	1, 899, 000
1933.....	2, 791, 000
1934.....	2, 485, 000
1935.....	3, 148, 000
1936.....	4, 532, 000
1937.....	5, 729, 000
1938.....	3, 865, 000
1939.....	6, 891, 000

England is making an attempt to increase her exports of many items and especially of wool textiles during the war. The degree of success which she may meet depends more upon conditions in England than upon tariff rates here. But regardless of whether English mills are in a position to exploit our market during the war or not, there is no question that following the war they will find it comparatively simple to pay the present tariff and undersell our mills in this market. The present rates, which are not high and which are based upon English and not upon American values, will not be adequate to protect us against postwar competition. We will find ourselves after the war in a position where we will be unable to meet foreign competition except by paying our American wool growers a lesser price for their fleeces for which we are the only purchasers.

In self-defense we shall make every possible effort to meet this competition, whatever it may involve in the way of wage reductions or lower prices for wool. If we are successful we shall have defeated the object of Mr. Hull's program, which is to increase imports.

It is possible, of course, that in spite of our efforts we will be swamped with imports. If this happens with one industry, similar circumstances will undoubtedly bring like results in other industries. Such an increase in imports can have but one effect—the creation of an irresistible demand for a tariff which will provide adequate. The tariff bills of the past were not accidental nor casual. They were the result of excessive imports or the threat of imports of foreign products under the then-existing rates. The threat of increased imports in 1929 was the cause of the Hawley-Smoot Tariff Act.

I hope that the Senate will conclude that it is unwise again to delegate its power over tariff rates. In the event that Mr. Hull does get what he wants, one of two things will happen. Either someone will take whatever licking is necessary to meet the intensified competition caused by cuts in our tariff rates, thereby preventing any increase in foreign trade, or industry will fail to meet the competition and there will be a real increase in imports. In the latter case there inevitably will be a demand for tariff revision far too strong for any political party to resist. If Mr. Hull is successful in his efforts to increase materially the volume of our imports, he will go down in history as the man responsible for the next upward revision of the tariff.

Senator GUFFEY. Do you think you have told the whole story in that last sentence about Secretary Hull, or just half of the truth? Do you think that Secretary Hull only wants to increase the imports? Answer that "yes" or "no," will you please?

Mr. BESSE. My personal opinion is "yes."

Senator GUFFEY. But he does not want to increase the exports?

Mr. BESSE. If you want to know what Secretary Hull wishes to do, I suggest you ask him. I don't know.

Senator GUFFEY. But you made the statement here, and I am wondering what you base that statement on.

Mr. BESSE. I made the statement—

Senator GUFFEY (interposing). I think you only told half of the truth, and I do not think it is fair to Secretary Hull.

Mr. BESSE. I said if Secretary Hull is successful in his efforts, it will increase materially the volume of our imports.

Senator GUFFEY. That is only half of what he wants to do.

Mr. BESSE. Then let me explain.

Senator GUFFEY. Is that not only half of what he wants to do?

Mr. BESSE. His statement is that he wishes to increase imports as a means of increasing exports.

Senator GUFFEY. You did not say that in your prepared statement, or I would not have asked you the question. You are not fair to Secretary Hull's position and what he advocates.

Senator HERRING. Mr. Besse, you are president of the National Association of Wool Manufacturers?

Mr. BESSE. Yes.

Senator HERRING. And you opposed these pacts in 1934 and 1937?

Mr. BESSE. I did not appear before this committee except in 1934, but we have appeared before the Committee on Reciprocity Information in connection with three individual treaties.

Senator HERRING. You had the same fear in 1934 and 1937 as to the effects of these pacts upon the wool and textile mills?

Mr. BESSE. Yes.

Senator HERRING. And yet, since 1935 you have had a constant increase in the production of wool and textile mills each year.

Mr. BESSE. Not constant; no, sir.

Senator HERRING. You had a 5 percent decrease in 1936 over 1935; you had 10 percent decrease in 1937 over 1936; but you have had a 40 percent increase in the first 11 months of 1939 over 1938, so that you have had an increase in your production, and each time when this came up you opposed it because you were fearful of the result.

Mr. BESSE. There was no reduction in connection with any item in connection with wool manufactures until the treaty with Great Britain beginning the 1st of January 1939.

Senator HERRING. According to your own statement, you had an increase of 40 percent—

Senator CLARK (interposing). You mean of the domestic production?

Mr. BESSE. That was due largely to the outbreak of the war and the ensuing speculation, and due to the fact that England took over the visible supply of wool in Australia and New Zealand, and it considerably increased the cost of material and led to speculation in an endeavor to anticipate the price rise which everyone knew was inevitable.

Senator HERRING. All of that happened in the last 90 days of the year. This is a report for the first 11 months of 1939.

Mr. BESSE. That happened specifically in September 1939.

Senator HERRING. All of the increase, then, in your volume came after September 1939?

Mr. BESSE. No; it did not.

Senator HERRING. And you increased the employment from 122,000 weekly average in 1938 to 152,000 in 1939, and increased the wages $7\frac{1}{2}$ to 10 percent.

Mr. BESSE. Yes. You are comparing with 1938, which was a very bad year. 1937 was larger than 1939.

Senator HERRING. 1938 was better than 1937, though.

Mr. BESSE. I beg your pardon?

Senator HERRING. Fifteen percent greater, according to your statement to the Associated Press of January 17.

Mr. BESSE. 1938 was better than 1937?

Senator HERRING. By 15 percent. I would like to put this statement in the record, please, Mr. Chairman.

The CHAIRMAN. That is your statement to the Associated Press?

Mr. BESSE (examining). I assume it is.

The CHAIRMAN. Look it over and see whether it is.

Mr. BESSE. That is not my personal statement, but I think it is probably correct.

The CHAIRMAN. Did anybody connected with the National Association of Wool Manufacturers get it up for you?

Mr. BESSE. Yes; it came from our Boston office, and I have no reason to think that it is not entirely correct.

Senator CLARK. As president of the association, you will have to change somebody in your Boston office if it put out something that is not correct.

(The statement is as follows:)

(From The Evening Star, January 17)

WOOLEN MILLS BOOST PRODUCTION SHARPLY DURING YEAR--40 PERCENT INCREASE OVER 1938 REPORTED BY ASSOCIATION

BOSTON, January 17.--The National Association of Wool Manufacturers reported yesterday that the production activity of woolen textile mills in 1939, as indicated by figures for the first 11 months of the year, was approximately 40 percent greater than in 1938 and about 5 percent less than in the post-war record year of 1935.

The association declared that 1939 production also was 15 percent greater than in 1937 and between 5 and 10 percent higher than in 1936.

The figures, culled from the association's "monthly statistics," disclosed that consumption of apparel wool during the first 11 months of 1939 averaged 5,640,000 scoured pounds weekly, compared with an average of 3,956,000 pounds for the same period of 1938.

Employment in wool textile mills also was reported much better during the first 11 months of 1939, when an average of 152,000 persons were busy weekly, compared with a 122,000 weekly average in 1938.

The report noted that late in December mills "producing more than 50 percent of wool goods of the country announced wage increase of 7½ to 10 percent, effective February 1, 1940."

Senator LODGE. Did I understand you to say that the only trade agreement with any major power that affects woolen textiles is that with Great Britain?

Mr. BESSE. Yes.

Senator LODGE. And that has not been in effect long enough for you to have observed the effect of it on the woolen and textile industry?

Mr. BESSE. We thought we could observe an effect during the first half of 1939, but it is the kind of thing you never can be sure of. There was no substantial change in tariff rates other than those made in the agreement with Great Britain. One exception to that is the lowering of the tariff on billiard cloth from Belgium in the two Belgian agreements.

Senator LODGE. So there are no conclusive figures yet which throw any light on the effect that the agreements with the major countries have had as to their effect on your industry?

Mr. BESSE. That is correct.

Senator LODGE. But there is no reason to believe that it has done it any good?

Mr. BESSE. Correct.

Senator CLARK. I have some statistics here which I should like to ask you about, showing that for 1939, there has been activity in the woolen textile industry showing an increase from 69.1 to 102.6 percent, or an increase of 48.4 percent. On raw materials, from 82.8 percent to 125.4 percent; or an increase of 51.4 percent; on employment from 63.1 percent to 84.4 percent, an increase of 33.6 percent; on pay rolls from 50.1 to 67.7, an increase of 35.1 percent. That does not look like they have been very badly hurt in the first 10 months of 1939, does it?

Mr. BESSE. I do not think you can take that particular period, but I do not question the figures.

Senator CLARK. That is the only period during which the reciprocal trade agreements have been in operation, isn't it?

Mr. BESSE. That is entirely correct—

Senator CLARK (interposing). So it comes down to this, it shows that you have not been hurt yet, but you are afraid you will be hurt?

Mr. BESSE. Substantially that is what I am saying.

Senator CLARK. That is what everybody says that comes in here. I have been astounded at the complete similarity of the testimony from nearly all of the witnesses who have been in here from different industries. They say they have not been hurt but they are afraid that they may be hurt sometime. You recollect you were afraid that you were going to be hurt in 1934, and you were still afraid that you were going to be hurt in 1937, and you were better off in 1937 than you were in 1934, and you are better off now than you were in 1937, but still you are afraid that you are going to be hurt some place around the corner.

Mr. BESSE. We were considerably better off in 1937 and so was every other business. We think we were hurt in the first 6 months of this year.

Senator LODGE. In 1937 there was no trade agreement with Great Britain?

Mr. BESSE. That is right.

Senator CLARK. If the whole system of trade agreements had gone into effect, and I take it that you will agree that the wool-textile industry profits from an increase in the general purchasing power in the United States just like every other business-----

Mr. BESSE (interposing). I will agree with you that we profit from any increase in the general purchasing power, but I cannot agree with you that the increase in purchasing power was due to the effects of the trade treaties.

Senator CLARK. I am just calling attention to the fact that during the full operation of the year of the Smoot-Hawley bill, your industry was at the very lowest point in its entire history, and that under the reciprocal trade agreements, a very much improved situation has been created, isn't that true?

Mr. BESSE. Not in my opinion due to the trade agreements.

Senator CLARK. Perhaps not, but whether or not you have been hurt by the trade agreements, you are a great deal better off than you were when the trade-agreement system started, aren't you?

Mr. BESSE. Surely. So is everybody else.

Senator CLARK. Precisely. That is exactly my contention.

The CHAIRMAN. In 1939, what were the imports?

Mr. BESSE. The most significant figure is on a poundage basis, which I think is more accurate as an index than a dollar basis. The figure for 1939 was 6,891,000 pounds, as against a low in 1932 of 1,899,000 pounds, and a high in 1929 of 10,233,000 pounds.

The CHAIRMAN. Taking it as a whole on the basis of either quantity or value, there is about 2-percent imports in relation to domestic production, is there not?

Mr. BESSE. I think that figure should be subject to considerable correction, but it is comparatively small in any case. There is no use in fighting over it. There is a considerable duplication in the figures put out by the Census of Manufactures because some units in the industry are integrated, and go all the way from wool to the finished products, and others are separate in the sense that they comb wool or they spin the yarn, and they make cloth, and there is a duplication there, but it would not bring the figure on woven cloth up to a very high figure of our total domestic production of all types of cloth. The blanket figure would be higher.

The CHAIRMAN. But there has been no reduction on wool?

Mr. BESSE. The reductions on the higher priced cloth are more extensive than on the lower priced.

The CHAIRMAN. Then it was reduced on rags and wastes?

Mr. BESSE. Yes.

The CHAIRMAN. That affected you, too.

Mr. BESSE. Yes.

The CHAIRMAN. But it was not reduced at all on raw wool?

Mr. BESSE. No reduction.

The CHAIRMAN. At all times, your production has been more than it was under the 1922 act up until the Smoot-Hawley bill was passed.

Mr. BESSE. Our production?

The CHAIRMAN. Yes.

Mr. BESSE. No; I think not.

The CHAIRMAN. Are you sure about that?

Mr. BESSE. I will be glad to give you a tabulation. The figures I have with me are only from 1929. You are speaking of figures from 1922, and I would have to check them to make sure. I cannot believe that our production since 1930 has been comparable to the production from 1922 to 1929. Our largest year was 1926. Our production in 1926 was considerably above what it was in 1929, if I remember correctly.

The CHAIRMAN. The value of the domestic production was about \$720,000,000 in 1923, was it not?

Mr. BESSE. I think that is correct.

Senator CLARK. Your broad loom activity was greater in November 1939 than any year since 1926, wasn't it?

Mr. BESSE. Yes; that is due to the speculation which I have previously referred to.

Senator CLARK. Even textile manufacturers indulge in speculation.

Mr. BESSE. It was not ours so much as the customers'.

The CHAIRMAN. In the testimony before the House Ways and Means Committee, you called attention to the fact that the Secretary wrote a woolen manufacturer that to offset the cuts made in the wool-textile schedule, we had secured from the United Kingdom concessions in items which we exported to them in an amount of \$875,000,000 in 1936.

Mr. BESSE. That is right.

The CHAIRMAN. That testimony was given only about 10 days ago, I believe, or maybe 2 weeks. Why didn't you call their attention to the fact that a correction was made by Secretary Hull to this same gentleman as to those figures?

Mr. BESSE. There are two reasons, Mr. Harrison. One is that he made the correction only to the individual manufacturer concerned and not to all of the newspapers who had the original release. The other reason was that I used it as an illustration of the fact that the statistics put out by the State Department are not always accurate. I have a copy of my testimony here.

The CHAIRMAN. On June 7, 1939, I placed into the Congressional Record a correction by Secretary Hull in that respect, and you only testified 2 weeks ago. You did not know about that correction?

Mr. BESSE. Oh yes, I saw it.

The CHAIRMAN. Why didn't you call it to the attention of the Ways and Means Committee—the correction?

Mr. BESSE. I listed that among a number of others as an illustration of the inaccuracy of the figures used by the State Department.

The CHAIRMAN. And you let it stay at that and did not make the correction. It seems to me, as one member of the committee, that in appearing before a committee, that that statement you made left an erroneous impression, and you say now that you knew about the correction that Secretary Hull had made, that it had been inserted in the Congressional Record, but you did not call it to the attention of the Ways and Means Committee.

Mr. BESSE. I think very likely the other misstatements or incorrect figures to which I called attention were likewise corrected. I have no reason to suspect that they were not.

The CHAIRMAN. All right.

Senator CLARK. Let me ask you this. Do you think the country as a whole, taken by and large, would be better to go back to the Hawley-Smoot tariff bill? Taking it by and large.

Mr. BESSE. That is a pretty difficult question. Perhaps I could put it better this way—you will find it stated in my brief. I feel if we should change our rates on woolen goods or any other goods—

Senator CLARK (interposing). I am not talking about woolen goods particularly.

Mr. BESSE. All goods. It would be more intelligent to make changes because we believe rates are too high or too low, rather than to change rates as a result of negotiations with foreign countries, because it is something which they want.

Senator CLARK. I would like to have you answer my question—do you think the country as a whole would be better off under the Hawley-Smoot tariff bill than it is under the present situation? That is a very definite issue, it seems to me.

Senator LODGE. Is it not true that the Hawley-Smoot bill has never been repealed?

Senator CLARK. It has been repealed as far as the act of 1934 applies to it. It has been modified to that extent, the extension of which is now a subject before this committee and will soon be before the Senate; therefore I say I would like to have the witness answer whether he thinks it would create a preferable condition in this country to go back to the Hawley-Smoot bill and wipe out the reciprocal trade agreements, wipe them off the map, which can be done by repealing the act of 1934 and giving notice of the abrogation of these treaties and go back to the Hawley-Smoot Act, the act which was the predecessor, the alternative that we had when the act of 1934 was adopted over your opposition. Do you think we should go back to that and that the country would be better off if we did that?

Mr. BESSE. I do not think in view of the present international situation it would make any difference.

Senator CLARK. I just wanted to get your views on it.

Senator JOHNSON. Well, as a matter of fact, that question is not in any way before the Congress at the present time.

Senator CLARK. The Senator from Colorado has made that statement a number of times. The question of the wisdom of the whole thing is presented. If the act is not wise, it ought to be repealed. If the agreements which have been made are a detriment to this country, they ought to be abrogated. If it is a good policy we ought to pursue it. The whole question of the wisdom of the reciprocal-trade-agreements policy is presented in the resolution for extension.

Senator JOHNSON. That may be the opinion of the Senator from Missouri.

Senator CLARK. That is all I ever attempt to state.

Senator JOHNSON. It is not the opinion of the Senator from Colorado.

Senator CLARK. I would not attempt to state the opinion of the Senator from Colorado.

Senator LODGE. I agree with the Senator from Missouri that the question is whether or not we approve of this policy, but the alternative if we reject this policy, the only alternative is not a return to excessive protectionism. That is what the automobile man said here yesterday, that it was either this policy or a policy of excessive protectionism, and it seems to me that is a most unwarranted assumption.

Senator JOHNSON. Certainly there is no pending legislation that in any way has anything whatever to do with the 22 existing trade treaties that have been entered into.

Senator LODGE. You mean those stand and go on afterwards?

Senator JOHNSON. Just as they are, without change.

Senator LODGE. That is true.

Mr. BESSE. May I make an observation, Mr. Chairman?

The CHAIRMAN. I suppose that will be argued on the floor. Do you want to make an observation?

Mr. BESSE. I was merely going to say that there is no existing rate which we have acquired as the result of any treaty which could not be left in the tariff act as the result of the flexible provision if it were possible to make out a case for that particular rate. There is no rate that has been lowered more than 50 percent, and it is quite possible to lower any rate 50 percent under the flexible provisions of the tariff if the board can make out a case for such a reduction. So the present rates are, if they are perfect, they can be easily maintained.

The CHAIRMAN. You would rather take your chances in the Congress than before this committee?

Mr. BESSE. I would not say that. I would rather take my chances with Congress than I would with a foreign negotiator.

The CHAIRMAN. You think they are pretty good people—the experts on this committee that negotiate these trade agreements?

Mr. BESSE. Splendid. But their recommendations have not always been followed. It is inevitable that they cannot be followed. A study is made of a particular industry but, although the study has been made with great care and with the best possible intention, after the study is made it has to be put into the hands of someone who then negotiates with a foreign country which is after some particular concession on this side of the water. I would much rather have our tariff set by a commission in this country who looked at our own problems rather than at the problems of the foreign nation. This is my primary objection, that we now set our rates by barter, not as a result of careful study.

The CHAIRMAN. They say they look after our interests.

Mr. BESSE. Of course, they do, Senator, but they start on the assumption that they must increase our imports in order to increase exports, which is what they are after, and they have to find some industry who is making a product, the importation of which can be increased.

Senator LODGE. You are not afraid they will raise them?

Mr. BESSE. There has been no evidence of it, Mr. Lodge.

The CHAIRMAN. Did your organization originally champion in 1922 putting a tariff on rags and waste?

Mr. BESSE. I think not. At the present time there are some interests in the industry that are concerned with the importation of rugs, that belong to the association. If I remember correctly, in 1922 they were not; it was a separate association.

The CHAIRMAN. Did the National Wool Growers' Association advocate it?

Mr. BESSE. No; they were against it.

The CHAIRMAN. They were against it?

Mr. BESSE. Exactly.

The CHAIRMAN. You have generally agreed with them, though, haven't you?

Mr. BESSE. We have had a great many points of difference.

The CHAIRMAN. You have gotten together though? You have been pretty successful in getting together in the end, haven't you?

Mr. BESSE. I think rather the reverse. Mr. Marshall is here today, and I think will bear witness to the fact that we have a good many divergent points of view.

The CHAIRMAN. They have not been expressed before this committee this time.

Mr. BESSE. We try to keep them out of Congress as far as we can.

The CHAIRMAN. I thought so.

Senator CLARK. The export of wool rugs from the United States during the first 10 months of 1939 exceeded the imports of wool rugs by 800,000 pounds, so it does not look like those people have much of a squawk.

Mr. BESSE. In general, we export our poorer rugs and import the better ones.

Senator CLARK. The exports did exceed the imports by nearly a million pounds during the first 10 months?

Mr. BESSE. That is correct.

The CHAIRMAN. You do not favor increasing the tariff on raw wool, do you?

Mr. BESSE. No; I would not.

The CHAIRMAN. Are there any other questions?

(No response.)

The CHAIRMAN. Thank you very much.

Mr. BESSE. Thank you, Senator Harrison.

The CHAIRMAN. I desire to insert in the record at this point a correction appearing in the Congressional Record of June 7, 1939, concerning which there has been some testimony by this witness today.

(The same is as follows:)

Mr. HARRISON. Mr. President, on May 26, 1939, there was inserted in the appendix of the Record, by unanimous consent, a communication addressed by the Secretary of State, Hon. Cordell Hull, to Mr. Millard D. Brown, president, Continental Mills, Inc., Philadelphia, Pa., concerning the reciprocal trade-agreements program.

The figures \$875,000,000 appearing in the last paragraph on the left side of page 8804 of the Record are in error. The figures should be \$326,000,000. I ask unanimous consent that the permanent Record be corrected in this respect.

The VICE PRESIDENT. The correction will be made as requested.

The CHAIRMAN. The next witness is Mr. Conover.

STATEMENT OF JULIAN D. CONOVER, SECRETARY, AMERICAN MINING CONGRESS, WASHINGTON, D. C.

Mr. CONOVER. My name is Julian D. Conover. I am secretary of the American Mining Congress, a national organization representing the mining industry of the United States in all its branches.

The mining industry approves all suitable measures for increasing our foreign trade, provided damage is not done to the public interest by crippling or destroying established domestic industries or employment, or lowering American standards of living. Our position on the resolution now before you was set forth briefly in a declaration adopted at our forty-second annual meeting on January 18, of this year, as follows:

We do not favor the extension of the Reciprocal Trade Agreements Act unless it is amended to eliminate certain defects which experience has developed:

(1) The policy of gratuitous extension of concessions to nearly all countries does not result in benefits to the United States equivalent to its sacrifices and should be abandoned.

(2) The trade agreements committee has not given each commodity the careful, complete and expert consideration it deserves, and has inflicted unduly severe burdens on established domestic industries.

(3) Administrators of the act have not applied the treaty provisions permitting modification where exchange rates are seriously altered.

(4) They have not utilized clauses in the treaties providing for withdrawal of specific commodities when countries outside a given pact reap the principal benefits at the expense of our domestic industries.

(5) The practical application of the act has not demonstrated a feasible method to provide tariff increases when necessitated by changed domestic conditions.

(6) Reciprocal trade agreements are in fact treaties and should be ratified by the Senate.

For a full statement of the facts supporting these views, we respectfully refer you to our statement before the Ways and Means Committee, which appears on pages 1569 to 1584 of the record. We should like at this time to emphasize briefly three aspects of the problem and to offer three specific suggestions for needed amendments to the existing trade-agreements program.

First. We believe the law should contain a definite requirement limiting our concessions on any commodity to that country which constitutes the principal source of imports: This would merely carry out the oft-reiterated policy of the State Department, which unfortunately has not been followed in many instances. Such a policy was explained to both the House and Senate committees by the Honorable Francis B. Sayre, then Assistant Secretary of State, when this act was first under consideration in 1934. On this point Mr. Sayre made the following statement to the Finance Committee (found in the hearings before the Committee on Finance on H. R. 8687, April 27, 1934, p. 114):

The whole purpose of the program of trade bargaining is this: To restrict the commodities covered in the agreement with any specific country to commodities of which that country furnishes the chief source of supply of importation into the United States. Then, under our most-favored-nation agreement, to generalize those rates to other countries.

Mr. Sayre at the same time adduced a list of 29 countries, showing numerous articles or classes of articles for which each country was the leading source of supply; and the inference was plain that concessions would be granted to any country only upon such articles.

Under such procedure it was felt that the cost to us of generalizing our concessions to all nations would be minimized; and that, at the

worst, the welfare of a domestic industry dependent upon its tariff protection would not be traded away except to that country from which we would be able to demand substantial benefits in return. Thus the agreements negotiated under the act would be as nearly of a true reciprocal character as is possible under the most-favored-nation policy.

The actual conduct of the trade-agreements program has failed notably to adhere to this procedure, and the mining industry has been a major victim of these transgressions. Thus, our protection on zinc and cadmium, two essential mineral commodities, was reduced in the second agreement with Canada, a country which is not the principal or even an important source of imports. In the first 12 months under this agreement Canada supplied only 12 percent of our total zinc imports, while 50 percent came from Mexico, with whom we had no agreement, and from whom we received no compensating benefit, and the balance from Peru, Belgium, and other countries. In the same period only 8 percent of the benefit from the cadmium concession went to Canada, while Belgium secured 71 percent and the Netherlands, Italy, and other countries secured the remainder. Concessions on our products were thus granted to a minor source of imports, and the major benefits therefrom—entailing of course the major damage to domestic producers—were extended as a free gift to other nations, with no direct compensating return to our country.

To remedy this serious defect in the program and to carry out the original intent under the act, we urge an amendment to require that concessions on any commodity be made only to that country which constitutes the principal source of imports. Consistent with this recommendation, we also suggest the insertion in the act of a further provision, as follows:

When for a period of 6 months total imports of any article the growth, produce or manufacture of any foreign country on which the rate of duty has been reduced in any trade agreement negotiated hereunder from countries other than the signatory country shall exceed those from the signatory country, the President shall take the necessary steps to withdraw the concession made to such signatory country on such article.

Second. We urge that definite provisions be incorporated in the act to make effective the "escape clauses" found in the various treaties: Our experience utterly fails to bear out the repeated assertions of the State Department, before your committee and in public statements, that a domestic industry which has been injured by a trade agreement can and will receive relief under these clauses.

The zinc industry again affords a conspicuous example. Producing a basic commodity whose price is governed by the world market, our producers immediately and automatically suffered the full cut of \$7 per ton which was made in the Canadian agreement; and this penalty will persist throughout the life of that treaty, except for such temporary and uncertain relief as may be afforded by the war's dislocations.

Senator CLARKE. It is a fact that our domestic production of zinc increased considerably more than the total importations in 1939, is it not?

Mr. CONOVER. That is true, Senator.

Senator CLARK. And the price of zinc in 1939 was appreciably higher than the price for 1938?

Mr. CONOVER. That is true only as to the period since the war began in Europe. Up to the time of the beginning of the war in

Europe, our price was very seriously depressed. We were meeting the foreign competition, which was the only way that we could stay in business and keep our mines and smelters running, and our men employed.

Senator CLARK. As a matter of fact, the great bulk of the imports came in the same period after the war was declared, did it not?

Mr. CONOVER. The imports were increasing steadily throughout the year.

Senator CLARK. The price jumped up to \$6.50 in this country, and the importations became heavy?

Mr. CONOVER. There was a substantial increase in imports throughout the year.

Senator CLARK. The bulk of the increase according to the Department of Commerce, was a month after the declaration of the war?

Mr. CONOVER. The imports throughout the year were substantially heavier as the result of the tariff reduction.

Senator CLARK. But the imports for the whole year were very much less than the increase in the domestic production?

Mr. CONOVER. That is true, but that domestic production was produced until the outbreak of the war at a ruinously low rate of return.

Senator CLARKE. They did not step up production at a loss, did they? Do you mean that they increased their production over the previous year at a loss?

Mr. CONOVER. They had to meet the price which was governed by the world market.

Senator CLARK. But they did not have to increase the production, did they, if it was at a loss?

Mr. CONOVER. Of course with heavy overhead costs an increased rate of production is one way of keeping the loss down. However, I might point out that the production of the previous year had been at an extremely low level, and the production within the first 8 months of 1939 was only about 10 percent higher.

Damage has resulted not only from greatly increased imports, but from the depression of domestic price levels, and from the loss of that confidence in the future so essential to a natural resource industry which requires years of preparation before actual production takes place.

I might point out that the normal amount of exploration and development of new ore bodies is not going forward. In many districts, it is practically at a standstill because of the fact that our protection has been cut and there is no assurance of adequate protection for the years after the war, hence there is no incentive to spend large sums of money in the search for new ore bodies or to undertake expensive development work to prepare for future production. The continuance of this outlook is bound to have serious consequences upon our future supplies of a critical war material.

The zinc industry's case fulfills completely the conditions of the escape clause in the Canadian treaty. Under this clause our country has the right to withdraw or modify the concession on any article,—quoting from the treaty—“if, as the result of the extension of such concession to other foreign countries, such countries obtain the major benefit of the concession, and if in consequence imports of the article concerned increase to such an extent as to threaten serious injury to domestic producers.”

Repeated conferences with the State Department have brought out clearly that the zinc duty had been reduced without an adequate comprehension of the facts, and without any evidence of such painstaking and accurate study as is claimed to be an inherent part of the trade-agreement procedure. This subject was discussed at length before the Ways and Means Committee. It was clear that the trade-agreements authorities had not adequately weighed the facts pertaining to zinc; as to cadmium, their official statement spoke of it as a byproduct of copper refining, although over 95 percent of our cadmium is actually produced from the refining of zinc. Thus not only was the zinc industry penalized through a cut in its own tariff, but on top of that it suffered a 50-percent cut in its other product—namely, cadmium, which was based upon a gross misapprehension as to the basic fact of whether cadmium was a product of the copper or the zinc industry.

The fullest possible assemblage of facts has been presented to the State Department, including authoritative statements from the United States Bureau of Mines and from the chairman of the zinc subcommittee of the Minerals Advisory Committee of the Army and Navy Munitions Board, showing the need of restoring the duty. To this date, however, there has been no action whatsoever to rectify the damage. Such action, it may be emphasized, can be taken in this case by the unilateral action of our Government, without any reopening of negotiations. It would not be necessary to disturb any other item in the treaty.

We feel that this disregard of announced principles is indefensible, and to afford a measure of protection we urge the following amendment:

If at any time an established domestic industry as a whole shall be damaged as a result of the inclusion of its product in a reciprocal trade agreement, the President shall exercise all available recourse under the agreement with the signatory country to remedy the damage inflicted upon said domestic industry, and if such recourse is not adequate, shall institute negotiations with the signatory country seeking to withdraw or sufficiently modify the concession made upon that product to remedy the damage inflicted upon said domestic industry.

I might point out that that paragraph contains two parts. In the first place, it makes mandatory the application of the escape clause where damage is done to a domestic industry as a result of importations from third and fourth countries. That can be done directly by our country, and that is required to be done by this amendment.

In the second place, where a domestic industry is damaged but the damage does not come from a third or fourth country, there is no escape clause in the present treaties. This amendment would require under such conditions that the President undertake negotiations with the second country to alleviate the condition.

Continuing with our proposed amendment:

Damage to an industry under this section shall be determined by the Court of Claims of the United States upon complaint of any representative of an industry directed against the United States and setting forth the nature and extent of such damage. A copy of such complaint shall be served upon the Attorney General of the United States, and such service and proceedings in the Court of Claims hereunder shall be given priority and shall be under such rules as the Court of Claims may adopt.

That is, it sets up a mechanism for establishing proof of the damage before an impartial tribunal.

Senator CLARK. Is there anything in the jurisdiction or the experience of the Court of Claims that leads you to believe that that is a tribunal better qualified to pass on these matters than a committee of experts in the various departments of the Government?

Mr. CONOVER. We feel, Senator, that the State Department, being of course, the body which has taken the action in the first place to reduce the duty, has the perfectly natural reaction that any of us would have of seeking to justify that action. It is difficult for them to adopt an unbiased viewpoint. Our experience has not yet indicated that they have been willing to give a truly impartial and careful analysis to the facts which have been presented.

Senator CLARK. Have you ever had any experience with the Court of Claims?

Mr. CONOVER. No, sir; I have not.

Senator CLARK. I think you would modify your amendment if you had had. That is no reflection upon the Court of Claims, but the jurisdiction under which it is constituted.

Mr. CONOVER. Thank you, Senator. We should be glad to see any other suggestion advanced which would carry out the objective.

Our proposed amendment merely provides a means of assuring that the widely publicized policies of the State Department will be carried out, and that domestic industries and workmen will be safeguarded. If these assurances are made in good faith, there should be no objection to such an amendment. If not, it is essential that Congress provide some means whereby distressed industries can obtain relief if they are actually damaged and cannot obtain reparation.

Third, we urge strongly that the people of the United States, through their duly elected representatives, be given an opportunity to pass upon these commitments with foreign powers, which so vitally affect every phase of our economic life, before they become effective.

We take issue with the statements of Mr. Grady that "Senate ratification of trade agreements would be not merely a check on the authority to be exercised by the Executive, but a complete black-out" and that "ratification is tantamount to repeal." We cannot agree with the implication in these statements that only the appointed officials of the trade-agreements organization have the clear vision, intelligence and incorruptibility to handle our entanglements with foreign countries, and that elected Members of Congress, responsible directly to the people, are incompetent to discharge their duty to the Nation when confronted with sectional issues. We submit that a trade agreement which cannot obtain ratification by such elected representatives can scarcely be in the public interest.

We seriously question the constitutionality of the present act, which fails to provide any definite legislative standard for readjustment of tariff rates by the Executive. We agree also with those authorities who hold that the trade agreements are in fact treaties and as such must be made by and with the advice and consent of the Senate. We do not believe in the existence of permanent "emergencies" which justify continued deviation from our basic form of Government. But regardless of the legal questions involved, the interests of American industry and labor call for some check upon misdirected zeal in the negotiation of these compacts. The requirement of Senate ratification would make the trade-agreements organization more con-

scious of its obligation to adhere to its stated policies, to be careful and accurate in its findings of fact, and to safeguard domestic industries against injury.

We ask in all earnestness, Is there any reason why our American citizens should not have the same privilege enjoyed by the people of other nations, of scrutinizing the contracts made in their behalf, and communicating their views to their representatives in the Senate, who may then approve or disapprove these pacts? Are the Members of our Senate any less competent to pass on treaties than the legislative bodies of other countries, the great majority of which subject their agreements to ratification?

We plead for a resumption by the Senate of its proper function in the conduct of our foreign affairs by reviewing the acts of executive agencies which may mean life or death to important segments of our economic life.

The CHAIRMAN. Are there any other questions?

(No response.)

The CHAIRMAN. Next on our list is Mr. Ernest V. Gent, representing the American Zinc Institute, Inc.

Mr. GENT. Mr. Chairman, the institute has prepared a short brief and with your permission, I would like to yield to the president of our organization, Mr. Howard I. Young, who is also the president of the American Zinc, Lead & Smelting Co., and a practical operator, and manufacturer of zinc.

The CHAIRMAN. You mean that you are yielding your time to him?

Mr. GENT. Yes, sir.

The CHAIRMAN. But you are filing your brief?

Mr. GENT. He will present the institute brief.

The CHAIRMAN. Very well.

STATEMENT OF HOWARD I. YOUNG, PRESIDENT, AMERICAN ZINC, LEAD & SMELTING CO., PRESIDENT OF AMERICAN ZINC INSTITUTE, INC.

Mr. YOUNG. The operations of the American zinc industry are Nation-wide. Zinc mining is carried on in 18 States in the western, central, and eastern sections of the United States. More than 30 States in all are concerned in the production and manufacture of zinc and its products. About 25,000 men are employed, and it is therefore reasonable to assume that at least 100,000 persons are directly dependent upon the zinc industry.

Almost 2 years ago, the American Zinc Institute, on behalf of the domestic zinc producers, filed a statement with the Committee for Reciprocity Information in connection with the trade agreement negotiations with Canada. Supplementary briefs were filed, and oral presentations were made by various divisions of the industry in an attempt to defend the tariff rates on zinc ore and slab zinc established by the Tariff Act of 1922, which were unchanged by the Hawley-Smoot Act of 1930.

Senator CLARK. You did not ask to have these zinc rates changed in 1930?

Mr. YOUNG. No, sir.

Senator CLARK. The reason for that was that they were already prohibitive, weren't they?

Mr. YOUNG. No, sir.

Senator CLARK. You testified before the House committee that the imports of zinc prior to 1935, I think, were negligible?

Mr. YOUNG. We were an exporting country on zinc from 1921 until 1927. We were not unduly threatened with imports as long as we had the protection that was provided under the 1922 Tariff Act.

Senator CLARK. That is what I say, if no imports came in, it shows that the tariff was prohibitive and shut out all imports. That is what a prohibitory tariff is.

Mr. YOUNG. We were self-contained on zinc.

Senator CLARK. That is all a prohibitory tariff is— one that shuts out all imports.

Mr. YOUNG. I don't agree with you on that.

Senator CLARK. That is my definition of it.

The CHAIRMAN. Do you mean you would have gotten along just as well if you had not had a tariff at all at that time?

Mr. YOUNG. May I just explain this to Senator Clark? The metallurgical development that took place in zinc after 1926, had just become operative in world production along in the late twenties and the early thirties. The metallurgical improvements that had been worked out in the United States in the selective flotation of ores whereby you could make a clean separation of a complex ore, taking out the copper, lead, zinc, all separately, were just being applied in these foreign countries, and as long as that process was not available to those foreign countries, we were not at any time threatened with importations into this country.

However, beginning about 1935, the application of these processes to the high-grade ore deposits of foreign countries had produced a situation where we were obliged constantly to keep our price at a low level to meet this low-cost foreign competition.

Senator CLARK. The point that I am making, Mr. Young—I am not a mining man, and I do not understand these processes—but the point that I am making is that the rate which was entirely agreeable to you in 1922 and under which the imports were negligible were still entirely agreeable to you in 1930?

Mr. YOUNG. Absolutely.

Senator CLARK. That is what I had in mind.

Mr. YOUNG. That is correct.

Senator CLARK. I did not mean to interrupt your statement.

Mr. YOUNG. The zinc industry was puzzled at the contemplated concessions to Canada, as one of the stated principles of the trade agreement program is that concessions shall be made only to the chief source of imports. As a matter of fact, imports had been unimportant except in 1937, when extraordinary drought conditions in Montana curtailed domestic production. Even in 1937, zinc imports from Canada were in fourth place, and represented less than 15 percent of total imports, Belgium, Peru, and Mexico each being responsible for a larger share. Furthermore, at no previous time had Canada been the chief source of our imports, nor has this situation changed to date.

In its statement filed with the Committee for Reciprocity Informa-

tion on March 12, 1938, the Institute emphasized the probabilities of third country benefits as follows:

* * * We must expect immediate importations from other countries, particularly Mexico * * * The low wage rates prevailing in Mexico justify current duties as a means of protection for American labor * * *.

The Institute then quoted the following statement made in 1921 by the United States Tariff Commission, when zinc rates were discussed:

* * * Here (in Mexico) we find large deposits of high-grade zinc ore that have not been worked. As soon as there is adjustment of the unrest in those regions these deposits can furnish enormous quantities of desirable zinc ore at extremely low cost. The freight from these mines to the American zinc smelters is high, but in view of the low cost of producing the ore it can be delivered at Mississippi Valley points for less cost than much of the output from the mines even of that section of the United States.

As a response to our expressed fears of third-country benefits, we had to depend upon the answer that was given at the hearings time and time again when Senators, Congressmen, and representatives of industry mentioned the threat of a general invasion of our markets. They were told not to worry, that there would be the usual escape clause in the agreement which would insure against that risk. The zinc industry accepted this statement at its face value and it seemed to be the only ray of hope when, on November 17, 1938, the announcement was made that the duties on zinc ore and slab zinc had been cut 20 percent. Because we believed a great wrong had been done and that a serious error had been made, energetic protests were filed promptly and continuously with the State Department. We felt sure that the soundness of our position would be recognized upon review. Adding to this assurance was the public statement of Dr. John W. Finch, Director of the Bureau of Mines, who in April 1938, pointed out that a reduction in the tariff on zinc could hardly be considered in the public interest. This opinion, it will be noted, was offered by Dr. Finch 6 or 7 months before the announcement of the duty cut. Dr. Finch's views were greatly amplified by the report issued by the Bureau of Mines under date of June 27, 1939, in the form of a detailed analysis of the reduction in the tariff on zinc. It is far too long to quote here, but this analysis supports the position of the industry and, in its final paragraph, states:

The foregoing analysis of the zinc industry indicates clearly that domestic producers are confronted with a critical situation resulting primarily from unsatisfactory conditions abroad, the effects of which on the domestic market have been intensified by the 20 percent reduction in tariff.

(The full text of the Bureau of Mines analysis will be found on pages 2732-2735 of the hearings before the Ways and Means Committee.)

Months went by and we persisted in our protests with the result that we were invited to furnish data to permit of a special study of zinc by the Trade Agreements Division of the Department of State. We furnished everything which was requested, and more. In fact, we have continued to do so to date.

As a result of direct representations to Secretary Hull, an informal hearing was finally arranged for September 18, 1939. The industry took great pains to see that a representative group of actual producers

were present to discuss every phase of the industry. Quite a number of the members of the trade agreements organization and various Government departments met with us, but the Bureau of Mines was not represented. Frankly, the industry was disappointed. We had to do most of the talking. Very few significant questions were asked. A great deal of information was voluntarily offered by the industry, and after the meeting a 19-page statement, supplementary to the conference, was submitted by the industry. Five months and more have passed. We are still waiting for the answer.

We insist that a thorough examination of the facts was not made before the duty concessions on zinc ore and slab zinc were determined upon. We submit that the fact that the Bureau of Mines was not consulted is a strong indication of the correctness of this statement. Furthermore, apparently the analysis since published by the Bureau of Mines, the Government authority on metals and minerals, has carried no weight with the trade-agreements organization, and this, we believe, warrants our vigorous protest.

Finally, we point to clause XIV of the Canadian agreement, which reads in part, as follows:

The government of each country reserves the right to withdraw or to modify the concession granted on any article under this agreement, or to impose quantitative regulations on the importation of any such article if, as the result of the extension of such concession to other foreign countries, such countries obtain the major benefit of the concession, and if in consequence imports of the article concerned increase to such an extent as to threaten serious injury to domestic producers * * *."

We submit—

(1) That third countries have obtained the major benefits of the duty concessions, as evidenced by the fact that 1939 imports show that Canada was responsible for 12 percent; Peru, 14.5 percent; and Mexico, 59.4 percent.

(2) That in consequence, imports have increased to such an extent as to threaten serious injury to domestic producers.

(3) That the industry has applied for relief under clause XIV, but without result.

In presenting its case to the Ways and Means Committee, the American Zinc Institute emphasized that there are provisions within the Canadian agreement itself, the agreement responsible for the duty concessions on zinc, which could and should have been exercised to rectify the error and repair the damage. We reiterate this point, but because of the fact that in no case has the escape clause on any item in any agreement been exercised, we are beginning to despair of any exception in our case, regardless of the facts. Therefore, we respectfully urge this committee to consider suitable curbs or mandatory provisions to be included in the act if it is extended, which will ensure review and revision of duty concessions when indicated. We believe that the amendments suggested by the American Mining Congress would afford established American industries this vitally needed protection.

Senator GEORGE. What are your chief producing States?

Mr. YOUNG. The chief producing States are Oklahoma, Kansas, Missouri, Nevada, Utah, Montana, Colorado, Washington, New York, New Jersey, Wisconsin, New Mexico, Arizona, Idaho, Tennessee, Illinois, Arkansas, Virginia, Pennsylvania, West Virginia, and Texas.

Senator BROWN. Taking the last year, what was the percentage of the total supply produced in the United States and that produced in Canada and Peru and Mexico?

Mr. YOUNG. Of the total of the world production?

Senator BROWN. No; the production used in the United States?

Mr. YOUNG. Do you want to include the domestic production in that?

Senator BROWN. Yes.

Mr. YOUNG. Last year the domestic production of zinc was 538,000 tons.

Senator CLARK. That was an increase from 456,000 of the year before?

Mr. YOUNG. That is true. The total imports from Canada were 8,015 tons; Mexico, 39,776 tons; Peru, 9,722 tons; Belgium, 4,678 tons; Argentine 1,544 tons; Norway, 1,456 tons; France, 896 tons; Poland 806 tons; Chili, 78; Union of South Africa, 25 tons, or a total of 66,996 tons.

Senator BROWN. I did not get the production in the United States.

Mr. YOUNG. The United States production for last year was 538,198 tons.

Senator BROWN. You say that seriously affects the price?

Mr. YOUNG. Very seriously.

Senator BROWN. How do those importations compare to former years?

Mr. YOUNG. The year before, 1938, we had 2,332 tons from Canada—

Senator BROWN (interposing). Give me the total of all.

Mr. YOUNG. 26,157, and I might say, Senator, that the only year from the time of the World War up to 1939 that we had any substantial imports was in 1937 when we had 39,398 tons, and the reason for the imports that year was on account of the extensive drought that we had for 3 years out of 5 in the Northwest, which materially curtailed the production of electric power. Montana is the largest producing State of electrolytic zinc. It closed those operations down to a point where they were only running at 25 percent of capacity for a number of months, and in the Mississippi Valley there was one plant at LaSalle, Ill., that was down 6 months on account of labor trouble in the first half of 1937.

At the same time, as you will recall, we had quite an upturn in business in 1937, and the increased demand came at the time domestic production was curtailed for the reasons given; therefore the zinc was brought in from foreign countries in order to take care of the gap that was caused. These imports were entirely on account of an artificial or unnatural situation.

Senator GEORGE. Do we export zinc?

Mr. YOUNG. No; we have not exported zinc since 1929. We had exported large tonnage of zinc from 1922, each year, until 1929, but our exports since then have been very small.

This development I spoke of a while ago when I was answering Senator Clark—the world production of zinc, excluding the United States, has increased from approximately 500,000 tons to over 1,000,000 tons in 1938. Fifty percent of the million tons of zinc that is produced

in the world, excluding the United States, is a byproduct. By "byproduct," I mean this, that zinc is not the principal metal of value. A number of these mines in Canada have large gold, silver, lead and some of them copper values, and the zinc 20 years ago could not be recovered, but with the metallurgical improvement we have now, the zinc is recovered and made of commercial value.

Senator GEORGE. Those improvements have revolutionized the industry throughout the world, haven't they?

Mr. YOUNG. That is true.

Senator CLARK. But the price has increased in the last year too, has it not, despite the increased production?

Mr. YOUNG. May I answer that?

Senator CLARK. Yes.

Mr. YOUNG. The Canadian agreement with which you are quite familiar was signed in November, 1938, and became effective on January 1, 1939. Within two weeks from the time the Canadian agreement was signed, the price of zinc dropped \$11 a ton.

Senator CLARK. That was simply because you marked it down to meet the tariff cut?

Mr. YOUNG. No; that is not so. In the zinc industry, you as a consumer of zinc will anticipate your requirements two or three or four months in advance. When you came into the market to buy your zinc in early December, you could buy zinc from Canada and from Belgium for \$11 a ton less than we had been selling it to you, so therefore when I came to you to sell zinc, and you told me the situation, I had to do one of two things—I could either meet that price and hold your business and keep my plant running and my men employed, or I could shut down and let that business go to Belgium, which was the principal country of import. The duty was cut \$7 a ton, but at the same time the shipping companies that carried the metal from Belgium over to this country reduced their rates from above \$8 a ton to \$5 a ton, for carrying the metal over here; that was the equivalent of another reduction of more than \$3 a ton on top of what we already had.

Senator JOHNSON. Mr. Young, would you say that after the trade agreements went into effect and we had this reduction in the tariff and prior to the beginning of the war, that the zinc industry was then in a demoralized condition and the outlook was very pessimistic?

Mr. YOUNG. Very much so, Senator. Here was exactly the situation—the price had been 4½ cents from early December 1938 to July 1939, when it was advanced from 4.5 to 4.6. In August, it advanced to 4.75. A number of mines had been closed down, a number of smelters had been closed down. In our own plant—we operate in six different States—and in our East St. Louis plant, we had notified our employees that it would be necessary for us to discontinue the production of slab zinc and in May 1939 we closed down 25 percent of our units and were ready to close down the other 75 percent when our labor came to us and said "We are perfectly willing to take a reduction of 80 cents a day in our wages if you will go along and take a loss hoping that the condition will improve in this industry by the end of the year or, at least, by the spring of 1940." Many of these men had been in our plant for 20 to 25 years.

The decision of the board of our directors, following my recommendation, was that we would go out of the slab-zinc business, because we could not compete with the low labor that was being paid in Belgium. The balance of our plant that would have gone down July 1, was kept in operation as requested by the men. The war started, and immediately the price of zinc went from \$4.75 to \$6.25 within 2 weeks, and on to \$6.50 before the end of the month. That naturally put us right back on an entirely different basis and we restored normal wages.

Senator CLARK. Here is the situation, isn't it, Mr. Young? I don't think there is any question on earth on the figures and under the reciprocal trade treaty that the zinc industry has a perfect case under section 14 of the Canadian trade agreement so far as concerns the benefit to a third country which has been getting the benefits from the other high contracting parties concerned. I don't think anybody could question that, that the imports from Mexico have been greatly in excess of the imports from Canada.

Senator BROWN. Is there a trade agreement with Mexico?

Mr. YOUNG. No.

Senator CLARK. But the 20-percent reduction is contained in the trade agreement, and, under the most-favored-nation section, Mexico gets the advantage of it. Mexico has brought in a great deal more than Canada. In other words, we do not have the same sort of a quota system that was put in in regard to cattle. That much about section 14 is unquestionably true in my opinion. The other requirement, however, under section 14 is that the industry must show that it is threatened with damage. Now, it is the contention of the Department—and I will say and that will bear out the statement that Mr. Young made here a moment ago—that the officials of the State Department did say that zinc was not going to be included in the Canadian treaty. I can testify to that from personal experience, because Mr. Sayre told me so. I had received some communications on the subject of zinc and sent them down to him without any recommendation. I was not fronting for the zinc industry, but I asked that they be given due consideration. I met Mr. Sayre 2 or 3 nights later and he told me to tell these people not to worry, that zinc was not going to be included. Nevertheless, zinc was included. The testimony may be conflicting between the testimony of the State Department and the zinc industry as to what the effects would have been if the war had not come along. Nevertheless, the war did come along, and nevertheless the domestic production of zinc reached considerably more than the importations of zinc, and the price of zinc for the year 1939 was \$5.12 a ton as against \$4.61 a ton in 1938. I think the price now is \$5.50; isn't it?

Mr. YOUNG. \$5.75 per 100 pounds. It went up this week.

Senator CLARK. It seems to me that the criticism of the Department under those circumstances is unfair in view of the fact that this hearing was held in September, and the war had then developed or developed very shortly thereafter—I don't know as to the exact date in September when war was declared—and at the question of the imminence of any damage to the zinc industry was not sufficiently acute to make it an emergency measure.

As I say, to my mind, it depends wholly on the question of the showing that the industry can make before the proper authorities as to damage to the industry, because the first part of the requirement of section 14 that there is more advantage to a third party than there is to the contracting parties—there is no question on earth about that.

Mr. YOUNG. My answer to that, Senator, is this: Here is exactly the attitude or the problem that we are up against when we talk to the State Department. After they made this effective, we immediately showed them what happened with the drop in our price. Their position was, "because you have not lost your business, because you met the foreign competition and did not bring in these foreign goods and lay your men off, you have not been hurt."

When we had the hearing, the war was already on abroad. The hearing was held on September 18. They took the position that because our prices had gone up, that we did not need the help.

Senator CLARK. I have not understood that they made any final decision on the matter at all. Secretary Hull told me, and various other officials have told me, that they were watching that zinc situation very closely and that they did not intend where a third party was the principal gainer to see any injury come to an American industry. That has been their decision, as I understood it, all the time but they do not feel that it has been necessary to make that demand upon Canada at this time. Possibly they may be actuated by the thought—as I recall in the last war, zinc went up above \$100, did it not?

Mr. YOUNG. Above \$100 per ton; yes.

Senator CLARK. And the American consumer of zinc had to foot that bill. Perhaps they do not feel like intervening at this time to let the American consumer of zinc suffer from a war that is going on abroad.

Mr. YOUNG. Could I answer you on that?

Senator CLARK. Certainly.

Mr. YOUNG. Take the situation on zinc today from a world standpoint, and it is entirely different from what it was in 1914 when the World War broke out. This country did supply a very large percentage of the zinc to the Allies, to England, and instead of \$100 a ton, we got over \$400 a ton for a short time and it was the worst thing that ever happened to the zinc industry.

Senator CLARK. I know it was over \$100 when I got out of the Army.

Mr. YOUNG. England and those countries then became to as great an extent as they could, self-contained, and after our duty was reduced in the Canadian treaty, England put up their duty from 13 to 30 shillings on any zinc that would come into England from any country except their own Provinces, and they took 50 percent of that duty to subsidize their own industry to keep it in condition to take care of them from a national-defense standpoint. Zinc is a metal that is needed for national defense.

Here is the reason that we are down here before you. We have had very courteous treatment from the State Department, but no action. The mining industry must do long-range planning, we must drill, we must sink shafts and open up ore deposits and then build a mill. It takes 5 years as a rule from the time you make a discovery until you get into production. While we are making money is the time that we should be trying to perpetuate the industry. We know we cannot

meet the \$1.60 a day that is being paid in Belgium. We know that we cannot meet the small wages being paid in Mexico with our present production.

We have an artificial situation here. You take today all of the zinc produced in Canada and all of the British provinces is commandeered by the British Government, excepting the actual zinc needed for domestic consumption. That has taken out of the immediate threat, all of that production, but if the war were ended tomorrow, what would happen? That zinc is being sold at \$3.70 per 100 pounds.

I talked to one of the biggest Canadian producers night before last. They are getting \$3.70 for their zinc and that is the same extra high grade of zinc that in this country today is bringing \$6.75. Add your duty on to that, and your freight, and you have \$5.70 Canadian zinc in here against ours at \$6.75.

Senator GEORGE. What is your total employment?

Mr. YOUNG. Twenty-five thousand people.

Senator CLARK. That has increased considerably over 1938, too, hasn't it?

Mr. YOUNG. And the employment would be increased further, Senator—if we knew that we were going to have the old rate of duty or if we knew definitely that we were going to have protection when we needed it; if we knew that definitely, there would be several hundred men added to the pay roll within 60 days in the development of ore deposits that will not be in production for several years.

Senator CLARK. I find that Mr. Noble, who is a member of the committee and is Under Secretary of Commerce and a member of the Committee on Reciprocity Information, testified before the House committee as follows:

I think last summer—the time may not be right—apparently the American industry felt that a mistake had been made with reference to Canadian zinc. They brought that before the committee for a rehearing. Had it not been for the war, a more favorable rate might have been arrived at, to put it more in line, so as not to harm our industry here. But the war came on and the price increased so rapidly that an adjustment in that particular case was not necessary. But it is possible under the present program to review the case of industries which consider themselves seriously hurt.

That is just in line with the information which I had received.

Senator WILEY. Is there any explanation why the Government expert was not called in on either of those cases?

Mr. YOUNG. No; we have always been at a loss to understand that. The Bureau of Mines is the Government bureau which kept the records for years.

Senator WILEY. It seems unnatural that the man who knows should not be consulted in it, but what I have in mind as I get your picture is this, that you feel that if the war were to cease tomorrow, that it would have a paralyzing effect upon the industry and be altogether a very serious effect insofar as our National Defense is concerned.

Mr. YOUNG. Yes; there is one other point that I have not made, and that is this, that a lot of the Mexican concentrates that formerly went to Belgium, and the concentrates from South American countries that formerly went there, with the present curtailment of shipping

facilities and on account of Belgium smelters operating only at about 25 percent capacity, although the normal flow of these concentrates would be to Belgium they are now coming in to this country.

There is no question in our minds that if this war were ended tomorrow, that our price would go down \$25 a ton or more.

The CHAIRMAN. I am glad to hear you say that the State Department have been courteous in the matter.

Mr. YOUNG. Yes.

The CHAIRMAN. And have given you rehearings. To my mind, just from your testimony and what I know about this situation, I think that you have something to be aggrieved about. I think there was a mistake made in the Canadian agreement because it was not the chief competing country, and gave an advantage to Mexico, but I am advised that they are still considering this matter up there and they have asked the Tariff Commission to send in to your various zinc territories to make another investigation of this matter, and it is the hope of some of us that this matter will be straightened out.

Senator WILEY. It would be an interesting tale, Mr. Chairman, to find out what was back of the breach of the promise that was made to this industry. It was made in the first instance that that particular metal would not be interfered with.

Senator CLARK. Mr. Chairman if the Senator is referring to what I said, I would not say there was any breach of faith in connection with it at all. I happened to meet Mr. Sayre at a social gathering and he said that he had gotten a letter from me a couple of days before. I would not regard that as any matter that had the sanctity of a contract.

Senator WILEY. I have not made any reference as to what was said between you and the Secretary, but what was told to the industry itself.

The CHAIRMAN. Is there anything else?

Senator CLARK of Missouri. I ask leave to insert a memorandum furnished me by the State Department at my request, on this subject.

The CHAIRMAN. That may be done.

(The same is as follows:)

FEBRUARY 5, 1940.

The rates of duty on zinc metal and zinc ore were reduced one-fifth by the trade agreement with Canada which became effective on January 1, 1939. The rate on zinc ore (concentrate) was reduced from 1.5 to 1.2 cents per pound and on zinc metal from 1.75 to 1.4 cents per pound.

These reduced rates leave in effect a substantial degree of protection. The domestic industry, however, has protested these reductions, particularly their extension to zinc imports from other countries than Canada, and requests action under the third country clause (Article XIV of the trade agreement with Canada), under which the right is reserved to modify or withdraw a concession, after consultation with the other Government, if there is an increase in imports under the reduced rates, to the major benefit of countries other than Canada, and to such an extent as to threaten serious injury to domestic producers.

The record of imports for 1939, as compared with 1938, does show a substantial increase in imports, and the increase has come largely in the form of zinc concentrates from Mexico and Peru and zinc metal from Mexico, and to a lesser extent from Belgium, Norway, and Poland during the earlier part of the year. There is attached a table showing imports of zinc ore and metal in 1938 and 1939 indicating the principal sources; it will be noted that of the imports of 64,461 tons in 1939, 47,281 came in from Mexico and Peru, including 18,505 tons of metal from Mexico and 30,776 tons of ore from Mexico and Peru.

It is not possible to determine at this time what part of these increased imports of zinc metal will eventually be reexported in the form of zinc manufactures or of products containing zinc. Draw-back of import duty is available for such re-exports under the principle of substitution—i. e., products containing domestic zinc can, under prescribed regulations and procedure, form the basis of claim for draw-back of duty paid on imports of foreign zinc. Armament requirements of belligerents, for example, for brass and galvanized products, will probably result in increased exports of products containing zinc offsetting a proportion of these increased imports, but it is not at this time possible to determine the extent of such offsetting exports.

In any case, however, it is clear that imports have increased substantially, and in major part from countries other than Canada. The question whether a case can be established under article XIV of the trade agreement with Canada rests, therefore, upon whether these imports constitute a threat of serious injury to the domestic producers.

The statistics of domestic production and shipments in 1939 show a considerable improvement over 1938: the increase alone in domestic production, of more than 80,000 tons, is in excess of the total imports for consumption of about 65,000 tons, as the following table shows:

Zinc production, shipments, and imports for consumption

[Tons of 2,000 pounds]

	1938	1939
Domestic production ¹	456,990	538,198
Domestic shipments.....	395,654	598,972
Imports for consumption.....	12,089	64,461

¹ From report of the American Zinc Institute. The final figures of the Bureau of Mines annual review of the zinc industry show a slightly different total for these years.

Of course, the outbreak of European hostilities in September 1939, which was followed by a heavy increase in domestic shipments and expanded domestic production of zinc, together with a rapid price increase from 4.75 cents per pound to a peak of 6.5 cents, had a considerable influence upon the results shown for the entire year. But the major part of the imports also came in during the last 4 months of the year. Even during the first 8 months of the year, before September 1, the increase in domestic production and shipments over 1938 exceeded the total imports, as the following table shows:

Zinc—Production and shipments and imports for consumption

[Tons of 2,000 pounds]

	January-August 1938	January-August 1939
Domestic production.....	302,234	334,391
Domestic shipments.....	225,570	338,346
Imports for consumption.....	7,049	24,956

Thus the increased imports have come in at a time of even greater increase in domestic production; the major part of the imports came in during a period of exceptionally high prices for zinc and great activity in the domestic industry.

The following data regarding the activity of the domestic industry in 1939 as compared with 1938 are of interest:

(1) Domestic production of zinc ore increased from 516.7 thousand tons zinc content in 1938 to 575.6 thousand tons in 1939.

(2) Domestic production of zinc metal increased from 457 thousand tons in 1938 to 538 thousand tons in 1939, an increase of 81 thousand tons as compared with total imports of 64.6 thousand tons.

(3) Stocks of zinc metal declined from 126.8 thousand tons at the beginning of the year to 66 thousand tons at the end of 1939.

(4) The average price received for slab zinc for the year 1939 was 5.12 cents per pound (Prime Western, East St. Louis) as compared with 4.61 cents for 1938. The price which remained at 4.5 cents during the first half of the year increased to 4.76 cents in August and, after the outbreak of war in Europe, rose to a peak of 6.5 cents on September 27. Declines during December and January 1940 brought the price to the present level of 5.5 cents.

In the tri-State region, which includes the Oklahoma producers, total shipments of zinc concentrates increased by 41 thousand tons to 396.6 thousand tons for 1939 and the average price for that year rose to \$34.15 a short ton as against \$27.83 in 1938. The price reached a peak of \$44.50 in October, and is now \$35.50.

When the duty reductions on zinc were announced in November 16, 1938, very strong protests were immediately made by the zinc-mining districts and the zinc smelters, definitely asserting that the reduction would wreck the industry, throw thousands out of employment, and be followed by an invasion of foreign zinc.

More than a year has passed since the duties were reduced. Zinc mining and zinc smelting are today in a considerably better position with regard to price, employment, production, and deliveries than was the case before the duties were reduced.

Total shipments of zinc concentrates from the Tri-State district (Oklahoma, Missouri, Kansas) are reported to have increased by 41,000 short tons to a total of 396,633 tons in 1939. The average price for 1939 rose to \$34.15 a short ton as against \$27.83 for 1938. The total value of Tri-State shipments of zinc concentrates rose by \$2,837,156 to \$13,547,218.

Total production of slab zinc by smelters rose 81,208 short tons over 1938 to 538,198 tons for 1939. Shipments of slab zinc by smelters rose by the large amount of 203,314 tons over 1938 to a total of 598,972 tons for 1939. The average price received by smelters for slab zinc, although not yet published, was 5.1 cents, or about 10 percent above the average price of 4.61 cents a pound for 1938. Production of slab zinc for 1939 reached the highest figure since 1929, with the exception of the abnormal year 1937. Shipments of slab zinc were at the highest level reached since 1929. The price of prime Western slab zinc today is at 6.50 cents a pound as compared with the average price for 1938 of 4.61 cents a pound. The price of Tri-State zinc concentrates is \$37.50 a short ton as against the average price for 1938 of \$27.83 a ton.

Imports of zinc slab and zinc ore are at the highest level which has been reached since the World War in 1914-18. The total imports, however, have been considerably less than the increase in domestic production. The heaviest imports have taken place in recent months at a time when the domestic price of zinc rose to a peak of 6.50 cents a pound. In preceding years, most of the zinc imported either as ore or as slab has been used for reexport in the form of galvanized sheets, die castings, and other products. The substantial increase in sales of domestic zinc since the declaration of war in western Europe strongly suggests that no important change has occurred in the usual use of imported zinc for reexport in processed form.

At the request of the zinc industry, and because of the unusual conditions created by the war, the position of the domestic industry is being closely observed and a careful watch is being kept to detect any serious threat of injury to the domestic industry.

Value of mine production of recovery zinc in the Joplin region

	1931-33	1938-38
Kansas.....	\$7,084,000	\$22,211,000
Missouri.....	726,000	4,299,000
Oklahoma.....	17,364,000	39,900,000

Summarizing the situation for the whole year and for the industry as a whole, it is to be observed that the increased imports, which were heaviest in the last 4 months of the year, came in principally during the time of especially heavy activity in the domestic industry and during a period of unusually high prices.

Total production of slab zinc by smelters rose 81,208 short tons over 1938 to 588,198 tons for 1939. Shipments of slab zinc by smelters rose by the large amount of 208,314 tons over 1938 to a total of 598,972 tons for 1939. The average price received by smelters for slab zinc was 5.12 cents a pound or about 10 percent above the average price of 4.61 cents a pound for 1938. Production of slab zinc for 1939 reached the highest figure since 1920 with the exception of the abnormal year 1937. Shipments of slab zinc were at the highest level reached since 1929. The price of prime western slab zinc today is at 5.50 cents a pound as compared with the average price for 1938 of 4.61 cents a pound. The price of Tri-State zinc concentrates is \$35.50 a short ton as against the average price for 1938 of \$27.83 a ton.

The representations and the position of the domestic industry are being actively investigated. Until final reports have been received and considered, it would be premature to endeavor to anticipate what decision will be arrived at with respect to the representations of the zinc industry.

Imports of zinc ore and metal, 1938 and 1939

(In short tons of 2,000 pounds)

	1938			1939		
	Ore	Slab	Total	Ore	Slab	Total
Canada.....		2,332	2,332	1573	6,402	7,975
Belgium.....		286	286		4,700	4,700
Mexico.....	224	3,346	3,570	12,270	10,508	22,778
Peru.....	4,632		4,632	18,497		18,497
Grand total.....	4,856	7,230	12,086	33,503	30,958	64,461

Source: Statistical Bulletin of the American Zinc Institute. Average dutiable imports for consumption, 1930-38, amounted to 10.4 thousand tons per year. U. S. Tariff Commission Digest of Trade data on zinc.

Article XIV of the trade agreement with Canada, effective January 1, 1939, provides as follows:

"The Government of each country reserves the right to withdraw or to modify the concession granted on any article under this Agreement, or to impose quantitative regulations on the importation of any such article if, as the result of the extension of such concession to other foreign countries, such countries obtain the major benefit of the concession, and if in consequence imports of the article concerned increase to such an extent as to threaten serious injury to domestic producers: *Provided*, That before any action authorized by the foregoing reservation is taken the Government proposing to take such action shall give notice in writing to the other Government of its intention to do so, and shall afford such other Government an opportunity within thirty days after receipt of such notice to consult with it in respect of the proposed action"

To establish a case for action under this provision with regard to any specific product on which a tariff reduction was conceded by the agreement, it would be necessary to show—

- (1) That imports of the product had increased under the reduced duty;
- (2) That these increased imports had come primarily from countries other than Canada;
- (3) That the increase in imports was so great as to threaten serious injury to domestic producers.

In such circumstances, action to withdraw or modify the concession, or to impose quota restriction on the imports, could be taken without violating the agreement, provided—

- (1) Written notice of intention to take such action is first given the other government; and

(2) The other government is given opportunity to consult this government regarding the proposed action, within 30 days after receipt of such notice.

FEBRUARY 5, 1940.

[This report covers the production, and stocks of the producers listed herein only. It does not cover the entire production, shipments, and stocks of prime western, brass special, and intermediate grades of zinc. Consequently, it should not be used as a basis for comparison with the report of all grades.]

Prime Western Zinc Producers Committee.—American Metal Co.; American Smelting & Refining Co.; American Zinc, Lead & Smelting Co.; Athletic Mining & Smelting Co.; Eagle-Picher Lead Co.; E. I. du Pont de Nemours & Co.; Hegeler Zinc Co.; Matthiessen & Hegeler Zinc Co.; National Zinc Co.; Quinton Spelter Co.; United Zinc Smelting Corporation.

Domestic slab zinc—Tons of 2,000 pounds

	Stock beginning of month	Produced during month	Total item (1) plus item (2)	Shipped during month	Stock end of month	Increase or decrease in stock
1929.....	30, 141	306, 782	336, 873	285, 693	51, 280	+21, 139
1930.....	51, 280	287, 435	308, 715	235, 789	72, 926	+21, 646
1931.....	72, 926	161, 723	234, 649	163, 552	71, 097	-1, 829
1932.....	71, 097	152, 302	223, 399	128, 010	95, 839	+24, 292
1933.....	95, 839	175, 109	270, 498	183, 856	86, 642	-8, 747
1934.....	86, 642	200, 699	287, 328	183, 114	104, 214	+17, 572
1935.....	102, 389	191, 223	293, 612	221, 789	71, 823	-30, 566
1936.....	71, 823	287, 713	309, 636	270, 356	39, 181	-32, 642
1937.....	39, 181	290, 651	329, 832	300, 498	29, 334	-8, 847
1938.....	29, 334	219, 553	248, 887	199, 885	49, 002	+19, 668
Monthly average.....		18, 296		16, 657		
1939						
January.....	49, 002	19, 659	68, 661	15, 789	51, 875	+2, 873
February.....	51, 875	18, 296	70, 141	15, 927	54, 214	+2, 339
March.....	54, 214	20, 813	75, 027	18, 505	56, 522	+2, 308
April.....	56, 522	20, 152	76, 674	19, 110	57, 558	+1, 036
May.....	57, 558	19, 756	77, 314	18, 606	58, 808	+1, 250
June.....	58, 808	17, 881	76, 689	17, 483	59, 206	+398
July.....	59, 206	17, 263	76, 469	18, 320	58, 149	-1, 057
August.....	58, 149	17, 528	75, 677	20, 542	56, 146	-2, 014
September.....	55, 135	18, 049	73, 184	27, 023	46, 161	-8, 974
October.....	46, 161	21, 432	67, 593	31, 572	36, 021	-10, 140
November.....	36, 021	23, 626	59, 647	28, 706	30, 941	-5, 080
December.....	30, 941	26, 497	56, 438	26, 389	30, 052	-889
Monthly average.....		239, 922		258, 872		
		19, 993		21, 573		-18, 950
1940						
January.....	30, 052	24, 689	54, 741	27, 929	26, 812	-3, 240

AMERICAN ZINC INSTITUTE, INC.,
New York, N. Y., February 5, 1940.

This report includes all grades of slab zinc as reported by all producers represented in the membership of the American Zinc Institute.

Domestic slab zinc statistics (all grades) 1929-40—Tons of 2,000 pounds

	Stock at beginning	Production	Total item (1) plus item (2)	Shipments	Stock at end	Shipped for export	Retorts operating end period	Average retorts during period	Unfilled orders end of period	Daily average production
	(1)	(2)	(3)	(4)	(5)	(6)*	(7)	(8)	(9)	(10)
1929.....	46,430	631,601	578,031	602,601	75,430	6,352	57,999	68,491	18,585	1,730
1930.....	75,430	504,463	579,893	436,275	143,618	196	31,240	47,769	26,651	1,355
1931.....	143,618	300,738	444,356	314,514	129,842	41	19,875	23,099	18,273	822
1932.....	129,842	213,531	343,373	218,517	124,856	170	21,023	18,560	8,478	583
1933.....	124,856	324,705	449,561	344,001	105,560	239	27,190	23,653	15,978	890
1934.....	105,560	366,933	472,493	352,652	119,830	148	32,944	28,887	30,786	1,004
1935.....	118,005	431,499	549,504	485,746	83,758	59	38,329	32,341	51,186	1,182
1936.....	83,758	523,166	606,924	561,969	44,955	0	42,965	37,915	78,626	1,429
1937.....	44,955	589,619	534,574	569,211	65,333	0	48,812	45,383	48,339	1,615
1938.....	65,333	456,990	522,323	395,554	126,779	20	38,793	34,583	40,829	1,252
Monthly average.....	38,083			32,963						
1939.....										
January.....	126,769	44,277	171,046	12,539	128,407	0	39,500	39,365	34,179	1428
February.....	128,407	39,613	168,020	39,628	128,192	0	**34,321	**34,186	29,987	1415
March.....	128,192	45,084	173,276	45,291	127,985	0	39,459	39,191		
April.....	127,985	43,036	171,021	40,641	130,380	0	**34,183	**33,905		
May.....	130,380	42,302	172,682	39,607	133,075	0	38,251	39,379	38,447	1454
June.....	133,075	39,450	172,525	37,284	135,241	0	**33,324	**34,172		
July.....	135,241	39,669	174,910	43,128	131,782	0	38,763	38,617	29,314	1425
August.....	131,782	40,960	172,742	49,928	122,814	0	**33,312	**33,332		
September.....	122,814	42,225	165,039	69,424	95,615	0	36,331	38,041	29,250	1365
October.....	95,615	50,117	145,732	73,327	72,405	0	**31,381	**32,131		
November.....	72,405	53,524	125,929	64,407	61,522	0	36,291	36,331	35,874	1315
December.....	61,522	57,941	119,463	53,468	65,995	0	**31,067	**31,107	49,379	1280
Monthly Average.....							35,491	35,865	44,773	1321
1940.....							**30,468	**30,746		
January.....	65,995	57,158	123,153	57,551	65,602	0	34,443	35,415	44,773	1321
February.....							**29,376	**30,350		
March.....							37,729	35,655	93,116	1408
April.....							**32,825	**30,751		
May.....							43,109	41,366	79,539	1617
June.....							**37,577	**36,169		
July.....							46,567	45,428	66,197	1784
August.....							**41,614	**40,175		
September.....							48,159	47,340	53,751	1589
October.....							**43,057	**41,980		
Monthly Average.....		538,198		598,972						
1940.....		44,850		49,914				39,333		1,475
January.....	65,995	57,158	123,153	57,551	65,602	0	47,287	47,863	36,808	1,844
							**43,674	**43,614		

[U. S. Department of the Interior, Bureau of Mines, John W. Finch, Director]

STATISTICAL AND ECONOMIC SURVEYS, METAL ECONOMICS DIVISION

(By E. W. Pehrson and H. M. Meyer, Metal Economics Division, and J. W. Furness, chief engineer)

For release January 18, 1940, Mineral Market Reports, M. M. S. No. 796 (preliminary annual figures—Please file for reference until final data are available)

ZINC INDUSTRY IN 1939

Smelter output of zinc from domestic ores in 1939 increased 13 percent over 1938, but demand rose at a higher rate, so that producers' stocks showed a substantial decline for the year, according to the Bureau of Mines, United States Department of the Interior. Horizontal retorts in operation on December 31 were estimated to be 35 percent greater than on January 1, and the average quoted price for the year was 11 percent above the 1938 average.

Imports of slab zinc for consumption were probably 90 percent of the record tonnage entered under conditions of a temporary shortage in 1937, and total imports of zinc in ore were the highest recorded since 1930. Exports of slab and rolled zinc, likewise, advanced over 1938 but in much smaller proportion than imports.

In the first quarter of the year production and shipments were at virtually the same level, but shipments dropped in the second quarter and the decline was not offset by a reduction in output. As a consequence, producers' stocks rose and at the end of June were at the highest level of the year, about 7 percent, above inventories on January 1. Shipments increased sharply in the latter part of the year, while production advanced more slowly, with the result that stocks were less than half as large at the end as at the beginning of the year.

The output of primary metallic zinc from domestic ores in 1939, as reported by producers from figures of actual production for 11 months and estimates for December, was about 491,400 short tons, an increase of 13 percent from the 436,007 tons produced in 1938. Production of slab zinc from foreign ores in 1939 amounted to 14,900 tons, compared with 10,334 tons reported for 1938. Total primary production from domestic and foreign sources in 1939 was thus 13 percent higher than in 1938.

Of the total output of primary material in 1939, about 127,000 tons were electrolytic zinc, of which 103,700 tons were produced in Montana and 18,300 tons in Idaho. Of the primary retort output 155,400 tons were produced in Pennsylvania, 82,000 tons in Oklahoma, 79,200 tons in Illinois, and the remainder in Arkansas, Texas, and West Virginia.

In addition to the output of primary zinc, about 48,700 tons of redistilled secondary zinc were produced, as compared with 31,613 tons in 1938. Thus, the total supply of distilled and electrolytic zinc in 1939 was about 556,000 tons, composed of 162,700 tons of high grade, 64,400 tons of intermediate, 88,100 tons of selected and brass special, and 239,800 tons of prime western zinc.

Imports of slab zinc for consumption, according to the Bureau of Foreign and Domestic Commerce, amounted to 29,526 tons for the first 11 months. Total imports of zinc in ore in the first 11 months were 21,834 tons. In the same period exports of slab zinc were 1,849 tons and of rolled zinc were 5,551 tons. Exports of zinc with benefit of draw-back for the first 9 months of the year (the latest figures available) totaled 9,974 tons. In the entire year, 1938 imports of slab zinc for consumption amounted to 7,230 tons, and total imports of zinc in ore were 18,583 tons. Exports of slab and rolled zinc totaled 5,736 tons for 1938 and are not shown separately for that year. Exports of zinc with benefit of draw-back amounted to 11,550 tons in all of 1938.

The stock of zinc reported at primary retort plants and at electrolytic refineries was 78,200 tons on November 30 and was expected to be about 73,900 tons on December 31. These tonnages represent decreases of 50 and 53 percent from inventories of 157,511 tons at the end of 1938. Stocks at plants that produce redistilled zinc only brought the totals to 79,900 tons on November 30 and 75,700 tons on December 31, 1939. The total stocks on December 31 were made up of 32,100 tons of high-grade and intermediate-grade zinc, 15,000 tons of brass special, and 28,600 tons of prime western zinc. Those on hand at the end of 1938 were 75,864 tons of high grade and intermediate, 29,240 tons of brass special, and 54,322 tons of prime western.

Apparent deliveries of primary slab zinc to domestic consumers in 1939 amounted to about 621,000 tons, an increase of 66 percent over the 375,004 tons indicated for 1938.

A total of about 69,000 regular horizontal retorts were reported at the 14 primary zinc smelters that operated during all or a part of the year. Of that number, 45,000 retorts were in operation at the end of November and 46,000 were expected to be in operation at the end of the year. Vertical retorts, which numbered 52 in 1939, were expected to be operating at virtual capacity at the end of the year. At the end of 1938, 33,949 horizontal retorts and 45 vertical retorts were reported in operation at primary distillation plants.

At the beginning of 1939 the quoted price for prime western zinc at St. Louis was 4.50 cents per pound. It remained at that level until July 27, 1939, when it advanced to 4.6 cents. The price continued upward to 6.5 cents late in September, where it held through December 1. On December 4 it dropped to 6 cents and remained at that level until the last day of the year, when it fell to 5.75 cents. The average quoted price for the year was 5.12 cents, compared with 4.61 cents in 1938 and 6.52 cents in 1937. Effective January 1, 1939, the tariff on slab zinc was reduced from 1.75 cents per pound to 1.4 cents as a result of the Canadian trade agreement signed in November 1938.

[U. S. Department of the Interior, Bureau of Mines, John W. Finch, Director]

STATISTICAL AND ECONOMIC SURVEYS, MINERAL PRODUCTION AND ECONOMIC DIVISION

(For release January 26, 1940, Mineral Market Reports M. M. S. No. 801)

MINE PRODUCTION OF LEAD AND ZINC IN THE UNITED STATES, 1939 (PRELIMINARY ANNUAL FIGURES)

Preliminary figures previously released by the Bureau of Mines, United States Department of the Interior, report the production of refined lead from domestic ores in 1939 as 430,200 short tons, and the output of metallic zinc from domestic ores as 401,400 tons. These data give no indication of the geographic origin of the metals and may differ materially from actual mine production because of variation in stocks and other factors. To complete the record of lead and zinc production in 1939, the following table summarizes preliminary figures on mine production of these metals by States.

Lead and zinc minerals frequently occur in the same ore body, and the content is usually higher in zinc than in lead; prominent exceptions are found in Idaho and Utah, but some of these exceptions may be more apparent than real and may be caused by recovery factors.

The table is as follows:

Mine production of lead and zinc in the United States, 1938-39, in short tons, in terms of recovered metals

State or Territory	Lead			Zinc		
	1938	1939 ¹	Percent of increase (+) or decrease (-) in 1939	1938	1939 ¹	Percent of increase (+) or decrease (-) in 1939
Eastern States:						
New Jersey.....				85,830	88,000	+3
New York.....						
Tennessee.....	7,800	6,263	-21	80,662	93,052	+17
Virginia.....						
North Carolina.....	4		-100			
Total.....	7,900	6,263	-21	172,501	181,052	+5
Central States:						
Arkansas.....	7		-100	152	131	-14
Illinois.....	276	400	+45	1,322	1,232	-7
Kentucky.....						
Southeastern Missouri.....	118,870	152,790	+29			

¹ Preliminary figures.

² Kentucky only.

Mine production of lead and zinc in the United States, 1938-39, in short tons, in terms of recovered metals—Continued

State or Territory	Lead			Zinc		
	1938	1939	Percent of Increase (+) or decrease (-) in 1939	1938	1939	Percent of Increase (+) or decrease (-) in 1939
Tri-State region:						
Oklahoma						
Kansas	39,400	44,250	+12	196,174	210,290	+10
Missouri (southwestern)						
Wisconsin	320	370	+16	2,073	5,043	+172
Total	158,873	197,810	+25	198,721	223,290	+12
Western States and Alaska:						
Alaska	994	910	-8			
Arizona	10,571	10,750	+2	5,814	9,850	+18
California	495	420	-14		6	
Colorado	9,455	8,130	-14	4,559	1,700	-62
Idaho	92,177	90,700	-2	44,030	46,575	+6
Montana	9,327	16,210	+74	8,844	34,800	+294
Nevada	4,079	4,081	+13	8,944	9,436	+28
New Mexico	4,949	5,463	+10	28,230	31,718	+12
Oregon	23	13	-43			
Texas	442	230	-33			
Utah	65,657	65,418	-1	33,659	33,357	-1
Washington	4,284	3,537	-17	11,492	9,731	-15
Total	202,953	205,872	+1	145,481	171,223	+18
Grand total	369,726	409,945	+11	516,703	575,571	+11

* Refinery receipts credit Philippine Islands with 422 short tons of lead in 1938 and 709 tons in 1939.

Lead.—The mine production of recoverable lead in the United States (including Alaska) was 409,945 short tons in 1939 compared with 369,726 tons in 1938, an increase of 40,219 tons or 11 percent. The total calculated gross value of the output in 1939 at the weighted average sales price of 5 cents per pound was \$40,994,500; in 1938 the average price was 4.6 cents and the total value \$34,014,792. Refinery receipts credit the Philippine Islands with 709 short tons of lead in 1939 compared with 422 tons in 1938, an increase of 68 percent.

From January 3 to July 30, 1939, inclusive, according to the Engineering and Mining Journal, the price of lead in New York ranged from 4.85 to 4.75 cents per pound. Advances during the period July 31 to September 6 raised the price to 5.50 cents, and this figure held as a minimum for the remainder of the year, 5.50-5.55 cents having been quoted in December.

Southeastern Missouri continued to be the largest lead-producing district in the United States, yielding 37 percent of the total domestic production; the Tri-State (or Joplin) region of Kansas, Missouri, and Oklahoma contributed 11 percent; and the other Central States and the Eastern States (comprising in order of output in 1939 Virginia, New York, Tennessee, Wisconsin, Illinois, and Kentucky) produced 2 percent. Lead from the Southeastern Missouri district increased 33,920 tons over 1938 and that from the Tri-State region 4,850 tons; the output of the Eastern States, however, declined 1,637 tons. The largest producers of lead in the Central and Eastern States were the St. Joseph Lead Co. at Bonne Terre, Mo., and the Eagle-Picher Mining & Smelting Co. at Joplin, Mo.

Lead production in the Western States, comprising 50 percent of the total domestic output in 1939, increased slightly over 1938. Idaho, the largest producer in the Western States in both 1938 and 1939, showed a decrease of 2 percent in quantity in 1939. Mines in the Coeur d'Alene region, Shoshone County, produced 90 percent of the Idaho output; the Morning mine was the leading producer in the State, followed by the Bunker Hill & Sullivan, Hecla, Page, Triumph, Blackhawk, Star, Idaho Continental, and Gold Hunter mines. Utah, with an output nearly the same as in 1938, ranked next to Idaho in lead production in the Western States. Decreases were recorded in the Bingham and Tintic districts of Utah; but an increase occurred in the Park City region where the reopening of the Silver King Coalition and Park Utah Consolidated properties more than offset losses at the Park City Consolidated and Park Galena mines;

production from the United States & Lark property at Bingham and the Tintle Standard in the Tintle district decreased, but that from the Ophir Hill and Hidden Treasure mines in Tootle County increased. The output of lead from Montana increased 74 percent in quantity over 1938, chiefly as a result of the reopening of the Orphan Girl and other zinc-lead producers of the Anaconda Copper Mining Co. at Butte and of an increase in the quantity of lead recovered at the slag-fuming plant at East Helena. In Arizona the principal producers of lead were the Montana mine of the Eagle-Picher Mining & Smelting Co. at Ruby, Trench mine near Patagonia, Mammoth-St. Anthony at Mammoth, Hillside near Hillside, and Tennessee-Schuylkill at Chloride; zinc-lead ore yielded about 56 percent of the lead output of the State in 1939, and gold ore and lead ore most of the remainder. In Colorado most of the lead came from copper ore from the Eagle mine near Redcliffe, gold-silver ore from the Snuggler Union mine at Telluride and the Shenandoah-Dives at Silverton, zinc-lead ore from the Rico property of the Rico Argentine Mining Co. at Rico, and silver ore from Mineral and Pitkin Counties.

In New Mexico the principal producers of lead in 1939 were the Pecos zinc-lead mine of the American Metal Co. at Tererro, San Miguel County (closed May 31, 1939), and the Ground Hog zinc-lead-copper-silver mine of the American Smelting & Refining Co., near Hanover, Grant County. The lead output of Nevada came mostly from zinc-lead ore from the Pioche district, Lincoln County, where the principal producer was the Combined Metals Reduction Co. About 96 percent of the lead output of Washington came from the zinc-lead properties of the Pend Oreille Mines & Metals Co. and the Metaline Mining & Leasing Co., near Metaline Falls, Pend Oreille County. Most of the lead from the other Western States (comprising) rising in order of output in 1939 Alaska, California, Texas, and Oregon) came from dry gold and silver ores.

Zinc.—The production of recoverable zinc from domestic mines in 1939 was 575,571 short tons having a total gross calculated value of \$61,010,526 at the average weighted sales price of 5.3 cents per pound; in 1938 the output was 516,703 tons and the gross value, all calculated at 4.8 cents per pound, was \$49,603,488. The largest increase in quantity in 1939 was 25,742 tons (18 percent) in the Western States, followed by 24,575 tons (12 percent) in the Central States and 8,551 tons (5 percent) in the Eastern States.

Zinc was quoted at 4.50 cents per pound (St. Louis) from January 3 to July 26, 1939. The first change of the year was an advance to 4.60 cents on July 27. Other advances carried the price to 6.50 cents on September 27. This price held through November, but in December the price declined to 5.75 cents, the final quotation of the year.

The Tri-State (or Joplin) region of Oklahoma, Kansas, and Missouri supplied 38 percent of the total domestic output of zinc in 1939, the other Central States, principally Wisconsin, produced 1 percent. The advance in the price of zinc was effective in stimulating production in the Tri-State region, and many of the mines and mills were run at capacity in the last few months of the year, the result was an increase of 10 percent over 1938 in output of recoverable zinc in the region. The largest producer were the Eagle-Picher Mining & Smelting Co., Federal Mining & Smelting Co., St. Louis Smelting & Refining Co., Tri-State Zinc, Inc., and Evans-Walloway Zinc, Inc. In Wisconsin most of the 5,643 tons of zinc produced came from the flotation plant of the Vinegar Hill Zinc Co. near Cuba City, the company operated one of its mines and purchased ore from other mines in the vicinity. The output from Illinois, Kentucky, and Arkansas (the other Central States producing zinc in 1939) totaled 1,363 tons.

The Eastern States (comprising in order of output New Jersey, New York, Tennessee, and Virginia) contributed 31 percent of the total domestic production of zinc in 1939. Among the important-zinc-producing mines were the Sterling and Mine Hill of the New Jersey Zinc Co. near Franklin and Ogdensburg, N. J., the Balmat and Edwards of the St. Joseph Lead Co. in St. Lawrence County, N. Y., the Mascot and Gracill of the American Zinc Co. of Tennessee, the Universal Exploration Co. property near Jefferson City, the Embree mine of the Embree Iron Co. at Embreeville, and the Tennessee Copper Co. property at Copperhill, all in Tennessee, and the Austinville mine of the Bertha Mineral Co. at Austinville, Va.

The Western States produced 30 percent of the total domestic yield of zinc in 1939. Their output increased 18 percent over 1938, owing chiefly to the outstanding gain (26,006 tons) in Montana where most of the increase in zinc, as in lead, resulted from the reopening early in the year of the Orphan Girl and other properties of the Anaconda Copper Mining Co. at Butte and the expanded output from the slag-fuming plant at East Helena. Idaho, however, continued to be

the greatest zinc producer in the Western States. Its output came chiefly from the Coeur d'Alene region, Shoshone County, the leading producing mines were (in order of output) the Morning, Bunker Hill and Sullivan, Triumph, Star, Hecla, Pago, and Frisco, all in the Coeur d'Alene region except the Triumph, which is in the Warm Springs district of Blaine County. Utah ranked third after Idaho and Montana in zinc production in the Western States, but recorded a decrease of 1 percent from 1938; the output from the Bingham and Tintic districts was less than in 1938, but that from the Park City area increased following the reopening of the Silver King Coalition and Park Utah Consolidated properties. Zinc output from New Mexico increased 12 percent over 1938, although the State's largest producer since 1927, the Pecos mine in San Miguel County, was closed permanently May 31, 1939, because the ore was exhausted.

The increase in 1939 came chiefly from the central district, Grant County, and resulted from resumption of mining operations at the Ground Hog unit of the American Smelting & Refining Co. and higher output from the Hanover mine of the Empire Zinc Co.; the Pewabic mine at Hanover, operated by the Callahan Zinc-Lead Co., was the other large producer of zinc in New Mexico during the year. The zinc output from Washington in 1939 decreased 15 percent from 1938; it came from the properties of the Pend Oreille Mines & Metals Co. and the Metaline Mining & Leasing Co., near Metaline Falls, Pend Oreille County. Arizona's output of zinc increased 18 percent over 1938; among the principal producing mines were the Montana at Ruby, Magna at Superior, Trench near Patagonia, and Tennessee-Schuykill at Chloride. In Nevada, the Pioche district of Lincoln County yielded over 90 percent of the zinc, and the Combined Metals Reduction Co. was the principal producer. The output of zinc in Colorado decreased 63 percent from 1938, largely because of the idleness throughout 1939 of the Sunnyside mine at Eureka, San Juan County, closed June 30, 1938; the Rio Argentine Mining Co. at Rico, Dolores County, and the Shenandoah-Dives Mining Co. at Silverton, San Juan County, produced the bulk of the State zinc in 1939. California produced only 6 tons of zinc during the year.

(Compiled by Charles W. Henderson from reports of the Denver, Salt Lake City, San Francisco, and Joplin offices, Mineral Production and Economics Division, H. Herbert Hughes, chief economist.)

The CHAIRMAN. The next witness is Mr. Just.

STATEMENT OF EVAN JUST, SECRETARY, TRI-STATE ZINC & LEAD ORE PRODUCERS ASSOCIATION

Mr. JUST. The division of the zinc industry which I represent is located in Oklahoma, Kansas, and Missouri, and mines 40 percent of the zinc ore mined in the United States. Before the Ways and Means Committee (on pages 2416 to 2430 and 2729 to 2736 of the hearings), we established the following points:

(1) The reduction in the zinc tariff in the Canadian agreement was not the outcome of a "careful, painstaking" finding of fact but was contrary to the unanimous judgment of all competent authorities on zinc, including the Bureau of Mines.

(2) The zinc concession was made to a minor source of imports. Consequently, the benefit of the concession has gone principally to Mexico, Peru, and Belgium.

(3) Serious damage to the domestic zinc industry has been the result, through an automatic and permanent reduction in prices; through being displaced from our markets to a considerable extent by a flood of imports, and through loss of confidence in an industry which cannot survive without long-range planning.

(4) Since the reduction, the zinc industry has labored without stint to educate the trade-agreements group to some practical understanding of our business conditions, and has been consistently met with statements that facts are always welcome, combined with no visible evidence of willingness to weigh facts fairly and squarely.

It has been a source of the deepest regret to witness that the Ways and Means majority failed to study carefully the numerous illustrations of administrative defects in the trade-agreements program. It was perfectly evident that the program had been embraced as a sacrosanct cause, for better or worse, and that the victims of faulty administration were trapped in the path of a steamroller. We submit that this program is too far-reaching in its effects to be handled as a mere party issue. Basically, it contains much that is good, but in detail is not without serious blemishes. We dare hope that the Senate will avoid partisan treatment and make an effort to improve the law with constructive amendments. If we were outright enemies of the basic principles of the program I should not be here now suggesting amendments, as I am convinced that there is no surer way of wrecking the program than to permit its ardent friends to follow their present course unchecked.

Careful scrutiny of our case will show definitely that we are the victims of outright transgressions of the oft-repeated policies which the trade-agreement officials claim to espouse. They insist that reductions are made only after expert, painstaking findings of fact. No competent finding of fact could possibly have supported the zinc tariff reduction. They contend that the program does not contemplate injury to domestic industries and that they have adequate machinery plus an earnest desire to rectify any damage done. The zinc industry has accepted these statements in good faith, but has exhausted its patience in a year of persistent efforts to induce the State Department to live up to its published policies. We have been met with unfailing politeness, but reluctance to appraise conditions and consequences equitably.

From this recital of the bare facts of our experience, it may be concluded that we consider the trade agreements officials to lack sincerity. This is not the case. We think it is clear that they are equipped with qualities no less admirable than our own. It is our misfortune that, like ourselves, they are also human, and the utter sincerity of their convictions prevents them from moving except in the direction of the academic ideal of free trade among nations. In other words, because a personnel has been selected which leans toward low-tariff principles, the functions of this program do not fulfill the claims for impartiality and flexibility which characterize its presentation to the Congress and to the public by its adherents.

We believe that our national experiences of recent years have amply demonstrated that the delegation of broad powers to executive agencies, without subjecting them to legislative or judicial review, sets in motion a chain of mental reactions which converts men of reasonable intelligence and integrity into zealots. We believe that our predicament is the result of excessive ardor on the part of those administering the program, who have so fervently sought to increase foreign trade that they have not adequately considered the welfare of domestic industries.

Our outlook for the future is uncertain and gloomy, whether the war ends or carries on; we know that the foreigner possesses a compelling advantage over us, even without the benefit of tariff reductions. Our domestic market is already enduring heavy inroads of foreign zinc and there is reason to fear far more destructive effects,

either through a desperate need for building credit to finance war material purchases, or through frantic post-war efforts to exchange goods for real money in our markets. It is nothing short of demoralizing to face this prospect with unbridled authority over our fate in the hands of men who have given but little indication of their interest in affording adequate protection to our long-established industry.

Unfortunately, we are already shackled into the Canadian agreement, and can only be extricated by administrative action. For this we no longer dare hope unless the Congress adopts the corrective amendments suggested by the American Mining Congress. We implore your serious consideration of these proposals.

Senator CLARK. Mr. Chairman, in connection with some testimony we have had as to the comparison between the method of congressional action and the method of the reciprocal trade treaties, I should like to insert in the record an extract from a book entitled "Politics, Pressures, and the Tariff," by E. E. Schattschneider, assistant professor of government at Wesleyan University, pages 211 and 212, with reference to the representatives of the National Association of Wool Manufacturers and others being called into the conference committees for the purpose of assisting in making up the tariff bill.

The CHAIRMAN. Without objection it will be put into the record. (The same is as follows:)

When Senator Walsh expressed surprise that persons interested in tariff rates were permitted to appear and argue their case before the conference committee, Mr. Cheney said, "Oh, there were quite a large number of people who were called to the conference committee, some of them actually sent for. It was held just below the Senate, one of the rooms below the Senate." He further testified, "* * * I have appeared before them more than once. I said I had always been to the conference committee before. I have certainly got things in conference."

The National Association of Wool Manufacturers likewise seemed to have access to the committees after the conclusion of the public hearings. The minutes of a meeting of this association in Boston on July 9, 1929, included the following reference to this extraordinary procedure:

"It was understood that the subcommittee would like to see the president of the association before the bill is drafted. It is expected that by July 19 all the hearings will be over and that on August 19 the Senate will reconvene. Between these two dates the bill is expected to be written."

The CHAIRMAN. I desire to insert at this point in the record a communication that I have just received from Senator King, who, because of another important matter necessitating his attendance on some matters in a committee of which he is chairman, and which he has asked me to insert in the record, it being a letter which he received from one of his constituents.

(The same is as follows:)

COMBINED METALS REDUCTION CO.,
Stockton, Utah, February 24, 1940.

Reciprocal trade treaties—Zinc-tariff reduction.

HON. WILLIAM H. KING,

Senate Office Building, Washington, D. C.

DEAR SENATOR: Economic forces make it necessary for me to again ask that you concern yourself with the zinc industry's struggle to get consideration from the men in the State Department, whose actions to date indicate they are going to permit the zinc tariff reduction of \$7 per ton, made effective by the so-called reciprocal trade agreement with Canada, to gradually destroy a large portion of the domestic zinc industry.

The problem we are facing in this case, in the final analysis, is of identical character with the numerous other problems we now have due to "Rule by men instead of by law."

A brief history of the case of the zinc tariff reduction is outlined below:

(1) Upon learning that zinc might be included in the list of commodities on which tariff changes were contemplated in the negotiation of the Canadian agreement, the zinc industry filed early in 1938 complete information with the State Department showing conclusively that the industry needed badly the tariff protection provided by Congress in 1922.

(2) After presentation of the data referred to above, we were led to believe the zinc tariff would not be reduced.

(3) On November 17, 1938, we were informed the agreement with Canada not only reduced the tariff on zinc by \$7 per ton but also that on cadmium by 50 per cent.

(4) Within less than 20 days after the announcement of the terms of the treaty, the domestic price of zinc had dropped from 5.05 to 4.50 cents per pound at St. Louis.

(5) The practical effect of this was the same as if an arbitrary tax payable immediately of \$1,200,000 had been levied on the zinc stocks, and a yearly tax ranging from \$4,500,000 to \$5,500,000 per year on future production, or in other words, a gross income tax of 7 to 10 per cent.

(6) The industry filed a protest immediately after learning the terms of the treaty. In reply a defensive statement was made that convinced us the data we had filed early in 1938 had not been analyzed, as this reply among other things said cadmium was a by-product of the copper industry.

(7) A meeting of representatives of the industry with Secretary Hull in June 1939 resulted in an informal hearing before the tariff commission late in September. At the latter hearing, executives representing approximately 95 per cent of the industry again filed facts that showed conclusively that foreign producers with high grade ores, cheap labor, and depreciated currency could profitably dump zinc in this market at prices below the cost of production for over half of the domestic producers.

(8) The Bureau of Mines, Mineral Markets Reports, M. M. S. No. 755, dated June 27, 1939, a copy of which is attached, confirmed the statements made by members of the industry, and pointed out that the domestic industry should be preserved in any event as zinc is an essential war metal.

(9) To date we have had no action from the State Department as a result of the September hearing.

After the conference with Secretary Hull, I was optimistic enough to believe that the injustice that had been done the industry was to be righted. An analysis of the situation as it now appears is that our "hearing" was as hopeless as the trial of the mob victim whose life was prolonged an hour by the formality of the judge who said: "Stop boys! Remove that rope. We will take him over to the courthouse, give him a fair trial, and then hang him."

In other words, Senator, it is not logical to assume that the boys in the State Department are going to do the smart thing and admit they made a mistake. As far as I know, not a single upward adjustment in tariff rates included in the reciprocal trade agreements has been made. This can be readily understood when one considers that these men are human being driven by fear. Fear of interfering with the idealistic program of their sincere boss, Secretary Hull. Fear of the political turmoil around them, and fear of their own ignorance and the power they wield. The latter must not be discounted, as these commissioners are forced to make decisions governing the economic life of numerous industries and the country as a whole. Their contacts with the executives of the industries being squeezed have undoubtedly made most of them realize that the complex economic structure of this country does not operate as stated in the books written by college professors and statisticians, although they must conduct themselves according to such theories.

Although I sympathize with the aims of the Secretary of State, I cannot sit idly by and approve the use that is being made of our industry as an ingredient in a laboratory experiment, the beneficial results of which, if any, cannot be effective on account of world conditions during the remainder of my expected

business life, and when the detrimental effects of the experiment have been apparent to nearly everyone in our industry from the day the industry was suddenly "grasped" as material for the experiment.

Another sad thing about this experiment is that the variables involved make it impossible for honest men to agree on the data being obtained.

My opinion is prejudiced, as I know the serious consequences to us that result from allowing foreign competition to depress domestic prices of the products of the farm and the mine below the cost of production. Someone in the manufacturing industry may temporarily profit thereby, but not for long, as the purchasing power of the domestic raw material producer in the long run controls the volume of business of the eastern manufacturers and, therefore, their costs and profits.

If we must have downward revision of tariffs (which question is debatable), why not make concessions on finished manufactured goods whose prices are controlled by the manufacturer with margins for selling and distribution ranging from 150 percent to 500 percent. Why select the raw material producers (the prices of whose products have been below the cost of production for ten years) for the sacrifice? In this connection, I am sending you a tabulation showing the production and employment statistics for Utah's underground mines by years for the period 1929 to 1938, inclusive, from which you will note the gross value of metal production for 1938 was 48.48 percent of 1929 (this in spite of the high gold and silver prices); pay rolls 66.28 percent; wages 106.82 percent (not including pay-roll taxes); and net proceeds 30.91 percent. As net proceeds for state taxation purposes are before depletion and corporate overhead charges, you can readily understand that most of the industry has been existing for ten years by destruction of its capital.

Again referring to the matter of interpretation of data as to the net results obtained from the trade agreements, I do not understand how the men in Washington can so readily evaluate the credits and debits of the trade program, when the complex nature of the dependency of one domestic industry on another is considered.

The following salient facts relating to our Nevada operation will give you an idea of the economic effects of substituting foreign zinc in place of production from complex lead-zinc-silver ores from Pioche, Nev.:

(1) The yearly production of zinc from our Nevada mine from 108,000 tons of crude ore is 14,783 tons.

(2) The gross recoverable value, or new wealth per annum had from the production of 108,000 tons of Pioche crude ore, using metal prices of gold, \$35 per ounce; silver, 71.11 cents per ounce; lead, at New York, 5 cents per pound; and Prime Western zinc, at St. Louis, 5 cents per pound; is estimated at \$2,808,000, equivalent to \$26 per ton of ore and \$189.95 per ton of zinc recovered therefrom.

(3) The average number of men employed at the mine, mill, smelter and reduction plants for the above production is 370; man shifts worked per annum 111,084; and man shifts worked per ton of zinc 7.51.

(4) The annual pay roll at mine, mill, smelter and electrolytic plants to produce 14,783 tons of zinc from Pioche ore is estimated at \$710,900, equivalent to \$48.09 per ton of zinc.

(5) The dependent population in Utah, Nevada, and Montana supported by the Pioche ore production is estimated at 6,290 people, based on Van de Graff's survey for Utah showing an average of 17 people dependent on each person employed in the mining and smelting industry, equivalent to more than 42 people supported for each 100 tons of zinc produced.

(6) The freight paid the railroads for the transportation of the ore, concentrates, bullion and metals from said ore is estimated at \$670,680 per year, equivalent to \$45.36 per ton of zinc. These figures do not include freight on fuel and supplies for the mine and plants nor on the supplies used by the communities sustained by the industry.

(7) The electric power purchased for the mining, milling, and reduction of the Pioche ore is estimated at \$344,500 per annum, equivalent to \$23.30 per ton of zinc produced.

(8) The supplies purchased for mine, mill, and electrolytic plants to produce 14,783 tons of zinc from Pioche ore are estimated at \$271,000 per annum, equivalent to \$18.33 per ton of zinc produced.

Although Pioche ore is high grade, as compared to the average domestic ores, yet the economic conditions coupled with its production make the cost of producing zinc therefrom closely competitive with the over-all cost in most of the other domestic production areas. I am unable to give you statistics such as the above for the entire Nation, but believe the over-all totals of business created per ton of zinc produced in other areas and the number of people supported thereby will not vary greatly from the figures given above.

During 1939, zinc imports into the United States in the form of ore and slabs totaled 66,996 tons, and December imports totaled 15,700 tons, equivalent to a yearly rate of 188,400 tons.

Assuming the 66,996 tons of zinc imported had come from domestic ores under similar conditions to those had at Pioche, the prosperity of the Inter-Mountain west would have been benefited as shown in the following tabulation:

	Per ton zinc	Per annum
New basic wealth (Includes gold, silver, and lead (produced)).....	\$180.95	\$12,725,900
Additional employment--man shifts.....	7.51	593,140
Additional pay roll.....	48.09	3,221,839
Additional power business.....	23.30	1,561,000
Additional railroad freight revenue.....	45.36	3,038,900
Additional supplies purchased.....	18.33	1,228,000

I would like to know what the State Department obtained in trade benefits that offset the above, making allowance at the same time for the relief costs to the country for the loss of employment involved.

Referring to the attached statement showing the imports of zinc by countries for 1938 and 1939, we find that the imports from Canada totaled 8,015 tons during 1939, equivalent to only 12 percent of the total imports, yet the trade agreement was made with Canada.

Why should Mexico, Peru, and Belgium be subsidized at our expense? If it is a case of giving away money to obtain foreign trade and goodwill why not attempt to make agreements governing foreign exchange, and raise the price level of the world's raw materials by loaning some of our stagnant gold supply? Losses from loans would be no more burdensome than the hidden losses incident to the destruction of domestic industry, and said losses would at least be distributed to all alike instead of being shouldered onto the industries now being selected by the State Department for sacrifice.

I am handing you herewith additional information relating to the zinc tariff, including a revised edition of my address before the mining congress.

As pointed out to you by Mr. Gent, the terms of the treaty with Canada are such that it is within the power of the administration to restore the zinc tariff.

If, in your opinion, I have made a case for the restoration of the zinc tariff, I respectfully ask your consideration of the following proposals:

(1) That you do what you can to get the State Department to render a favorable decision on the matter of restoring the zinc tariff.

(2) That the act as passed by the House covering the making of trade treaties be amended to provide:

(a) Publication of the proposed terms altering tariffs 6 months prior to the signing of such treaties.

(b) Approval of the treaties by the Senate.

In our conference with Secretary Hull, we were impressed with his sincerity and expressed desire not to hurt our industry. We realize that his many troubles make it impractical for him to analyze the data we have presented. As stated above, we are not hopeful of justice being done by the commission unless the pressure on them is reduced by the Secretary.

I would like to have appeared before the Senate Finance Committee in connection with this matter, but it is not practical for me to do so.

Your efforts in our behalf will be greatly appreciated.

Yours sincerely,

EDWARD H. SNYDER.

AMERICAN ZINC INSTITUTE, INC.,
New York City, February 5, 1940.

Imports—slab zinc and zinc ore (including entries for immediate consumption and entries into bonded warehouse)

	1939 (tons)	Percent	1938 (tons)
From—			
Canada.....	8,015	12.0	2,332
Mexico.....	39,776	59.4	10,999
Peru.....	9,722	14.5	11,330
Belgium.....	4,678	7.0	286
Argentina.....	1,544	2.3	.....
Norway.....	1,450	2.2	.....
France.....	896	1.3	.....
Poland and Danzig.....	808	1.2	1,210
Chile.....	78	.1	.....
Union of South Africa.....	25	.....	.....
	60,996	100.0	26,167

From—	December imports (included above)	Slab zinc and zinc ore (tons)
Canada.....	2,223
Mexico.....	7,631
Peru.....	5,375
Argentina.....	393
Chile.....	78
		15,700

Note.— December imports represent a yearly rate of 188,400 tons.

The CHAIRMAN. I desire also to put into the record a statement submitted by J. Carson Adkerson, president, American Manganese Producers Association.

(The same is as follows:)

STATEMENT OF J. CARSON ADKERSON, PRESIDENT, AMERICAN MANGANESE PRODUCERS ASSOCIATION, WASHINGTON, D. C.

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

The American Manganese Producers Association is composed of domestic manganese ore producers representing the majority of manganese producers in the United States.

In testimony before the Senate Finance Committee, February 26, 1940, Hon. Cordell Hull, Secretary of State, stated as follows:

"In the trade agreements we have made some limited reductions in duties on certain products. So carefully have these adjustments been made and so painstakingly have they been safeguarded wherever need for safeguards was demonstrated, that these duty reductions have not inflicted any injury on any group of producers. No satisfactory evidence to the contrary has been brought forward—for the simple reason that no injury to our producers has, in fact, occurred."

This statement cannot in any manner be justified in the case of domestic manganese.

The domestic manganese mining industry has been definitely and drastically injured.

NO ADVANTAGES

We challenge any person to show how the reduction in the duty on manganese ore under the reciprocal trade agreement with Brazil has helped anyone in the United States or Brazil, excepting only the American steel industry. The only result has been to discourage further development in domestic manganese; to jeopardize our national defense; to put \$18,422,320 into the pockets of the American steel industry since 1936, and to deprive the United States Government of an equal amount of just revenue.

In confirmation, I quote from page 483 of Minerals Yearbook 1935, prepared and published under the direction of Hon. Harold L. Ickes, Secretary of the Interior:

"On February 2, 1935, the United States and Brazil signed a reciprocal trade agreement which, among other concessions, provided for a reduction of 50 percent in the present American duty on manganese ore imported from Brazil. If confined to Brazil, the lowered duty will inevitably stimulate production there. If, however, the reduction in duty is granted other nations supplying the American market, Brazil will have no competitive advantage due to the agreement."

The reduction was not confined to Brazil, and Russia has continued to be the major shipper of manganese ore to the United States.

It is generally recognized that the State Department made a mistake in reducing the duty on manganese and we hope some way will be found to rectify it.

MANGANESE AND NATIONAL DEFENSE

Manganese tops the list as the No. 1 strategic war mineral essential to our national defense. On account of its importance in our national defense program, manganese stands in a category all its own.

Embodied in the preface of the report of the War Industries Board following the end of the World War is a letter from Bernard M. Baruch, chairman of the Board, to President Woodrow Wilson, under date of December 24, 1919, from which the following is quoted:

"Through a system of stimulation by a protective tariff, a bonus, an exemption from taxation for a limited period, licensing, or any other effective means, every possible effort should be made to develop production of manganese, chrome, tungsten, dyestuff, byproducts of coal, and all such raw materials usually imported but which can be produced in quantity in this country."

In letter of February 12, 1932, to the American Iron and Steel Institute, Hon. F. H. Payne, Assistant Secretary of War, stated as follows:

"In view of the dependence of the military requirements upon steel products and of the supreme importance of manganese in the making of sound steel, it is deemed essential to have available at the beginning of a major war a domestic or nearby operating source of manganese ore.

"To create such an operating source during peacetime the producers must have a market for their output."

In line with the above recommendations, Congress in 1922 provided a duty of 1 cent per pound on metallic manganese contained in ores running above 30 percent metallic manganese. Under the stimulation of this tariff, production of domestic ores containing 5 to 10 percent manganese increased from 62,670 tons in 1921 to 1,110,067 tons in 1929; ores containing 10 to 35 percent manganese increased from 8,439 tons in 1921 to 364,312 tons in 1926; ores containing 35 percent manganese or more increased from 13,531 tons in 1921 to 98,324 tons in 1925.

Lack of cooperation and market from certain major steel companies, together with constant threat of removal of the manganese duty, have for years hung like a sword of Damocles over the heads of domestic manganese producers and retarded developments.

Developments were further retarded through the importation, duty free, of increasing quantities of ores running slightly under 30 percent manganese.

In the Tariff Act of 1930 Congress, to protect the lower grade ores, extended the 1-cent duty to cover all ores containing 10 percent or more of metallic manganese.

Under the stimulation of this duty substantial strides have been made in the development of manganese deposits in the United States and in the development of processes for the recovery of high-grade manganese from our abundant low grade ore reserves.

The situation in the manganese industry is well explained on page 43 of the published Army Extension Courses, 1931 edition, Industrial Mobilization Plans, prepared by the War Department, which summarizes the domestic manganese industry as follows:

"In spite of all handicaps, however, enough interest has been stimulated to result in the creation of a capacity much larger than indicated by annual domestic production and a readiness for expansion that is a decidedly important military asset."

Despite the statements of opponents to the effect that it was not feasible, today the highest grade manganese concentrates in the world are being produced from low-grade ores. Not only this, but commercial production of high grade manganese from low-grade ores is now an assured fact, not only in the United States but in Cuba as well. Development of the deposits and processes for recovery were brought forward under the stimulation of the tariff.

All that the United States now needs to solve its problem of manganese for national defense is the installation and maintenance of additional beneficiation plants. This can and will be done by the industry if a fair market is made available to domestic producers. However, unless the industry is stabilized by adequate tariff protection, a temporary increase in price would not warrant additional major investments, and therefore additional plants with a substantial increase in production could not be expected.

COOPERATION

Congress has repeatedly expressed its will and intent to encourage the further development of the manganese resources of the Nation, but it is to be regretted that full cooperation from the administrative arm of the Government has not yet been forthcoming.

The President, in his message to Congress on March 2, 1934, asking for trade agreement legislation, stated as follows:

"You and I know, too, that it is important that the country possess within its borders a necessary diversity and balance to maintain a rounded national life, and it must sustain activities vital to national defense, and that such interests cannot be sacrificed for passing advantage."

In spite of this, on February 2, 1935, a 50-percent reduction in the duty on manganese was agreed to by the State Department.

For reasons not yet disclosed, domestic manganese producers were not given proper notice or hearing, as required by law, before reduction of the manganese duty in the trade agreement with Brazil.

It appears also that the War Department was not consulted by the State Department prior to negotiation of the agreement and officials of the War Department did not know of the reduction of the manganese duty until informed through manganese producers themselves after the agreement had been concluded and sent to the printers and just prior to its signature by the Secretary of State.

In addition, it appears that information presented to the State Department by domestic manganese producers prior to the negotiation of the agreement did not reach the trade-agreement officials and was not considered by them prior to negotiation of the agreement.

Hon. Francis B. Sayre, Assistant Secretary of State, in testimony before the Finance Committee of the Senate, with reference to trade-agreement legislation, stated as follows:

"The whole purpose of the program of trade bargaining is this—to restrict the commodities covered in the agreement with any specific country to commodities of which that country furnishes the chief source of supply of importation into the United States."

The opposite to this was done. Manganese was traded away to Brazil, a minor producer. Russia, the major shipper of manganese to the United States, was then allowed entrance through the back door of the Brazilian agreement.

The trade agreement with Brazil was signed February 2, 1935, and became effective January 1, 1936.

During the year 1933 Brazil shipped no manganese at all to the United States, nor was manganese listed in the public announcement of items being imported from Brazil, although the complete list of such items handed out by the State Department, prior to the agreement, included items of minor importance, such as 50 tons of tankage, with a value of \$1,573, and 8,000 feet of sawed cabinet woods, with a value of \$386.

Comparative table showing tonnage of manganese ore imported into the United States from Brazil and Russia for the years 1932-39

(Long tons)

Year	Brazil	Russia	Year	Brazil	Russia
1932.....	21,600	55,437	1936.....	110,018	289,867
1933.....	None	83,780	1937.....	77,688	383,049
1934.....	55,834	124,836	1938.....	29,698	106,043
1935.....	29,528	153,200	1939 (11 months) ¹	32,589	114,084

¹ Preliminary figures for 1939.

Figures from U. S. Bureau of Mines publications

The following is from record of testimony of Hon. Henry F. Grady, Assistant Secretary of State, before the Ways and Means Committee of the House, January 18, 1940:

"Mr. GRADY. We have escape clauses, such as the one relating to currency, which we discussed a few minutes ago, and the one relating to a third country obtaining the major benefit of a concession."

Although repeated appeals have been made and full information presented to the State Department, no action to restore the duty on manganese ore has yet been taken.

COMPARATIVE TARIFFS

A comparison of the tariff and price of manganese as compared with other ores and metals is in order. Tariffs on the ores and prices of the metals under normal conditions are approximately as follows:

Ores	Ore tariff, metallic content (cents per pound)	Metal	Metal prices (cents per pound)
Lead	1.5	Pig lead	5
Zinc (after duty cut)	1.2	Slab zinc	5
Copper	4.0	Ingot copper	11
Manganese (after duty cut)	.5	Ferromanganese (80 percent Mn)	5

MANGANESE COMPARED WITH STEEL

Restoration of the manganese duty, cut under the trade agreement, means only 7 cents added to the cost of an average ton of steel.

According to figures presented by Hon. Francis H. Case on the floor of the House, June 15, 1938, the cost to the American public of the duties on crude and semifinished steel only (par. 304, Tariff Act, 1930), from the year 1922 to 1937, inclusive, amounted to a total of \$8,468,961,511. This tariff is in effect a subsidy. For the year 1937 the tariff protection on this one steel item alone is shown as \$731,733,430. In addition, when steel is sold to the Government, under the Buy-American law, a differential of 25 percent or more is allowed over the low foreign bid. This likewise is a subsidy.

Figures from the Iron Age, embodied in the Congressional Record of June 15, 1938, show that the total assets of 21 steel companies representing 92.2 percent of the ingot capacity of the United States amount to \$4,430,885,614. In other words, the cost to the American public of the duties on this one steel tariff item alone, during a period of 15 years and 4 months, amounted to nearly twice the above mentioned assets. This is a substantial subsidy to a well established industry and a direct cost to the American public.

Even under the reciprocal trade agreements the full tariff is still enjoyed on this major steel item. Steel enjoys a tariff sufficient to equalize the cost of production at home and abroad. There is no good reason why manganese should not be protected to the same extent. All that domestic manganese producers ask is treatment for manganese on a parity basis with steel products.

TARIFF RATES

On January 17, 1940, Hon. Henry F. Grady, Assistant Secretary of State, testified before the Ways and Means Committee that "Manganese ore had a 106 percent tariff in 1935." He failed to advise that this figure was based on sacrifice sales only and represented the foreign value of the ore.

If Mr. Grady's statement continued true, it would mean that the sales price of imported manganese delivered at Atlantic ports would be less than the average cost of freight alone on manganese ore from Western States to the eastern market. In such case, it would behoove the State Department to raise rather than lower the duty on manganese.

On page 598 of Summary of Tariff Information 1920, Schedule 3, published by United States Tariff Commission, in review of the manganese industry, there will be found the following:

"Prices of metallurgical ore containing 50 percent manganese, per long ton, year paid, United States Atlantic ports, have been as follows:

Year:	Yearly average
1924.....	\$31.45
1925.....	32.28
1926.....	32.80
1927.....	31.32
1928.....	30.03
Average.....	31.58

The average price for foreign manganese ore covering the 5-year period was \$31.58 per ton; the freight from Baltimore to Pittsburgh area was \$2.52, making the total delivered price Pittsburgh area \$34.10 per ton for the ore, which is equivalent to a price of 68.20 cents per unit for metallic manganese. This was a normal period.

The present price of the same grade of imported manganese ore, delivered at Atlantic ports, as shown by the current trade journals, is 60 cents per unit of metallic manganese or \$30 per ton for the ore. The freight to the Pittsburgh area is now \$2.83 per ton, making the total delivered price Pittsburgh area \$32.83 per ton for the ore or 65.66 cents per unit of metallic manganese. Included in this price is the present tariff of \$5.60 per ton for the ore, or 11.20 cents per unit of metallic manganese, which is 17 percent of the delivered price in the Pittsburgh area.

There is no need however to split hairs over rates. During the World War, when there was no duty at all on manganese, we paid more than five times the normal price for the ore and even then we did not get it. Sufficient quantities were not available at any price.

LOSS IN REVENUE

The actual loss in revenue to the United States Treasury through the reduction of the manganese ore duty in the trade agreement with Brazil amounts to \$18,422,320 as follows:

(Based on figures from U. S. Bureau of Mines showing metallic manganese contained in ores imported subject to duty.)

Year	Metallic manganese content (long tons) ¹	Loss through tariff reduction
1930.....	388,361	\$4,349,531.20
1937.....	408,330	4,573,290.00
1938.....	179,723	2,012,897.60
1939 (11 months) ²	231,123	2,588,577.60
In bonded warehouses in the United States (Nov. 30, 1939).....	437,323	4,898,017.60
Total.....		18,422,320.00

¹ Tariff on manganese imported in the form of ferromanganese not included. Manganese from Philippine Islands and Cuba not included.

² Preliminary figures for 1939.

This money now goes as an additional subsidy to the steel industry.

STOCK PILES

In 1939, on recommendation from the administrative departments, Congress passed the Strategic Materials Act, authorizing the appropriation of \$100,000,000 over a 4-year period for the purchase of manganese, tungsten, tin, chrome, and other strategic materials. Manganese is listed as the item of major importance.

The purpose of the act was twofold: (1) Accumulation of stock piles; (2) development of American resources. \$10,000,000 was appropriated for immediate expenditure. To date no manganese ores of domestic origin have actually been purchased by the Government under the Strategic Materials Act and on account of this, together with the reduction in the manganese ore duty, uncertainty in the domestic manganese industry continues.

A stock pile of 1,000,000 tons of manganese has been recommended. Even such a stock pile still will not assure the country adequate security as no one can foretell how long an emergency will last. Domestic mines cannot in a short period of time, ordinarily allowed in an emergency, produce sufficient to meet the demands. It requires time to carry forward development work underground and install the necessary plants.

CONCLUSIONS

Through the reduction in the manganese ore duty in the trade agreement with Brazil, our country since 1936 has lost in revenue \$18,422,320, which was formerly enjoyed by the United States Treasury. This loss will continue to increase. In addition, since 1936, we have sacrificed the continued development of our own manganese resources for national defense. To cover up this mistake, the strategic materials bill was passed by Congress authorizing the appropriation and expenditure of \$100,000,000 over a 4-year period for the purchase and stock pile of strategic minerals of which manganese is the major item. Even the Strategic Materials Act will not solve the manganese problem. In an emergency, such as we may now be facing, domestic mines will still have to be put into operation. It is possible we have waited too long already. This is indicated by the results of the recent, repeated Government calls for bids for manganese ore under the Strategic Materials Act. To date only one small order of 25,000 tons has actually been contracted for. The results of the bids indicate that a sufficient quantity of the grade of ore called for by the Government is not readily available from foreign or domestic sources. Our country has the reserves of ore, the labor, and the capital. However, it cannot be expected that substantial investments in additional developments and milling plants will be made until assurances are given that the domestic production will be protected against future importations of manganese ores from Soviet Russia produced by Communist and forced labor where cost means nothing, or ores from India which are mined by labor paid the equivalent of 1½ cents per hour. Restoration of the tariff to a parity basis with steel is necessary to help stabilize the manganese industry on a basis similar to that enjoyed by steel.

RECOMMENDATIONS FOR NATIONAL DEFENSE

1. Restore the duty.

Terminate or modify the trade agreement with Brazil so that the manganese ore duty may be established on a parity basis with steel products. This will, prior to the date of restoration, encourage and permit importers to store within the United States, under the present reduced rate of duty, all manganese ores they can find available in the world's markets and thereby force the formation of a stock pile at no cost to the Government.

At the same time it will encourage and permit domestic producers to immediately make additional investments, carry forward development work, install additional plants and increase production to help take care of the needs of the United States at no cost to the Government.

2. Stock pile.

If a Government-owned stock pile is considered advisable, then let appropriations be made under the Strategic Materials Act for the Government to purchase and store manganese ores exclusively of domestic origin during such periods when prices are low and no other outlets for the ore are available, thus encouraging further developments and maintaining a healthy nucleus of a manganese industry within the United States ready for expanded production to meet the needs in an emergency.

These recommendations may be carried out and results obtained in accordance with the will of Congress and at no ultimate cost to the Government, provided that existing and future trade agreements are made subject to the approval of the Senate.

The CHAIRMAN. The next witness is Mr. Marsh.

STATEMENT OF BENJAMIN C. MARSH, WASHINGTON, D. C., EXECUTIVE SECRETARY, THE PEOPLE'S LOBBY

MR. MARSH. I am here as executive secretary of the People's Lobby, with offices here. I appear because we have one plank of our program, international cooperation, and because we are convinced that you are more apt to get peace by exchange of goods than by exchange of economic gunfire, such as the Hawley-Smoot bill.

I would like to go back a bit and point out that in 1912 I had the honor of writing part of the material on the tariff in the Democratic textbook; and I organized all of your tariff chambers of horrors all over the country; and I remember that I told the committee at that time that I admired their courage in suggesting lower tariffs, and that the Democratic Party was the only party which could safely suggest lower tariffs, because it was the only party which was committed to the principle of ending special privileges, while then and now the basic principle of the Republican Party was the survival of the fittest, and they tried to get them fatter; but I pointed out that they were going to have very great trouble, it seemed to me, in getting lower tariffs unless they would end the special privileges.

The People's Lobby has criticized a good many New Deal policies, but we have criticized those policies which in our judgment made more difficult just such trade agreements as Mr. Hull is trying to negotiate and has so successfully negotiated in the past.

I cannot quote my private conversation with Mr. Hull in London in 1933 when he was there at that economic conference, but everything he told me then has come true.

I want to read a brief statement outlining our views on this subject and endorsing the principles of the reciprocal trade agreements. There will be mistakes in administration—unquestionably, but that is not the point. The point is whether we are going to go back to a system of commercial warfare or whether we are going to continue the path you have outlined and started on of international cooperation, which I believe is more vital than almost anything else at the present time.

Reciprocal trade agreements are not, of themselves, sufficient to restore or maintain prosperity in America, and I have not heard any careful advocate of them claim they would.

The home market remains the major field for American production and consumption, but it cannot be conserved by economic tariff Towers of Babel.

An advantage of such trade agreements is their tendency to force earlier reduction of the costs of production of both farm products and manufactures, as well as mineral raw materials, due to tribute paid to property owners.

Incidentally, aside from the Government representatives, I do not know that you have had any representatives of consumers here, and in the long run the consumers have got to come into their own. You have had representatives, appropriately, of a whole lot of protected interests, and they have a right to present their position, but you have not had many representatives from consumers, and I would like to point out, as you realize, that consumers are an enormous factor.

In these exhibits that I referred to, which I organized in 1912, we did not do any theorizing; we had little apartments furnished, and a kitchen, and we put on each article what the domestic consumer had to pay and what it was exported for; in other words, how much cheaper they sold abroad. I admit that—I think it was Colgate—tried to sue the committee, but he withdrew it under the facts presented. Those concrete things appeal to the consumer. I remember in Chicago, Cleveland, and New York, and other places where we had the exhibits, the appeal that those things made to consumers.

Such reduction will benefit domestic producers and consumers, quite as much as foreign consumers, and the merchant marine.

It is fortunate that measures which benefit our foreign trade, lead to benefits for domestic trade. That is what you have in mind in these agreements.

The recent report of the Commerce Department on balance of international payments, shows the value of merchandise export surplus in 1939 was \$859,000,000, compared with \$1,133,000,000 in 1938.

The net inflow of gold in the 2 years was \$3,040,000,000, and \$1,640,000,000.

We should have learned not to rely upon the Midas misery this has produced. Of course, we can get all the gold in the world; of course that is possible, but will it advantage us? Nothing. We cannot have freedom of production and freedom of exchange, and I will say a few words on that, because I believe so firmly in the advantages of international trade.

There cannot be satisfactory and adequate freedom of exchange of goods, until we have freedom of production of goods, freedom from tribute to speculators in land, and other natural resources, freedom from most of the \$6,000,000,000 a year of taxes on production, freedom from exactions of hundreds of millions of dollars under patent laws, freedom of billions of tribute to loan sharks.

Increase in foreign trade has been due in part to other reasons than the trade agreements, and their benefits will probably be less from now on, unless we get more freedom of production.

Subsidizing foreign exports is not a sound policy.

Nearly every year since 1929 I have been abroad studying conditions. It was quite obvious that this war was going to break out. It is quite obvious, as it has been pointed out, that we are going to face a very different situation at the conclusion of any armed war, but apparently the commercial war which will follow the cessation of armed conflict in Europe and in China or in Asia, that commercial war is going to be very bitter.

We shall probably suffer more from Great Britain in that competition than from any other foreign country.

I don't know fully what was in the mind of Secretary Hull in advocating these treaties, but I do know for years—and I was sorry that he was attacked here personally today—that Secretary Hull does not go as far in economics as I would, but he is outstanding, he does not want imports simply for the sake of imports, but because he knows that that is a more effective way of exchanging goods than having America bury billions and billions of gold underground. The exchange of goods is more valuable.

I should like to send to the members of this committee some articles I wrote, which appeared this morning in the Congressional Record, giving a good many figures, and if you want to have them read into this record, well and good, but they point that we have got to cut down our costs of production if we are going to maintain or increase efficiently our exchange of goods. You will find that on page 5394 of the Congressional Record.

Every year, about 20,000 people get approximately one-third of all of the dividends paid. There are some 5,000,000 owners of stock, but approximately 20,000 people get approximately one-third of all those dividends. That statement is going to be made by a Democratic Congressman in a coast-to-coast hook-up tomorrow.

I will close by giving you some figures showing where we think that we can reduce the costs of production with advantage to our international trade and with advantage to domestic consumers and producers as well. This is a report of the national income in 1938, 64 billion, from the Survey of Current Business of the United States Department of Commerce. I will just give the figures for the last year available, 1938.

In 1938 the total dividends paid out were only 3,708 million dollars, but the year before—this is bearing on your tax bill, too—the year before they were 5,424 million dollars. In 1938 payments for interest were 4,812 million dollars, almost as much as the preceding year of 4,877 million dollars. In the same year, 1938, entrepreneurial withdrawals were 10,474 million dollars, just a little less than the preceding year, 10,775 million dollars. Then net rents and royalties in 1938 were 2,325 million dollars compared to 2,525 million dollars the preceding year, but I would like to call the attention of the committee to the fact that the net rents and royalties figure deducts all the interest they paid. The gross income was probably in the neighborhood each year of around 5 billion dollars. I don't know what the zinc mines of America are capitalized for. I believe that a big job ahead of us is to get down to a decent, equitable capitalization of our corporations, not to try to carry a debt equal to the national wealth, and we cannot carry a big return on speculative selling prices of land, and I hope that this committee will favorably report and the Senate of the United States will concur in the action of the House and continue this policy of reciprocal trade, but I point out that concurrently I trust that you will see what legislation and methods can be adopted to reduce costs of production here which will facilitate extension—I am at heart a free trader, but I know we cannot get there overnight; still we must recognize that every time we reduce the cost of production we make exchange of goods easier and you benefit the consumers here in America.

I congratulate this committee on the fact that you have kept your temper while the several pleaders for their own special privilege told you the country was going to hell, but they did not know where that was.

The CHAIRMAN. Mr. Connaughton.

STATEMENT OF JOHN H. CONNAUGHTON, WASHINGTON, D. C., REPRESENTING VEGETABLE GROWERS OF AMERICA, WORTHINGTON, OHIO; NATIONAL ASSOCIATION OF HOTHOUSE VEGETABLE GROWERS, TERRE HAUTE, IND.

The CHAIRMAN. Mr. Connaughton, I have read your statement before the Ways and Means Committee of the House, and I am sure the other members have.

Mr. CONNAUGHTON. I won't duplicate it. There are matters that have occurred that indicate that the State Department knows that there is something wrong with this Cuban agreement, and they have known it for 6 years, and my people have tried to get relief from it for 6 years. I have not represented them for that length of time, but I know that they have.

The CHAIRMAN. Whom do you represent?

Mr. CONNAUGHTON. Practically all of the vegetable-growing industry in the United States, both field and hothouse.

The CHAIRMAN. You may proceed.

Mr. CONNAUGHTON. My name is John H. Connaughton, office 316 Metropolitan Bank Building, Washington, D. C. I am the general counsel of the National Association of Hothouse Vegetable Growers, and I represent the Vegetable Growers of America, the Toledo (Ohio) Hothouse Cooperative Association, The Cleveland (Ohio) Hothouse Vegetable Growers Cooperative Association, and affiliated organizations, engaged in raising vegetables on a commercial basis in the United States.

The vegetable-growing industry, both hothouse and field, is one of the important agricultural interests of the United States. We, citizens of the United States, are being told by our American doctors and health experts, that we should eat more vegetables for our health's sake. This field of the agricultural industry offers a great opportunity for the American farmer, provided that he is given adequate protection against low-standard-of-living peon labor in the tropical countries, which constitute our destructive competition.

We are in a peculiar situation. We compete with the immediate tropical countries to the south of us where labor relations are about the worst in the world.

Senator BROWN. How large is the hot house industry in dollars?

Mr. CONNAUGHTON. \$150,000,000.

Senator BROWN. As distinguished from the vegetable industry?

Mr. CONNAUGHTON. As distinguished from the field vegetable industry, yes. In the 2,000 plants located largely in the Midwest, the New England States, New York, Pennsylvania, and some in Florida and some in the Southern States. There are quite a number of large institutions in Florida. Jacksonville has a very large one.

We, American vegetable growers, do not feel that we should constantly reduce the acreage of vegetable farming in the United States, and at the same time permit large volumes of low production cost fresh vegetables to be imported from tropical countries, raised by peon, forced and indentured labor which constitutes the great portion of cost of production of the fresh vegetable in the United States and elsewhere.

It seems to the American vegetable grower that the thing which the Congress should do, would be to encourage more consumption of fresh vegetables, as they add so much to the health of our citizens, and then encourage the American vegetable grower to produce all that we Americans need for this added consumption, by protecting our American vegetable growers against low cost peon labor represented in the imported vegetables from Mexico and Cuba, which the reciprocal trade-treaties permit.

Inquiries made at the Department of Agriculture, and the Pure Food and Drug Division, indicate that the Federal Government does not have any factual data, as to the conditions under which vegetables are produced at the source of production in these foreign tropical countries. While that is not directly involved in this question of trade agreements, it is an important one to the health of the people of the United States. We know what it is at the source of production in the United States.

We American consumers of vegetables are told that these fresh vegetables are inspected at the port of entry, but as to conditions prior to that time, or the health conditions of those who handle them, the Federal Government knows nothing.

In view of the situation and the activities of Cuba in carrying out their side of this trade agreement in refusing to permit our citizens from Puerto Rico with reference to their pineapples, I do not think that they are acting in very good faith on some of these other things, and I am not willing to trust them on health.

Can it be possible that this low-wage peon laborer is infected with syphilis or other loathsome tropical disease? And if such be the case, is it possible for the Federal Government to say beyond all doubt that there is no danger to the American family that consumes such imported vegetables, which may be handled by diseased laborers? And right now, large volumes of Cuban tomatoes are now on sale in the Sanitary Grocery Stores in this city.

It is impossible in nearly all instances to determine after the vegetables have passed through the port of entry and have been mingled with other vegetables, to determine which is Cuban, Mexican or other South American vegetable, and which is the American grown. Can the United States Senate then afford to take a risk of this kind to the health of the American family, as we are now doing when the Federal Government does not know the conditions surrounding the raising, handling and packing of these vegetables for export to the United States, and the condition and health of the low-wage peons who handle with human contact, these foreign grown vegetables which we Americans are forced to eat by reason of this existing reciprocal trade treaty. This is a solemn obligation that should and must rest on the Federal Government.

As general counsel, I do not intend in this presentation to duplicate the presentation of this subject which I made before the Ways and Means Committee of the United States House of Representatives, but in that connection, I desire to call the attention of this Finance Committee to my statement there made, January 31, when this House Joint Resolution 407 was pending before that committee.

Now, that was quite a long statement and I know as a matter of fact that you are not going to read it. Probably all of the consideration that will be given will be what you hear me read here.

The CHAIRMAN. Well, I would not say that. I have read it, and it is very interesting. You know, I once relied on a court reading some exhibits that I did not read to the court myself, and I found I got stung afterward by not being more zealous in my own interests.

Mr. CONNAUGHTON. I do respectfully call your attention to the fact that I filed with that committee a large number of affidavits, a summary of which you will find at page 2356 of the record of those hearings, and I respectfully request your honorable committee to call for those original affidavits and study them carefully, as those affidavits tell in the language of the common people the story of destruction, because of the Cuban Reciprocal Trade Agreement now in effect. This page number that I have given, 2356, was the original print which I read, and that page number is probably changed in the final print.

Fresh vegetables constitute a perishable commodity, the surplus of which cannot be stored from year to year. The surplus must be processed, and becomes a problem for the American canner. There is a large amount of vegetable processing done in the United States, and I do not believe that any person anywhere will say that we cannot process all of the vegetables that the American people can use.

In that connection, Congressman West turned over to me after the action by the committee on the other side, a statement that was handed to him, I assume, by the Department of Commerce. I did not get it myself. It has his name at the top of this, in which they inform us that all of the fresh vegetables from Cuba are sold in the fresh state and none of them processed, that two-thirds of the American production are processed. I will leave the statement with you, but just call your attention to the fact that there was produced in 1935, 175,230,000 pounds; and imported during that period, 78,269,000 pounds of foreign vegetables. All of the foreign vegetables are sold in the fresh state, and two-thirds of what we produce are processed. I am going to leave that statement with you—but that is a remarkable situation.

However, the injury to the American vegetable grower arises from the fact that at the time he is trying to market his crop to an advantage, and at such a figure as will insure him a financial return based upon his American standard of living, he finds that he is forced to compete with the Cuban and Mexican produced vegetable crop, raised by peon, forced and indentured labor, paid far less than the American vegetable grower is properly paying his laborers. This is certainly not a fair or constructive proposition, when the Department of Agriculture of the United States is asking the American vegetable grower and farmer to curtail his American production 10 percent, as it has done the last 2 years, which has resulted in a net curtailment of 19 percent already. That is, 10 percent the first year off of 100 percent, and then 10 percent off of the 90 percent, making together 19 percent in the 2 years.

It would seem to us that when we are facing a condition in this country of large increasing unemployment, that it would be much better to exclude the Cuban- and Mexican-grown vegetables, and give the American vegetable grower a chance to supply the entire American demand, and it might be that instead of curtailing American production, that we might enlarge this essential American industry by allowing some of the land taken out of other base crops in the program of the Department of Agriculture to replace what we have been importing from Cuba and Mexico.

We have had a general curtailment plan; we have curtailed base crops, and one trouble we have had in that—I have attended all of these agricultural conferences in the Department of Agriculture, and the constant criticism is that you take a fellow out of wheat and he turns to corn, and you take him out of corn and he turns to something else. If we could shut out this large influx of vegetables from Cuba and Mexico and these South American countries where they have cheap labor, where they pay them 50 cents a day, and put some of these base-crop curtailments into vegetables, we would probably solve the two problems at the same time. We might solve the cotton problem, because we have lost the cotton market and we will probably

never get it again—lost it for good. We are about in the same situation as the fellow who was raising something that he could sell, and suddenly he found that there was no market for it, and he had to get out of it. There is no other answer to it that I can see.

But one answer is that you can take some of these base crops which have been curtailed and put them in vegetables and supply all of the demand.

Here is a statement by the Department of Agriculture of the climate conditions, saying that climate conditions are such in the United States that fresh vegetables can be supplied every month in the year from the continental United States. That has been denied, but I submit what the Department of Agriculture says about it.

Certainly it would do no harm at least to protect the American vegetable grower against unfair competition with the Cuban and Mexican vegetable grower by placing the tariff duty at such figure as would represent at least the difference in cost of production and thus insure the American vegetable grower a fair chance to compete for his own American market.

We have been told by the Bureau of Customs of the United States Treasury, that they do not have any available cost of production figures on which to base action for violation of the Antidumping Act, and of course, if they cannot get them, then there is no American Government agency which does have present figures on this subject. There are figures available as to the cost of production of vegetables in the Latin American countries of 1930-31, and I assume that these figures were used as a basis for determining the rates to be applied in the Tariff Act of 1930, as to tomatoes, cucumbers, and so forth. This report made by the Tariff Commission at this time showed a difference in cost of production of approximately 3 cents a pound on tomatoes—this is tomatoes that I am talking about—in favor of Latin America, and I assume that it is that much now, or probably more, as we have raised the standard of living of the American laborer since that time by the passage of the Wages and Hours Act, and various other pieces of legislation, designed to raise the American standard of living. These laws, in most instances, exempt agriculture, but the American vegetable grower and farmer must meet these wages or they will lose their specially trained workers to other industries. In addition, the American consumer does not want to drag our workers in the American growing industry down to the standard of living of the foreign peon.

One thing we will have to realize is that this high standard of living of the American laborer is a part of our cost of production. If we do not like it and want to get down in the gutter with the rest of the world, we can level it off.

I had a very remarkable conversation with Mr. Ellsworth of the F. C. A. relative to this cost of production and he said that we are coming into the time when we will have to level the wage rate of the world.

The CHAIRMAN. Who was this?

MR. CONNAUGHTON. Mr. Ellsworth of the Farm Credit Administration. I was directed to him to get some addresses of cooperative organizations throughout the country, with which I desired to take up this question of the injury of the trade treaties. When I told him what I wanted it for, he frankly refused to give it to me, and I have not yet secured that information. The conversation led into this other

situation, and that was his answer, and if that is the place that we are trending, if that is where we are headed for, it will certainly be very disastrous to American labor. We cannot afford to do it. That certainly cannot be the answer.

Without assuming to repeat extensively what I said before the Ways and Means Committee of the House of Representatives, I might suggest that the granting of a tariff concession to Cuba under the provisions of 19 U. S. C. 124, 125, and the treaty of December 11, 1902, which reduced the tariff fixed by any statute by 20 percent, was an unfair advantage to the Cuban grower, and has worked a general destructive hardship on American vegetable growers which they have had to fight against all through the years. This kind of favoritism permitted the imports of Cuban grown tomatoes—which I use as an example—to reach the figure of 25,559,827 pounds in 1932, and which allowed the Cuban grower to take over quite considerable portion of the American vegetable market. However, under the trade agreement consummated with Cuba about the first of September, 1934, the imports for that year jumped to 37,405,692 pounds, and for 1935 they advanced further to 42,020,873 pounds, and the trend has been steadily upward ever since.

So that we have gotten it to a point almost double to what they were before the trade agreement.

It would probably be interesting to this committee to know that practically 88 percent of the imports of tomatoes from Cuba now arrive during the months of December, January, and February, when the tariff rate drops from 2.4 as it is during the other nine months, to 1.8 cents per pound. The practical working of this Cuban agreement is this. The Tariff Act of 1930 fixed the duty on tomatoes at 3 cents per pound, a little less than the difference in cost of production. The 20-percent preference allowed under the treaty and statute mentioned above, reduced this to 2.4 cents per pound, which is further reduced to 25 percent to 1.8 cents per pound during December, January, and February. This shows conclusively just what this Cuban reciprocal trade agreement is doing to the American vegetable grower.

It is not a sufficient answer to say that the American vegetable grower cannot grow all the vegetables the American people need. That is not true. According to the report of the Department of Agriculture, we can raise fresh vegetables every month of the year in some part of the United States, and all we need is an opportunity to expand ourselves and meet this demand. Give the American vegetable grower a chance rather than requiring him to curtail 10 percent year after year, and see what he can do.

But suppose that we are to admit, for the sake of argument, and that only, that the American vegetable grower can raise only some designated portion of what the American people need for vegetable consumption, and we will for the sake of argument fix this at 75 percent. How can we expect the American vegetable grower in Florida, Georgia, Alabama, Mississippi, Louisiana, Texas, California, and other Southern States, and the hothouse vegetable grower, to make a living and have a fair return for their labor, and compete with the Cuban who has a 3-cent advantage practically in "cost of production"? He most certainly cannot do it, as evidenced by the

constant increase in imports of tomatoes from Cuba. Certainly during the balance of the year the American vegetable grower should be able to supply the demand for fresh vegetables, if he is given proper support by his own Government.

And most certainly the American vegetable grower is entitled to have the American vegetable market maintained at a point which will permit him to make an American standard of living during all the year without subjecting his market to the depressing effect of cheap peon labor conditions prevailing in the Cuban field vegetable growing industry.

It just came to my attention today, bearing date of October 7, 1939, with a date line from New York, a clipping, "Promoter Startles Cuba With Offer To Buy Gigantic Tonnage," and this article goes on to describe the possibility of the purchase of 30,000,000 pounds by one buyer. They are importing now 45,000,000 pounds. Do they expect to jump it to 75,000,000? If they can import those during December, January, and February, they can import them at 1.8 when the difference in the cost of production in 1930 was 3.3. That is evidence of the situation that is facing the American vegetable grower. They buy them there for less than they can buy them here. They would buy them here if they could buy them on an equality or on a rate equivalent to ours, or even probably a little more, but where they can get them for so much less, far less in Cuba, and ship them to New York and distribute them throughout the country because of the low rate fixed by this trade agreement, we simply lose the business.

If the American vegetable field grower in the Southern States and the hot house vegetable grower are to make a fair living, they must have a proper market during the winter months, and are entitled to it, without having their normal market flooded by cheap "cost of production" Cuban vegetables. If there must be curtailment of fresh vegetable production, it should be allocated between the winter and summer vegetable growers of the United States, so that we will have a balanced vegetable program, as between both the classes of growers, and not by permitting unfair "cheap foreign peon labor cost" competition.

Finally, I am interested as the legal representative of a great agricultural industry, and one which should be fostered and protected, and not harassed and curtailed. If I have made a fair analysis of the situation of the American field vegetable grower and the American hot house vegetable grower as to the importation of Cuban grown fresh tomatoes—which situation is illustrative of the entire vegetable situation—then we are entitled to some relief. Certainly we are entitled to some other consideration than being required to curtail our American production 19 percent with probably more to follow.

Mr. West said this on the other side of the House, and his remarks appear at page 2890 of the Congressional Record. Mr. Peterson had just introduced the amendment that I am going to propose to you in a very few moments. Mr. West was speaking in opposition to it. This is what he said:

Mr. West. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, of course, in the negotiation of so many trade-agreements inequalities creep in occasionally. That might be true in the case of tomatoes in this particular instance of which the gentleman from Florida has recited. I have talked with the Secretary of State in regard to this and he assures me he will make a careful investigation of these cases; that is, in connection with the

trade agreements with Cuba; and, after a careful investigation, if it is found that there is an inequality existing and that prices of these vegetables in the United States are being hurt, he will correct it under the escape clause. Therefore, this amendment is not necessary, and I ask that it be voted down.

You know, I am just a little interested to know how he is going to do that. I have the escape clause—in fact I have the whole Cuban agreement here, and I have the escape clause here, and I have read it through. It is article 11 of the Cuban agreement:

The customs, preferences, and other benefits provided for in this agreement are granted by the United States of America and the Republic of Cuba to each other subject to the condition that the government of each country will refrain from subjecting payments or the transfer of means of payment or the disposition thereof through any regulation, restriction, charge or exaction over or higher than was in force on April 1, 1934, which results in (1) impairing or circumventing any provision of this agreement; (2) placing an undue burden on the trade between the nationals or residents of the respective countries; (3) preventing or hindering nationals of either country residing, doing business or traveling in the territory of the other country from securing and transferring in or to either country the funds reasonably necessary for or arising from such residence, business or travel. In the event that the government of either country considers that the other country has failed to comply with the conditions expressed in this article, and the latter country shall not have satisfactorily corrected the regulation, restriction, charge or exaction by which such failure arose after formal complaint has been made thereof, the government of the country so complaining may terminate the agreement 30 days after giving notice to the other government.

The CHAIRMAN. I think we will have to adjourn now, but I want to be perfectly fair with you, and if you do not feel that you want to put your brief in the record as a part of the record with any amendments that you propose, we will adjourn until 9:45 tomorrow morning and hear you at that time.

Mr. CONNAUGHTON. I would rather do that than to put in the data, because there are matters that I want to refer to.

The CHAIRMAN. The committee will recess until 9:45 o'clock tomorrow morning.

(Whereupon, at 5:40 p. m., a recess was taken until Saturday, March 2, 1940, at 9:45 a. m.).

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

SATURDAY, MARCH 2, 1940

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, in the Finance Committee room at 9:45 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The hearing will be in order.

You may resume, Mr. Connaughton.

STATEMENT OF JOHN H. CONNAUGHTON, WASHINGTON, D. C., REPRESENTING VEGETABLE GROWERS OF AMERICA, WORTH- INGTON, OHIO; NATIONAL ASSOCIATION OF HOTHOUSE VEGE- TABLE GROWERS, TERRE HAUTE, IND.—Resumed

MR. CONNAUGHTON. I do not need to present argument to this intelligent body of statesmen which compose this committee to convince you that an American vegetable grower with a cost of production, based on the American standard of living of 6.3 per pound as to tomatoes, cannot compete with a Cuban grower who can raise these tomatoes and deliver them in New York and Chicago at 3 cents per pound. I do not care if the Cuban only supplies 25 percent of the market now, if this program continues, the Cuban will have the entire 100 percent of the American vegetable market, and will drive the American fresh vegetable grower out of this American field. The only limitation upon this result is the ability of the Cuban vegetable grower to supply the entire demand. He can certainly sell all that he can raise at a profit, and at the same time undersell the American vegetable grower in his own market, and force the American vegetable grower to allow a portion or all of his crop to rot in the field.

It might be that for a few years the American fresh vegetable grower would be able to make a bare living under this kind of competition, but as the importation of fresh vegetables from Cuba increases, the competition to the American vegetable grower becomes more critical and the Cuban grower undersells the American vegetable grower in the American vegetable market, and sells all he, the Cuban grower, raises, and makes a profitable living (according to the Cuban peon standard), while the American vegetable grower can only sell a part of his crop at destructive low prices, and gradually pays less Federal income taxes, discharges his American workers, one by one, as the depression tightens on him, which workers become the clients of the Federal, county, State, and city pauper and relief rolls, and the American vegetable grower and his family follow them in a few years, or possibly months, as their savings dwindle away. Can there be any other result?

I am not interested in the stand taken by politicians and political parties on this subject, and neither are the many million Americans who are interested in their vegetable diet and the American standard of living. I am interested in solving a problem for a great American agricultural industry, which should be growing instead of curtailing, as the American public should become more "vegetable consumer conscious." I am interested in the welfare of the vegetable growing industry, and the health of the American people, and I resent the idea that this vital problem is made the "football" of vacillating politicians, and vacillating political parties. I take the same stand here which I took before the Ways and Means Committee of the House of Representatives, and this is the one I am willing to go to the American people upon.

That is this: The present administration of this reciprocal-trade statute which we are now considering extending, being 19 U. S. C. 1351 et seq., as it is now and has been for the last 6 years, is detrimental and destructive to the American fresh vegetable grower. If your committee can show me how an American vegetable grower with his high standard of living, which makes his cost of production of tomatoes approximately 6 cents per pound, can compete with a Cuban vegetable grower, who raises his vegetables with cheap peon labor, at a cost delivered in New York and Chicago of approximately 3 cents per pound, without a tariff differentiation, then I am ready to admit that 2 and 2 sometimes do not make 4. Gentlemen, it cannot be done.

We have heard in this hearing, and the one which preceded it before the Ways and Means Committee, masses of figures reputed to show that these "trade agreements" have increased exports, and have not increased imports, on this, that and the other. I do not care what these figures show, and the things that they show do not prove anything at issue in this controversy. There are many factors that enter into the results which are experienced when we get into trade relationships, but there are basic principles that underlie them all which are as unchangeable as the rule that 2 and 2 always make 4. One of those rules is that all of these factors cannot operate on all parties concerned equally unless they have an equal "cost of production." There cannot be an equality in trade relationships when it costs you twice as much to produce an article as it costs me to produce the same article. I have been informed by labor executives that labor wage scales in Great Britain are approximately 60 percent as compared with us; Belgium, 25 percent—it is actually more than that. They pay their iron workers 17 cents an hour and we pay ours 78 cents an hour—Italy about 40 percent, and other countries range from these figures down. What are we going to do in a world of such labor relationships? Are we going to crawl down or drag those industries of ours down to this level, where a large part of the cost of production of such industries is the labor cost? One thing for us to determine here and now is whether we desire to maintain our present labor standard or get in the gutter with the rest of the world. If we desire to join them, then our present "trade agreement" policy will work when we get down to that un-American level.

Then in the language of Patrick Henry, "I have no lamp by which my feet are guided but the lamp of experience. I know of no way of judging the future but by the past." And in the light of that past as applied to the action of the secret committee, which negotiates

these trade agreements, whose names not even this Finance Committee can ascertain—the very thing that they told us on the other side that they would not disclose their names because of the fear that political pressure would be put upon them—and which has acted for the Department of State. I am opposed to further extension of this authority. And joining with me is every farmer organization in this country with the exception of one or two. I am in favor of lodging this treaty-making authority in the hands of the agency designated by the Constitution of the United States, so that the aggrieved party or parties will know whom to charge with dereliction. I am in favor of outright repeal of this reciprocal-trade statute. I may be going further than some other people, but I am in favor of outright repeal.

Gentlemen, we have been fighting the air for the last 6 years. We have appeared before the Committee on Reciprocity Information, produced our evidence, "fought the good fight," went our way satisfied that factual information would not be disregarded, only to learn that a secret committee has made a treaty in total disregard of our evidence and our condition, and then learned that only some unknown entity knew who those persons constituting this committee are, and he would not tell even this Finance Committee of the United States Senate. Our evidence was disregarded, the pleadings of Members of Congress have been ignored, and this secret committee whom nobody knows has gone merrily on its way secure in the knowledge that it has to account to no one. But I sound a warning; the American vegetable grower and the American consumer are definitely interested in this proposition.

So I say discharge these unfaithful public secret servants, whose names and identities are to you and me unknown, and let us return to the treaty-making procedure that has obtained for a century and a half, and which permits an open consideration of the facts. We American vegetable growers are willing to abide by the decision reached in this American way.

If you are not willing to repeal this statute in toto, and still desire to have trade agreements made by the "star-chamber method," by persons unknown to you and our American citizens, and whose names the Department of State will not now or at any future time divulge to you, then I respectfully ask you to do the thing you started to do in 1937, when the resolution to extend this same authority was before you; amend this House Joint Resolution 407 by adding at the end thereof a provision that there shall be no reduction of duty upon any article involved in the trade agreement below the difference in the cost of production as between the country dealt with and the United States, and provide further that all existing treaties be tested by the United States Tariff Commission and if the rates thereof, or any of them violate this principle, direct that notice of termination thereof be given immediately upon filing of the report by the Tariff Commission as aforesaid.

Such amendment to read:

Provided, however, That in the negotiation of any new agreement or agreements under the authority of this resolution, or in the renewal or extension of any existing agreements under the authority of this act, the tariff or import duty upon all agricultural or horticultural products shall be maintained at a point which will at least equalize the difference in cost of production thereof in the country or countries dealt with and the United States, as determined by the United States Tariff Commission, as of the date any such new or extended agreement becomes

effective, and that existing trade agreements made under the authority of 19 U. S. C. 1351, 1352, 1353, and 1354, and the extension resolution of 1937, and which are continuing in their terms, be immediately examined by the United States Tariff Commission, and if found to violate this principle, that notice of termination thereof is hereby directed to be immediately given to the country with which such agreement is existing upon the filing of the finding of the United States Tariff Commission to this effect.

I may say here in digressing that so far as these existing treaties are concerned, there is nothing you can do—the repeal of this statute will not give us relief from the Cuban treaty, because the Cuban treaty was renewed, and 3 years after its first initiation it becomes final until a 6 months' notice is given.

I said to you yesterday that we have the tentative promise of Secretary Hull that these rates will be looked into, made to Congressman West, and if found to be injurious, that they will be corrected.

I say to you, Senator, that he cannot do it under the terms of this treaty, and I will ask you to examine the escape clause of the Cuban treaty and see if you can figure any method by which he can adjust it under the escape clause. It cannot be done. The only thing that can be done is to give the six months' notice to terminate the treaty, terminate the treaty and start over again.

Why the necessity now of extending this trade-agreement statute? According to present conditions, war conditions have come in and we say it is inadvisable now to make any more treaties. Its lapse will not affect any of the existing treaties, and they will go on anyhow, because they have become final, and the only way it can be terminated is by a 6 months' notice.

Is it for the purpose of revising the Argentine, Chile, and Uruguay treaties that 60 members of Congress went down before the Reciprocity Committee and protested against because it was affecting meat and wheat and agricultural products? They say that they have closed those negotiations, but there is not anything in the law that requires the giving of a new notice to pick up those investigations. They have already given us the notice required by law. They have already had the hearing required by law, and we may wake up sometime and find those treaties in effect, and not know anything about their having been under rediscussion. If that happens, it will result, I think, in the farmers of America rising up in revolt, because they were dead set against that beef proposition and the grain proposition with relation to those treaties.

We respectfully ask you, gentlemen of this committee, that you take away from this secret committee the unlimited authority with which they have been clothed as the result of your enactment of this statute mentioned herein, and the extension already granted in 1937, or limit this authority in the manner suggested if you still desire to delegate it. This will prevent a trade-agreement policy which will merit the criticism of every respectable farmer and labor organization in America.

Gentlemen, the American vegetable grower and his employees appeal to the United States Senate for relief.

In connection with this report that I was furnished by Congressman West, I find this statement about United States production:

About one-third of the acreage planted to tomatoes (average of 1937 and 1938) is marketed in the fresh or natural state. Great variation in latitude and climate in the United States makes possible production of tomatoes for marketing fresh

every month of the year though in considerably varying quantity and quality. The earliest production in the year is in south Florida in January, followed as the season advances by central Florida, south Texas, the Imperial Valley of California, east Texas, Mississippi, Tennessee, and other States. California produces tomatoes as late as November, and Texas and Florida grow a special fall crop marketed from November into January. Production during the season when imports arrive (December to May) is confined almost exclusively to Florida, although there is some production in Texas and California at the beginning and toward the end of the import season. There is also considerable production of greenhouse tomatoes during the winter season. Statistics of the quantities produced are not available. Tomatoes are also grown in Puerto Rico and the Virgin Islands during the winter season. Small quantities of the tomatoes grown in these possessions are shipped to the New York market.

Imports of fresh tomatoes are marketed in the fresh or natural state—

They are not processed at all. We process two-thirds, and they compete with the one-third that we undertake to market fresh.

No fresh tomatoes are imported for canning or manufacture. Separate statistics of imports have been available since the passage of the Tariff Act of 1922, and these imports from all countries except Cuba and from Cuba are shown in table 2.

Now, just to illustrate what the situation is there. In 1927, the total production of tomatoes in the United States was 994,168,000. Produced during the import period, December, January and February, were 226,440,000. The imports at that same time were 132,090,000. They are right up close to us there.

The next year it was 189,002,000 as compared with 119,205,000. The next year it got closer,—141,000,000 to 103,000,000.

Coming over to 1935, we raised in the United States in 1935, 175,230,000 pounds of tomatoes during the import season. I refer to the import season as December, January and February, because Cuba has extremely low rates at that time. At the same time, they imported 78,000,000 and a little over.

The next year our production, in 1936, dropped from 175,000,000 to 147,000,000, and their imports rose from 78,000,000 to 85,000,000.

The next year our production rose to 152,000,000, but the importation rose to 95,000,000, rising right up with it.

When we get up to 1938, the figures are not yet complete.

So regardless of what you may conclude about the rest of this program, I think that the vegetable-growing industry is faced with a situation that is somewhat different from some of these other industries, because we are competing with a notoriously low standard of living part of the world, which is Latin America, just south of us—with peon labor, which is paid a very low standard of wages, and competing with us during December, January, and February on a rate of 1.8 cents when they raise tomatoes at 3 cents per pound and deliver them in New York and Chicago. The complete figures as shown by the United States Tariff Commission Report 39, Series D, are available if you want to verify those figures. And it costs us 6.1 to 6.3, and certainly we cannot compete with a situation of such wide divergence in cost of production.

I want to insert in the record here the newspaper clipping with date line New York, October 7, which I referred to yesterday.

The CHAIRMAN. That may be done.

(The same is as follows:)

PROMOTER STARTLES CUBA WITH OFFER TO BUY GIGANTIC TONNAGE—A. J. NEVILLE STATED HE REPRESENTS CONCERN THAT HAS 4,000 RETAIL STORES—CONFERS WITH CUBAN AGRICULTURAL CHIEFS ON PURCHASE OF MILLION LUGS

NEW YORK, October 7.—Local receivers of Cuban tomatoes and other vegetables have read with much interest a recent article in the Cuban press to the effect that one A. J. Neville, of New York, announced that he was ready to contract a million lugs of tomatoes and other vegetables.

It was stated that Mr. Neville represents a concern that has 4,000 retail stores and 3,000 refrigerated plants and that he is in position to purchase these vegetables by depositing sufficient funds with a Cuban bank. During his visit to Habana he had an interview with Garcia Montes, Cuban Secretary of Agriculture; present at this meeting was a committee representing the Association of Cuban Fruit Exporters. After listening to Mr. Neville's proposal, association representatives stated that commitments for this year's production had already been made, but that nevertheless they could assure him of 500,000 packages.

This conference with the Cuban secretary received wide publicity. Circulars were printed from an article that appeared in the *Diario de la Marina* and were widely distributed among growers. No little surprise has been expressed at the wide publicity given this plan by the Cuban press inasmuch as Cubans generally know that the present development of Cuban vegetables is due to the financial aid and efficient service rendered by American merchants to Cuban growers.

Not so many years ago Cuban planters had to rely on their own resources, and records show that production of Cuban tomatoes did not exceed 100,000 crates, compared with over 1,500,000 lugs exported to this country last season. This is aside from other vegetables. Of this huge tonnage New York auctions sold close to 1,000,000 lugs to individual buyers in Greater New York and vicinity. This huge development has been made possible only by the financial assistance given Cuban growers by North American interests.

What effect this proposal on the part of Mr. Neville will have, if any, on the Cuban situation is difficult to foresee at this time. However, it is a known fact that a somewhat similar plan was inaugurated a few years ago by Mexican vegetable growers with the aid of their Government, to place distribution of their entire tomato crop in the hands of the Wells Fargo Express; the plan was short lived, and the result was disastrous to Mexican growers.

Observers note in Mr. Neville's plan the injection of refrigerated plants, a factor which practical tomato people know would be of no value in proper marketing of tomatoes. In order to assure sound arrival of Cuban stock, the tomatoes are shipped green. It would be more sensible to think of 3,000 hothouses instead of refrigerated plants. Mr. Neville's proposed plan will be closely watched next year by North American interests. Meanwhile efforts will be made to see who A. J. Neville is and what people he represents.

Mr. CONNAUGHTON. Also a statement from the Hamilton County Vegetable Growers Association of Cincinnati, Ohio, dated February 8, 1940.

The CHAIRMAN. That may go in.

(The same is as follows:)

THE HAMILTON COUNTY VEGETABLE GROWERS ASSOCIATION, INC.,
Cincinnati, Ohio, February 8, 1940.

Mr. JOHN H. CONNAUGHTON,
General Counsel, National Association of Hot House Vegetable Growers,
Washington, D. C.

DEAR SIR: Relative to the destructive results produced by reciprocal trade treaties, which permit unfair competition by foreign vegetable growers, who were given through the operation of the reciprocal trade treaties, a decided advantage over American vegetable growers.

The above statement and the 13 questions presented to us do not apply to what our growers are able to report. Most of our growers have greenhouses plant from one-half to 1 acre and are forced to do their own work and are unable to hire help on account of the poor business conditions.

Members of our association contend that producers in the United States can produce enough cucumbers and tomatoes at any-time of the year and are entitled

to the demand for those vegetables whenever it may exist, because they buy American made products and spend every dollar they earn at home. Therefore a higher tariff is their only salvation, further that if something is not done in a hurry it will be too late.

We are enclosing a letter which expresses the opinion of our members during a discussion at our February 1 meeting and we hope you will present it to the Committee on Tariff Regulation. We also will write our Congressman and Senator from Ohio.

Thanking you and hoping you will give this your prompt attention we are,
Very truly yours,

THE HAMILTON COUNTY VEGETABLE GROWERS ASSOCIATION, INC.
LOUIS EGGERLING, *President*.

Mr. CONNAUGHTON. I would also like to insert in the record three more affidavits that I received since the hearing on the other side.
(The same are as follows:)

Statement of Miller Floral Co. of the relative to the destructive results produced by reciprocal trade treaties, which permit unfair competition by foreign vegetable growers, who were given, through the operation of the reciprocal trade treaties, a decided advantage over American vegetable growers, and their employees.

Name and address of individual, partnership, or corporation: Miller Floral Co., Farmington, Utah.

1. Number of years in vegetable growing business in the United States:
2. Number of persons employed each year for 5 years before enactment of law authorizing "trade treaties," June 12, 1934: 1929, ; 1930, ; 1931, 1932, 1; 1933, 3; 1934, 2.
3. Number of persons employed since negotiation of such treaties: 1935, 2; 1936, 2; 1937, 1; 1938, 1; 1939, 1.
4. Number of your former employees now on Federal, State, or municipal pauper and relief rolls:
5. Amount of Federal income tax paid each year for 5 years prior to enactment of reciprocal trade law: 1930, ; 1931, ; 1932, ; 1933, ; 1934,
6. Amount of Federal income tax paid each year since the enactment of this law: 1935, ; 1936, ; 1937, ; 1938, ; 1939,
7. Number of acres planted in out-door vegetable production each year for 5 years before the enactment of this law: 1930, ; 1931, ; 1932, ; 1933, ; 1934,
8. Number of acres planted in out-door vegetable production each year since the enactment of this law: 1935, ; 1936, ; 1937, ; 1938, ; 1939,
9. Number of square feet or number of acres planted in hot-house vegetable production for 5 years prior to this law: 1930, 0; 1931, 0; 1932, 1,412 square feet; 1933, 7,628 square feet; 1934, 5,951 square feet.
10. Number of square feet or number of acres planted in hot-house vegetable production each year since the enactment of this law: 1935, 3,958 square feet; 1936, 4,201 square feet; 1937, 1,837 square feet; 1938, 1,882 square feet; 1939, 1,780 square feet.
11. Number of square feet or number of acres of hot house torn down or abandoned, due to foreign competition caused by "trade treaties":
13. Does the operation of the reciprocal trade treaties cause financial losses in your business? In the past winter 1939-40 we discontinued the raising of vegetables as it was unprofitable.

STATE OF UTAH,
County of Davis, ss:

J. Wallace Williams, treasurer, does hereby depose, that the above and foregoing statement was prepared by me, or, under my direction, and that the statements therein contained are true to the best of my knowledge and belief.

J. WALLACE WILLIAMS.

Subscribed and sworn to before me, this day of January 1940.

[SEAL]

GRANT S. CLARK, *Notary Public*.

Term expired May 30, 1943.

Statement of Hewett P. Mulford, of the Hewett P. Mulford & Co., Mulford's Dayton plants, relative to the destructive results produced by reciprocal-trade treaties, which permit unfair competition by foreign vegetable growers, who were given, through the operation of the reciprocal-trade treaties, a decided advantage over American vegetable growers, and their employees.

Name and address of partnership: Hewett P. Mulford & Co., Lebanon, Ohio.

1. Number of years in vegetable-growing business in the United States, 10.
2. Number of persons employed each year for 5 years before enactment of law authorizing "trade treaties," June 12, 1934: Since we grow flowers also the number of persons employed is not proportional to the loss in tomato sales.
3. Number of persons employed since negotiation of such treaties: 1935, ; 1936, ; 1937, ; 1938, ; 1939, : Same as above.
4. Number of your former employees now on Federal, State, or municipal pauper and relief rolls:
5. Amount of Federal income tax paid each year for 5 years prior to enactment of reciprocal-trade law: 1930, ; 1931, ; 1932, ; 1933, ; 1934, : Reasons same as above.
6. Amount of Federal income tax paid each year since the enactment of this law: 1935, ; 1936, ; 1937, ; 1938, ; 1939, : Reasons same as above.
7. Number of acres planted in out-door vegetable production each year for 5 years before the enactment of this law: 1930, ; 1931, ; 1932, ; 1933, ; 1934, : None.
8. Number of acres planted in out-door vegetable production each year since the enactment of this law: 1935, ; 1936, ; 1937, ; 1938, ; 1939, .
9. Number of square feet or number of acres planted in hot-house vegetable production for 5 years prior to this law: 1930, ; 1931, ; 1932, ; 1933, square feet; 1934, 140,000 square feet.
10. Number of square feet or number of acres planted in hot-house vegetable production each year since the enactment of this law: 1935, 140,000 square feet; 1936, 140,000 square feet; 1937, 120,000 square feet; 1938, 110,000 square feet; 1939, 100,000 square feet.
11. Number of square feet or number of acres of hothouse torn down or abandoned, due to foreign competition caused by "trade treaties"; None.
12. Have you been forced to give up the vegetable growing business, or any part of it, by the operation of these "trade treaties"? Yes, and probably the complete range will go out of tomatoes with the low prices now received.
13. Does the operation of the reciprocal trade treaties cause financial losses in your business? Definitely. The price has come down on the average of about 10 cents per basket for the last 4 years.

STATE OF OHIO

County of Warren, ss:

Hewett P. Mulford, manager, does hereby depose, that the above and foregoing statement was prepared by me, or, under my direction—and that the statements therein contained are true to the best of my knowledge and belief.

HEWETT P. MULFORD,

Subscribed and sworn to before me, this 31st day of January 1940.

[SEAL]

EMMA GUSTIN, Notary Public.

Term expires April 27th, 1941.

Statement of _____ of the _____ relative to the destructive results produced by reciprocal trade treaties, which permit unfair competition by foreign vegetable growers, who were given, through the operation of the reciprocal trade treaties, a decided advantage over American vegetable growers, and their employees.

Name and address of individual, partnership, or corporation: Arch Henderson.

1. Number of years in vegetable growing business in the United States, 20.
2. Number of persons employed each year for 5 years before enactment of law authorizing "trade treaties," June 12, 1934: 1929, 1 to 10; 1930, 1 to 10; 1931, 1 to 10; 1932, 1 to 10; 1933, 1 to 10; 1934, .
3. Number of persons employed since negotiation of such treaties: 1935, 1 to 10; 1936, 1 to 10; 1937, 1 to 10; 1938, 1 to 10; 1939, .
4. Number of your former employees now on Federal, State, or municipal pauper and relief rolls: About 30 percent.

5. Amount of Federal income tax paid each year for 5 years prior to enactment of reciprocal trade law: 1930, none; 1931, none; 1932, none; 1933, \$22.98; 1934, none.

6. Amount of Federal income tax paid each year since the enactment of this law: 1935, none; 1936, none; 1937, none; 1938, none; 1939, .

7. Number of acres planted in out-door vegetable production each year for 5 years before the enactment of this law: 1930, 35; 1931, 30; 1932, 20; 1933, 35; 1934, 40.

8. Number of acres planted in out-door vegetable production each year since the enactment of this law: 1935, 30; 1936, 40; 1937, 35; 1938, 40; 1939, 30.

9. Number of square feet or number of acres planted in hot-house vegetable production for five years prior to this law: 1930, ; 1931, ; 1932, ; 1933, ; 1934, .

10. Number of square feet or number of acres planted in hot-house vegetable production each year since the enactment of this law: 1935, ; 1936, ; 1937, ; 1938, ; 1939, .

11. Number of square feet or number of acres of hot house torn down or abandoned, due to foreign competition caused by "trade treaties":

12. Have you been forced to give up the vegetable-growing business, or any part of it, by the operation of these "trade treaties"? No; but it is sure working a hardship on us.

13. Does the operation of the reciprocal trade treaties cause financial losses in your business? Yes.

STATE OF IDAHO,
County of Elmore, ss:

ARCH HENDERSON, does hereby depose, that the above and foregoing statement was prepared by me, or under my direction, and that the statements therein contained are true to the best of my knowledge and belief.

ARCH HENDERSON.

Subscribed and sworn to before me this 30th day of January 1940.

[SEAL]

GEO. F. ROBERTSON, *Notary Public*.

Term expires Feb. 14, 1940.

Mr. CONNAUGHTON. I also desire to put in an extract from a vegetable trade journal, which is as follows:

CUBA PUTS A GREAT LOAD OF TOMATOES ON MARKET - BANG

[A lug is 30 pounds]

Unloads of Cuban tomatoes reached the season's high mark when close to 95,000 lugs arrived and most sold at the two sales on Tuesday and Thursday. These offerings were almost double those of a year ago, when only 57,000 lugs sold at the two corresponding sales. Considering the heavy offering, the cold weather, and low quality of most stock, nothing better could be expected than the drop in prices that resulted.

Monday about 43,000 lugs were offered, with prices at \$1.10 to \$2.50 per lug, while at the same sale last year 29,000 lugs were sold, ranging from \$1.50 to \$3.40. Those receivers who had tomatoes that were satisfactory to buyers on Monday realized the better prices, while off-grades were in the dumps. On Wednesday there were about 48,000 lugs sold, with some stock going as low as \$1, with tops of \$2.40 per lug.

The CHAIRMAN. Mr. Carr.

STATEMENT OF HARRY C. CARR, VICE PRESIDENT AND TREASURER, BAYUK CIGARS, INC., PHILADELPHIA, PA.

Mr. CARR. I appreciate very much this opportunity of appearing before your committee. Needless to say, I do not pretend to represent all industry—but in what I am about to say I do represent the views and feelings of the cigar manufacturers of this country. They are solidly behind a continuation of the present reciprocal trade-agree-

ments program because of their experience with two of the agreements which have been made under that program, namely, the agreement with Holland and the agreement with Cuba.

Soil and climatic conditions in this country apparently are not such as to permit of the production here by American farmers of all of the types of cigar leaf tobaccos necessary to produce cigars which will meet the variety of tastes of the American public. American farmers produce cigar leaf filler tobaccos in Pennsylvania, Ohio, and Puerto Rico; they produce binder tobaccos in Connecticut, Massachusetts, and Wisconsin; and they produce wrapper tobaccos in Connecticut, Massachusetts, and Florida. But to secure sufficient quantities and of types that will blend properly for the manufacturing of cigars in certain categories, it is necessary to import Havana tobacco for fillers and to some extent for wrappers, and Sumatra tobacco for wrappers.

Under the agreement effected with Holland, the duty on Sumatra wrappers was reduced by 29.35 percent. This reduction was made after a careful study of the competitive situations involved and I understand with the entire approval and agreement of the growers of Connecticut and other American wrapper tobaccos. The reduction thus effected has been of material help to the American manufacturers using Sumatra tobacco, and, it appears quite clear, to no disadvantage to the American producers of wrapper tobaccos.

Under the Cuban agreement originally consummated in 1934, a reduction was made in the duty on Havana filler tobacco of 37½ percent. Due to a particular clause in that agreement, this reduction was later canceled in March of 1936 as a result of the invalidation of the original A. A. A. by the Supreme Court. Subsequently, in a new supplemental agreement with Cuba made effective December 23, 1939, this reduction in duty on Havana filler tobacco was reinstated.

The cigar manufacturing industry, as is well known, has had a difficult time in the past few years. The reductions effected in both the agreements to which I have referred represented savings in costs to the manufacturers using those imported tobaccos and thus directly affected not only their welfare but the welfare of their employees.

At one time there was an impression in certain circles that reducing the duty on these imported tobaccos would be detrimental to the American farmers who were producing cigar leaf tobaccos. This is definitely not the case and the farmers themselves have known otherwise. As an evidence of this, I quote two paragraphs from a statement presented by the Connecticut Valley Shade Growers Association, representing the growers of wrapper tobacco in that district, endorsing the proposed new agreement with Cuba, as follows:

The Shade wrapper primarily blends with a full Habana filler to make the most expensive and finest of all cigars. The amount of Habana used decreases with the price of the cigar and is blended in the cheaper cigars with Puerto Rico filler. Briefly, our wrapper as a wrapper has been accepted by the public only in these combinations. Combinations have been tried with other fillers but all have failed to please the smoking public.

It has been the experience of the entire cigar-smoking world that good Habana filler makes the finest of all fillers and the most acceptable to the greatest number of smokers. We feel that if more Habana fillers were to be used, more cigars would be smoked. More cigars with Shade wrappers means more Shade wrappers consumed—more Puerto Rico filler used in conjunction with Habana and more domestic binders used with the various cigars.

I also quote the following paragraphs from an affidavit signed by some 70 percent of the farmers in Pennsylvania growing cigar leaf

tobaccos, as well as a good proportion of the farmers in Ohio and Wisconsin growing those tobaccos, this affidavit having been filed in support of the Cuban agreement recently consummated, as follows:

We believe the proposed tariff reduction will benefit the American cigar tobacco farmer; and accordingly, we express our support of such proposal. We recognize the practice of American cigar manufacturers of using some Cuban tobacco leaf in blend with domestic tobacco in the manufacture of a large percentage of all cigars produced in this country; and that the addition of some of the high quality Cuban tobacco leaf in this manner improves the quality and stimulates the demand for and consumption of all cigars, particularly those of the class A type of which the domestic filler represents the major content.

The maintenance of the quality of domestic cigars, particularly the class A cigar, made possible by a reduction of Cuban tobacco tariff rates and consequently the continued use of some Habana content, can result only in a stimulation of demand for and thus a stimulation of production of domestic tobaccos, especially domestic filler. And we feel confident that the lowering of the Cuban tariff rates to the extent proposed will not result in an unwarranted increase in the use of Cuban tobacco to the point where such use will become competitively harmful to the domestic producer.

The CHAIRMAN. What percentage of the tobacco which is used in the manufacture of cigars comes from foreign countries, Cuba or otherwise, and what percentage from our own country?

Mr. CARR. May I answer that in this way, that the total quantity produced by weight is approximately 80 percent filler, 8 percent wrapper and 12 percent binder. Those are rough percentages. Of the wrapper tobaccos, which constitute 8 percent by weight, about 50 percent come from abroad, Sumatra tobacco and some Habana, but largely Sumatra. Of the binder tobaccos, which constitute 12 percent of the weight, all are domestically produced. Of the filler tobacco, which constitutes about 80 percent of the weight—a good 80 percent of that 80 percent is domestically produced; maybe 85 percent. Does that answer your question?

The CHAIRMAN. Do you represent just one concern or an organization?

Mr. CARR. As a matter of fact, I am representing one concern, which happens to be the largest manufacturer in the industry, but in speaking here today I am also authorized to represent the Cigar Manufacturers Association of America, Inc., which is the association of cigar manufacturers and which represents in its membership about 85 percent of the volume and production of cigars in this country.

Senator BROWN. What is the attitude of the tobacco growers? Have they expressed it here?

Mr. CARR. I have tried to put it into those two quotations that I read there.

Senator BROWN. Are they generally favorable to this program?

Mr. CARR. Oh, yes.

Senator BROWN. The growers and the manufacturers both?

Mr. CARR. The growers and the manufacturers both.

Senator GEORGE. You meant the growers of tobacco?

Mr. CARR. Of American tobaccos. I am talking about cigars.

Senator GEORGE. Fillers, wrappers, or binders?

Mr. CARR. All types.

Senator GEORGE. The growers of wrapper tobacco and a certain type of filler in certain parts of Florida and Georgia are having a good deal of trouble now. I don't know that they are complaining about the trade treaties.

Mr. CARR. Senator, I am not personally familiar with that situation, because very little of that tobacco comes North, and we do not use any Georgia or Florida tobacco, and I do not know what the situation is down there. But I am morally certain it has nothing to do with the trade agreements.

Senator BROWN. You said that 100 percent of the wrappers were domestically produced?

Mr. CARR. No; I beg your pardon. The wrappers constitute by weight about 8 percent of the total. Those are very rough figures. I am not prepared to give exact figures, but it is about 8 percent. Of that 8 percent, about 50 percent are imported.

Senator GEORGE. Do you use your wrappers from the Connecticut Valley? Is it a Connecticut Valley wrapper?

Mr. CARR. Our company uses mainly Sumatra wrappers.

Senator GEORGE. Imported?

Mr. CARR. Imported. It is a curious thing, but the filler that we use in our cigars is mainly Pennsylvania filler and the binder is Connecticut, and a blend that appeals to the public of Pennsylvania filler and Sumatra wrapper is much more appealing than a blend with Pennsylvania filler and Connecticut wrapper. If you ask me why, I cannot tell you.

Senator GEORGE. You have the same old fight. You are using the foreign tobacco for your wrapper?

Mr. CARR. My company happens to be?

Senator GEORGE. Yes.

Mr. CARR. As a practical proposition, if we were to exclude, we will say, the importation of all imported wrappers, we would just put about 50 percent of the industry flat on its back, including the farmers that supply that 50 percent, because you cannot get enough wrapper tobacco of the American type in this country.

Senator GEORGE. I know, but those of us who lived through the Tariff Act of 1928, 1929, and 1930, very much remember that the producers in this country did say that if they had a little more duty on Sumatra, they could produce more here. But it is the same old fight, of course. I can see that.

Mr. CARR. Well, Senator, one of these quotations that I have read there was a quotation from the Connecticut Valley Shade Growers Association, which is the association of farmers producing American wrappers excluding, not including, Florida and Georgia types, and they endorse this situation. Before I came down here, I made it my business to communicate with the association and to ask their permission to use in this brief that I have submitted, that statement of theirs, and the word I got back was that they were glad to have me do so, that they were in favor of this whole trade program.

Senator GEORGE. I do not think they are complaining about the trade program.

Mr. CARR. No.

Senator GEORGE. Is there any big reduction in the duty on Sumatra?

Mr. CARR. It is from \$2.27½ to \$1.50 a pound.

Senator GEORGE. What is the duty on the Cuban?

Mr. CARR. On the Cuban filler tobacco, it was 40 cents a pound, and by the new agreement that went into effect in July, it was reduced to 25 cents a pound.

Senator GEORGE. I have had no complaint from the producers in Georgia-Florida area, and they do produce quite a good deal of wrapper tobacco, and they have been producing another type of tobacco for binder, and now they are having to give that up, but that is due to certain hour and wage restrictions that have been imposed.

Mr. CARR. I am not familiar with that.

The CHAIRMAN. The only other witness who appeared in that matter was from Connecticut, representing the Connecticut growers, and he said that the growers in that State were heartily in favor of the reciprocal trade program.

Mr. CARR. I can, accordingly, speak with authority for the manufacturers and the wage earners in this industry, as well as for the American farmers producing cigar-leaf tobaccos, who are really a part of the industry, in stating that the results attained through this general program by the agreements in question have been materially beneficial to all concerned, and, to the best of my knowledge and belief, detrimental to no one. The sole result has been that unnecessary impediments to trade on the commodities in question have been removed.

On these commodities in both of the agreements to which I have referred, a most careful study of the economic and commercial questions involved was made by the Committee on Reciprocity Information and by the State Department. I can speak with particular authority on the Cuban agreement in this respect. I know from personal experience something of the extent to which the gentlemen charged with the responsibility for negotiating that agreement studied and weighed the issues involved and their possible effect on American industry, worker and farmer, before they arrived at their conclusions as to what was equitable and proper.

The Cigar Manufacturers Association of America, Inc., representing some 85 percent of the production of all American-made cigars, has already filed a brief under date of February 10, 1940, with you, endorsing the results of the Reciprocal Trade Agreements Act insofar as this industry is concerned: "I personally and on behalf of my company wish to join in and emphasize this endorsement."

The CHAIRMAN. Thank you very much.

Representatives of several of the ladies' organizations were going to appear before us, but they agreed that Mrs. Baldwin would appear and present the views of them all.

STATEMENT OF MRS. HARRIS T. BALDWIN, FIRST VICE PRESIDENT, NATIONAL LEAGUE OF WOMEN VOTERS, WASHINGTON, D. C.

Mrs. BALDWIN. Mr. Chairman and members of the committee: Because we sympathize with your effort to expedite consideration of continuance of the trade-agreements program, I have been requested to file with your committee a statement from each of seven national organizations that support it and to make only a brief explanation of the reasons for such support. These organizations are:

American Association of University Women.

General Federation of Women's Clubs.

National Board of the Young Women's Christian Association.

National Council of Jewish Women.

National League of Women Voters.

National Women's Trade Union League of America.

Service Star Legion, Inc.

The CHAIRMAN. How many does that represent in membership?

Mrs. BALDWIN. I think I say in the next paragraph, Senator Harrison, that the membership in these groups runs into millions. I cannot give you the exact figure, but it does represent a cross-section of the population in the United States.

You will note that these organizations are ones that have no economic interest in the trade-agreements program, but represent only the public interest. Each of these groups, however, has approached the study of the tariff from a slightly different angle. The American Association of University Women is especially concerned with the relation of the tariff to the general consuming public and to the development of peaceful international relations. The importance of the reciprocal trade agreements to the consumer is emphasized in the statement I am filing with you, and is summarized in the following words:

In urging the extension of the Reciprocal Trade-Agreements Act, the American Association of University Women represents the interest of the American consumer. The act establishes a method of regulating foreign trade which allows some chance for considering the interests of Americans as consumers, in contrast to the old method of tariff making in response to the combined pressures of the more articulate producer interests.

The American Association of University Women also sees in the trade-agreement program a method of establishing sound international economic relations as a necessary part of any durable peace system, pointing out that:

When the wars raging in other parts of the world are over, we will find that autarchy has been so firmly established in many regions that it will be impossible to lower trade barriers everywhere immediately without causing tremendous hardships. Here is where the slow, careful, thorough method of the reciprocal trade-agreement program comes in. Step by step, commodity by commodity, country by country, restrictions can be given up, excessive tariffs lowered, new markets developed, and the internal economies of nations rearranged on the basis of a sane, free, constructive exchange of goods among free peoples.

The National Women's Trade Union League of America has watched the trade-agreements program with especial care to determine its effect on labor. This organization states its position as follows:

The National Women's Trade Union League of America is in favor of the extension of the Trade Agreements Act without modification as provided in House Joint Resolution 407. The reason for its support of the program is this: American industry, because of its efficiency, is geared to a high rate of production. The most efficient industries, which are, generally speaking, the ones that pay the highest wages, need export outlets for their surplus products. Foreign markets supply these outlets and the millions of workers employed in these export industries are directly benefited by increased foreign trade. Not only a large section of industry, but also many of our farm products, require foreign markets in which to dispose of their surpluses; and when foreign outlets for these farm products are increased, farm purchasing power for industrial products in the United States is increased, which in turn creates more business and more employment right here in the home market.

Although the approach to the study and support of the trade agreements program by the General Federation of Women's Clubs was made from an interest in the field of international relations, the organization supports the program not only as one means of developing better relations among countries, but also as a way of improving our

own economic situation. In the statement from the General Federation of Women's Clubs, which I am filing with you, the position of this organization is summarized as follows:

We consider the flexibility of the present method to be of absolutely vital importance in dealing with other nations whose totalitarian policies are apt to change from day to day. We do not agree that tariff is a purely domestic matter. It affects our relations with every nation with whom we trade. It carries political implications of which only the executive branch of the government may be aware. Negotiation of tariff agreements by the Executive Branch of the Government but within the broad principles laid down by the Congress is entirely in accord with Constitutional provisions.

The National League of Women Voters has long been interested in the tariff and particularly in the development of a scientific method of tariff-making. The League of Women Voters urges continuation of the trade agreements program because:

The League of Women Voters believes that the reciprocal trade agreements program is a major advance in the development of a scientific method of tariff-making. In this program Congress has provided for international action in the tariff field and has broadened the base for making tariff adjustments. It has retained its constitutional authority for establishing the tariff policy of the United States. It has given to the Executive Branch of the Government specific instructions for carrying out the policy by defining the limits of change in the congressionally adopted tariff schedule, by requiring constant study by Government experts, and by requiring that opportunity be given interested persons to present their views. By enacting the Trade Agreements Act for limited periods, Congress has accepted the responsibility for regular review of achievements under it.

The national board of the Y. W. C. A. states:

We support the extension of the Trade Agreements Act because we believe that the trade agreements would relieve unemployment in the long run and supply markets for American surpluses, help prevent acute poverty which might cause political unrest, and would serve to bring about peace between nations.

The National Council of Jewish Women supports the program because, as they say:

We believe that the Trade Agreements Act protects the interests of consumers and the general public; that it is a fair measure because local and special interests do not supersede the interests and needs of the country as a whole. We believe that this act provides a more scientific, more equitable, and more practical method of adjusting tariffs than any previously employed.

The Service Star Legion, Inc., supports the program for similar reasons.

Now, on my own initiative, I wish briefly to comment on some of the proposals that have been made for changes in the Reciprocal Trade Agreements Act. The arguments for some form of congressional action on the negotiated agreements do not seem valid. The Congress in authorizing the negotiations of such trade agreements and in defining the scope within which agreements can be made has met its constitutional responsibilities. The argument was well summarized in the majority report of the Committee on Ways and Means, which said:

However, in the case of trade agreements, the President can only act according to procedure within the scope of the policies and limitations previously prescribed. In the fundamental sense the agreement is concluded with the approval of both Houses of Congress.

It is also true that the argument for congressional approval of trade agreements is frequently advanced by those who seek to defeat the entire program. It seems to me that requiring congressional

action on the negotiated agreements means that the tariff goes back again to logrolling after a long journey around Robin Hood's barn.

If the cost-of-production theory in tariff making is pursued to its logical conclusion, it means the use of the tariff to eliminate all competitive advantages among countries and therefore practically to prohibit imports. This is the opposite of the purpose of the trade-agreement program, which is to stimulate trade. Even if the cost of production formula were a sound one on which to base a tariff policy, experience has shown that it is extremely difficult, if not impossible, to determine with accuracy the differences in costs of production among the various countries.

There has been considerable comment to the effect that the United States has given away more than it has gained through use of the unconditional most-favored-nation principle. On the contrary, the figures would seem to indicate that perhaps Uncle Sam has been too shrewd a bargainer, since exports have increased more under the trade-agreements program than have imports. Through this principle of equality of treatment included by the Congress in the Trade Agreements Act, the United States has invited cooperation in its trade policy instead of retaliation and discrimination. It is through the application of this principle that an attack has been made on trade barriers throughout the world.

In conclusion, I wish to point out that the comments which I quoted from these seven organizations on the reciprocal trade agreement program show that they support the program for three principal reasons:

First, it contributes to the solution of basic economic problems of the United States through the stimulation of trade.

Second, it is a scientific approach to tariff-making in the national interest.

Third, it has proved its value in gradually reducing international trade barriers and should be kept as a contribution to the solution of problems that will exist when the time for building a lasting peace has come.

We urge that the Reciprocal Trade Agreements Act be continued without change for another 3-year period.

May I file these statements as part of the record?

The CHAIRMAN. Yes; they will be put in at the conclusion of your testimony.

Mrs. BALDWIN. Some of the representatives of the other organizations are here in the room.

The CHAIRMAN. I understand your agreement, and you have done a very fine job. You are the first vice president of the National League of Women Voters?

Mrs. BALDWIN. Yes.

The CHAIRMAN. What is the membership of that organization?

Mrs. BALDWIN. I cannot tell the exact membership of that organization, Senator Harrison, because we do not have national memberships. The league of women voters is made up of local and State leagues which are affiliated with the national league. We have local leagues in some 600 local communities, and there are 31 State leagues which are affiliated with the National League of Women Voters.

The CHAIRMAN. You have a great many voters in that organization?

Mrs. BALDWIN. Yes.

The CHAIRMAN. Are there any questions?

Senator BROWN. I am in favor of your thesis, and I like the emphasis you place on the consumer interests, who are not represented here very often. Out in Michigan I find that what opposition there is to reciprocal trade agreements comes pretty largely from the farm element. Do you represent any considerable portion of the farm membership?

Mrs. BALDWIN. We do not as such, but in the membership of the organizations I have quoted, especially in the General Federation of Women's Clubs, you will find that there are a great many farm women. I know on some of the State boards of Leagues of Women Voters, there are farm women sitting, not representing farm organizations, but of course bringing to the membership their point of view and their interests.

Senator BROWN. I think it would be a very fine thing if the real facts concerning the trade agreements could be gotten to the farm women, because I think they would have that same interest which you represent.

Mrs. BALDWIN. I think it is the intent of all of the organizations who have presented their views to you today to do more than educate their own organizations, and try to develop public opinion in their community.

Senator GEORGE. I have a great deal of sympathy for the interests of the consumer. In the Tariff Act of 1929 and 1930, I introduced and secured the approval as far as the Senate was concerned of a provision for a consumers' counsel, whose primary interest would be to protect the interests of the consumer so that the issue would not be narrowed to the fight between the importer and the manufacturer, but the majority in charge of that tariff act thought it was ridiculous for the consumer to have a representative, and so it went out of the conference.

Mrs. BALDWIN. We will make it broader and make it the public interest.

Senator BROWN. I might say that the Sugar Act which is now in effect and which we last passed, that there is a section in there that gives the Secretary of Agriculture very large powers in protecting the consumer interest in price.

Mrs. BALDWIN. The League of Women Voters first became interested in a study of the tariff in 1924, and then took it up in its relation to living costs, viewing it not only from the point of view of the consumer but from the point of view of the general public.

Senator GUFFEY. Mrs. Baldwin, from my knowledge of the League of Women Voters in Pennsylvania, I am very agreeably surprised to see the National League of Women Voters endorsing this program. Can you tell me if the League of Women Voters of Pennsylvania endorsed the reciprocal trade agreements?

Mrs. BALDWIN. The League of Women Voters of Pennsylvania, as far as I know, Senator Guffey, was always a party to the adoption of the program of work of the League of Women Voters which is adopted in a biennial convention to which all of the leagues in the country send delegates and which is our authorization for action in support of the reciprocal trade agreements program.

Senator GUFFEY. Will you satisfy my curiosity and see how they voted at the last convention? I am interested in the Pennsylvania group. I wonder if you vote by units?

Mrs. BALDWIN. No; we vote as delegates, and there was no protest to this program commitment from the Pennsylvania League.

Senator GUFFEY. Thank you very much.

(The statements submitted by Mrs. Baldwin are as follows:)

STATEMENT OF DR. CAROLINE F. WARE, REPRESENTING THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

In urging the extension of the Reciprocal Trade Agreements Act, the American Association of University Women represents the interest of the American consumer. The act establishes a method of regulating foreign trade which allows some chance for considering the interests of Americans as consumers, in contrast to the old method of tariff making in response to the combined pressures of the more articulate producer interests.

The American Association of University Women is an association of more than 65,000 members who are graduates of colleges and universities of high standing, organized in 860 local branches in all the States and Territories and in China, Japan, and the Philippines.

This organization carries on a Nation-wide study program in consumer problems. Programs in nearly 300 branches are addressed to this subject. At its last biennial convention in June 1939 the association passed a resolution to support legislation in the interest of consumers. It also voted, specifically, to support extension of the reciprocal trade-agreements program. It is on the basis of this authorization from the association that the following statement is presented.

This association has joined with the American Home Economics Association, numbering 15,000 professional members and another 70,000 in student groups, and with the General Federation of Women's Clubs of over two million members, in forming, with representatives of retailer organizations, the National Consumer-Retailer Council. These three organizations appeared recently before a subcommittee of the Interstate Commerce Committee of the House in support of legislation for the development of standards for consumer goods. This joint activity on behalf of the consumer interest indicates that we are not alone in our concern with the interest of Americans as consumers, nor that such interest is purely academic, but that organizations with membership running into the millions are actively engaged in measures to promote that interest.

The reciprocal trade-agreements program constitutes the first sustained effort on the part of the Government to consider the needs of consumers as well as the desires of producers in the formulation of national tariff policies. Although consumers are the largest economic interest in the population, for we are all consumers, they have not been heard in the process of tariff making in the past. Even in the discussion of the reciprocal trade agreements themselves, major stress has still been placed on markets for American producers abroad rather than goods for American consumers at home.

It is not strange that the interests of Americans as consumers have received so little consideration in tariff making in the past. Not in foreign trade alone, but in domestic affairs as well, we have gone on the assumption that the interests of the community are identical with the interests of producers and sellers. We have taken for granted that if the producer and seller were protected, the public interest would be adequately served. We have often forgotten that the reason why we produce is in order to consume—that the farmer grows wheat because people want to eat bread, not that we eat bread in order to give the farmer something to do.

This attention to producers alone is well reflected in the activities of the Federal Trade Commission. Until last year, the Commission had authority to protect only business competitors and was without direct authority to protect consumers. It could not put a stop to injurious fraud against the buying public if the particular fraud was commonly practiced in the trade and competitors were not injured by the practice.

In view of this long-standing preoccupation with the interests of producers in public policy and legislation, it is not surprising that tariff making has been a producer-centered process. Mr. Dooley epitomized the process in his famous remark about how the tariff in 1909 raised the standard of living of the American workman by placing on the free list such "necessities of life" as nux vomica and canary seed. When flexible provisions were introduced in 1930, the mandate of the Tariff Commission was to recommend revision in the light of foreign and domestic costs—not in the light of domestic needs. The tariff on blankets could be raised or lowered in line with conditions in the industry, but not with

the need for warm blankets at low prices for the comfort and health of the American people. The vetoed tariff bill of 1932 provided for a consumers' counsel to the Tariff Commission. To be sure, the House minority report characterized the proposed consumers' counsel as an unnecessary and expensive office which would only interfere with the work of the Commission, but the majority recognized that the consumer interest had not had adequate representation in the past.

The Reciprocal Trade Agreements Act does not represent a radical departure and the reorientation of tariff making from the interests of producer groups to the interests of consumers. Based as it is upon the act of 1930, it remains subject, in a measure, to the same limitations. But it does take a definite step toward a more satisfactory procedure for adjusting foreign trade.

In the old system of tariff making, the mere right of the consumers to be heard on specific items in the schedule was no adequate protection or representation of interest, for consumers have neither the necessary technical knowledge nor, in most cases, a sufficiently intense interest in a specific product to make them able to present their case effectively. The interests of consumers stand a much better chance to be considered under the trade-agreements procedure where the whole body of trade between this and other countries is taken into consideration, not just single commodities one by one. Under the procedure for placing in the hands of experts responsibility for giving weight to all the relevant factors, consumers are assured of expert representation throughout.

The stake of American consumers in a satisfactory tariff-making procedure is very real. The exact burden of existing tariffs upon consumers is not easy to determine, for domestic as well as foreign trade factors enter into the prices of goods on the American market, and it is impossible to appraise the burden growing out of the virtual or complete exclusion of certain products from the American market. Estimates have been made as to what the tariff burden would have been if prices to American consumers had been raised by the exact amount of the tariff. According to these estimates, something like 10 percent of the average expenditures for food on the part of New York City wage earners and clerical workers in 1935 would have been attributable to the tariff, while the cost of the tariff to the average farm family in that year would have been \$108—\$81 for goods used in family living on the farm and \$27 for goods used in farm production. Neither the accuracy of these estimates, nor the fact that prices to domestic consumers were not, in fact, raised by the exact amount of the tariff, is important to the point made here. They are mentioned only to indicate that the stake of American consumers, both urban and rural, in this matter is great, and to underline the need for a tariff-making procedure which allows this interest adequate representation and consideration.

The interest of Americans as consumers is in the import aspects of the reciprocal trade-agreements program. We would stress the word "reciprocal." It is self-evident that foreign, like domestic, trade is an exchange, not a one-way street, and that increases in imports and exports must go hand in hand. As consumers, our interest in American exports is primarily because they are the means by which we as a nation are able to secure things from abroad which we need in our daily lives.

Curiously enough, the traditional attitude toward foreign trade stresses the effort to expand exports and minimize imports—to give more than we get in exchange. If there is any advantage in an unbalance in our foreign trade, it would appear to be on the other side—in the form of more goods for the enjoyment of the American people rather than more gold to drop into a hole in Kentucky. But it is only war, or the threat of war, that makes nations think of trade in terms of the advantages of acquiring actual goods. For our part, we are not looking for a one-sided advantage, but for a basis for exchange which will make the most of mutual advantages.

As consumers, we tend to favor a program which minimizes barriers to trade, because we want to acquire the goods which we need on the most favorable terms. By expanding markets abroad for the things which can be best made at home and buying therewith things which we cannot well produce or in which our advantage for production is less, we gain the full advantage of our best skills. Where the effect of trade barriers has been artificially to keep up the prices of goods to American consumers, whether those goods are produced at home or abroad, we welcome a program which affords reductions in the prices of such goods. Such a program contributes directly to raising the standard of living of American people by freeing that part of consumer incomes which would have to go to the maintenance of artificially high prices for expenditure on other goods. The result or any measures which make for an increase in the real purchasing power of consumer

incomes is to enlarge the market for domestic goods, and to stimulate production, employment, and the creation of more consumer income at home. Where barriers to trade are in the public interest, and we recognize that there are situations in which they may be, we urge a procedure which will operate in terms of the broadest benefits to the people as a whole rather than to separate economic groups. The trade agreements which rest on a careful survey by experts provide such a procedure.

A large proportion of the American people are interested in foreign trade only in their capacity as consumers. Even those whose interest as producers is at stake share also in the common interest of all as consumers.

For workers in service industries, in construction, and in trade and transportation, the impact of tariffs falls upon them wholly in their capacities as consumers. These workers amount to nearly half of the gainfully employed population of the country. When to these are added those branches of agriculture, mining, and manufacturing which virtually are untouched by the flow of foreign trade in either direction—for example, coal mining, printing and publishing, bread making, subsistence farming—the proportion rises still higher. Insofar as all these are affected by the flow of foreign trade, it is in their capacity of consumers alone. For the rest, the interest as consumers of those engaged in export and in import industries may reinforce or balance their interest as producers, and in any case it is basic to a policy shaped in the public interest. The editors of the *Electrical Workers Journal* have estimated that nine-tenths of the workers of the country are in the same position as the electrical workers, either unaffected in their capacity as producers by "protective" tariffs, or adversely affected by reason of their employment in export industries.

On the first day of the hearings before the House Ways and Means Committee on extension of the Trade Agreements Act, a member of the committee objected to the Secretary of State's support of the trade-agreement program on the ground that whereas the Secretary was in a position to consider the interests of the Nation as a whole, the Representative was responsible for representing the interests of his congressional district.

In making that statement, the Representative must have been thinking of the factories of his district, not of the homes of his district. It is not the interests of one district versus the interests of the country as a whole. It is the question of whether the interest which all of us have as consumers is being adequately represented, and whether those of us whose only interest in foreign trade is as consumers are to be represented at all.

By means of the Reciprocal Trade Agreements Act, American consumers have begun to secure consideration in the development of tariff policies. We do not want to go back. We urge the extension of the act in order that we may retain this small gain, at least until such time as the paramount interest of Americans as consumers receives wider recognition in all aspects of our national life, and production and trade are seen as means to an end, not as ends in themselves. We urge that in voting on this measure you think not only of factories, but of homes.

SUPPLEMENTARY STATEMENT ON THE POSITION OF THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN IN SUPPORT OF HOUSE JOINT RESOLUTION 407 TO EXTEND THE AUTHORITY OF THE PRESIDENT UNDER THE TARIFF ACT OF 1930 AS AMENDED. SUBMITTED TO THE FINANCE COMMITTEE OF THE SENATE BY DR. ESTHER CAUKLIN BRUNAUER, ASSOCIATE IN INTERNATIONAL EDUCATION OF THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN, MARCH 2, 1940

The interests of the American Association of University Women in the continuance of the Reciprocal Trade Agreements Act grows out of two well-established principles of the organization's program, namely:

- (1) The promotion of legislation in the interest of the consumer, and
- (2) The development of an immediate and long-range foreign policy for the United States based on international cooperation for peace.

The aspects of the trade-agreement program which affect consumer interests have been discussed in the statement submitted on behalf of the association by Dr. Caroline F. Ware. It is important to point out in addition the usefulness of the trade-agreements program in laying a foundation for peace through international cooperation.

Even if we put aside every other consideration we must recognize the value of the reciprocal trade-agreements program as a means of helping the world toward a real peace, after the armed hostilities are over. In the past 20 years there have been constant warnings that acute economic nationalism would bring war nearer; and, as we know, those warnings have proved to be true. Any program that leads

away from economic nationalism and attempts to lower trade barriers contributes to peace. Besides this general effect, there is also a more definite way in which the continuation of the trade-agreements program will help bring about the peace of justice and sanity that the world so sorely needs.

While the war is still going on, we can do something with this program to help preserve what freedom of trade still exists. We can keep alive the principle of free exchange of goods, which has been denied everywhere by totalitarian governments. The idea of autarchy—that is, national self-sufficiency—is first and foremost based on the idea of the nation as an armed camp and peace as merely the interval between wars. Even the most so-called self-sufficient nations have to import some articles, and what foreign trade they have is carried on under barter arrangements that put the trade of other countries also into a strait jacket. With the reciprocal trade-agreements program we can help lessen the strait jackets by making these other countries less dependent on the totalitarian states for their markets.

When the wars now raging in various parts of the world are over, we will find that autarchy has already been so firmly established in many regions that it will be impossible to lower trade barriers everywhere immediately without causing tremendous hardships. Here is where the slow, careful, thorough method of the reciprocal trade program comes in. Step by step, commodity by commodity, country by country, restrictions can be given up, excessive tariffs lowered, new markets developed, and the internal economies of the nations rearranged on the basis of a sane, free, constructive exchange of goods among free people. Over and over again the President and Secretary of State have declared that the United States is ready to contribute to the establishment of a sound international economic system as a foundation of enduring peace. The reciprocal trade-agreements program will be our best contribution to this end.

GENERAL FEDERATION OF WOMEN'S CLUBS, 1938-41

To the Senate Finance Committee:

The Reciprocal Trade Agreements program was endorsed in principle by the General Federation of Women's Clubs at its triennial convention held in Kansas City, Mo., May 1938. The adoption of the resolution followed several years of study. Resolutions adopted by the federation are considered active and continue to control the policies of our organization for 6 years. Notwithstanding this fact, and because of changed conditions under which international trade and commerce must be carried on in a world at war, it was thought advisable to clarify further our position.

Consequently, the attached statement, "Reasons why the reciprocal trade-agreements program should be continued in its present form" was presented to the board of directors of our organization at its annual meeting in January. The statement was unanimously endorsed in a motion which called upon our State organizations to give it the widest possible publicity so that intelligent and widespread support might be given to our resolution taken in 1938. Carrying out the purpose of this motion, the statement is being disseminated to our 15,000 clubs by publication in our national magazine and various State organs.

The General Federation of Women's Clubs is not a pressure group. We seek to place before our membership unassailable facts so that sound opinions may be formed. Our membership of more than 2,000,000 women constitutes the largest consumers' group of the country. A cross section would reveal the widest possible scope of interests. In our own various capacities we represent the interests of industry, agriculture, labor, and business. In our ranks are to be found the wives of miners, farmers, laborers, industrialists, white-collar workers, educators, bankers, and businessmen. Our organization is peculiarly able therefore to place the good of the entire country above the special interest of sections or groups.

We consider the flexibility of the present method to be of absolutely vital importance in dealing with other nations whose totalitarian policies are apt to change from day to day. We do not agree that tariff is a purely domestic matter.

It affects our relations with every nation with whom we trade. It carries political implications of which only the executive branch of the Government may be aware. Negotiation of tariff agreements by the executive branch of the Government but within the broad principles laid down by the Congress is entirely in accord with constitutional provisions.

We believe that the reciprocal trade-agreements program, as put into effect by Secretary Hull, has been largely successful and that it is an honest and sin-

core attempt to determine tariff negotiations which are designed to promote the welfare of the entire country in a scientific and democratic way.

Respectfully submitted.

Mrs. FREDERIC BEGGS,
Chairman, Department of International Relations,
General Federation of Women's Clubs.

(Attachment.)

REASONS WHY THE RECIPROCAL TRADE-AGREEMENTS PROGRAM SHOULD BE CONTINUED IN ITS PRESENT FORM

Endorsed by the General Federation of Women's Clubs in May 1938, the act authorizing the negotiation and conclusion of trade agreements based on the principle of reciprocal nondiscriminatory treatment will lapse in June.

The following statement prepared by Mrs. Frederic Beggs, chairman of international relations, was endorsed unanimously by the board of directors, at its annual meeting, January 19, 1940.

1. The reciprocal trade-agreements program should not be a partisan issue as it puts into effect a tariff policy advocated by both parties. The reciprocal principle in tariff making was first tried by President McKinley. The most-favored-nation clause was first declared to be the policy of the United States by Chief Justice Charles Evans Hughes when he was Secretary of State in the Harding administration. Included in the Republican Party platform the following year, it was carried through until 1932.

2. The reciprocal trade agreements program provides a scientific and democratic method of determining tariff regulations which are designed to promote the welfare of the entire country.

3. The rules and restrictions under which our trade and commerce are carried on must be adaptable to the constantly changing conditions of a world at war. This is why it is not desirable to confer upon the trade agreements the dignity of "treaties," which depend upon the slow and uncertain processes of legislative action.

4. The abrogation of the reciprocal trade agreements program would be interpreted by other nations as a major reversal of our foreign policy.

5. If the act authorizing the reciprocal trade agreements program is allowed to lapse, it will damage the efforts of the Pan-American nations to achieve continental solidarity and stability, thus jeopardizing the economic and political reconstruction which will have to be undertaken on a world-wide scale when the present tragic war is over.

6. If we abandon the Hull reciprocal trade program, it will mean that we must try to become more economically self-sufficient. This will involve a greater amount of Government control of business, industry and agriculture thus imperiling our democratic institutions. This is especially true of agriculture.

7. The reciprocal trade agreements program was designed to expand the home market, and increase the purchasing power of the American consumer by loosening the restrictions on foreign trade and opening world markets for the surplus products of both our agriculture and industry. That it has been largely successful, is borne out by statistics available at the United States Department of Commerce. Abandonment of the program would create a period of great uncertainty and would not contribute to national prosperity.

THE NATIONAL BOARD OF THE YOUNG WOMEN'S CHRISTIAN
ASSOCIATION OF THE UNITED STATES OF AMERICA,
February 27, 1940.

HON. PAT HARRISON,
Senate Finance Committee, Senate Office Building, Washington, D. C.

DEAR SIR: For 15 years the Young Women's Christian Association has worked intensively in the cause of peace.

Because of the nature of our membership comprising as it does many thousands of young women working either in business or industry, we have long been aware of acute economic distress among many of their number. We have studied the causes of this distress and worked for its alleviation to the extent of our ability.

We know that many of our fellow citizens, including some of the members of our own organization, have lost their jobs because of trade barriers which have stifled international trade. We watched, for example, the loss of \$80,000,000

between 1929 and 1932 to Massachusetts' trade through drastic reduction in export of shoes, leather, textile, rubber tires, safety razor blades, and forestry products. We saw \$111,000,000 worth of exports lost to Wisconsin during the same period owing to a decline in exports of lard and other meat products, tractors, automobiles, electrical and mining machinery. We saw this loss of trade reflected in loss of jobs in the community affected. Because our manufacturers could not sell abroad, the needs of citizens could not be supplied at home. We watched the fanks of the unemployed swell; we saw standards of living decline in our own and other countries.

We believe that the orderly processes of trade between nations are necessary for a stable economy and the alleviation of unemployment, not only for the United States but for the whole world. The Young Women's Christian Association, therefore, has for the last 6 years supported the reciprocal trade agreements program and conducted among its members an intensive educational program regarding the agreements.

The economic organization of the world is based increasingly upon specialization and division of labor. No nation, not even the United States, has within its borders all the resources essential to modern life and modern production. Almost every country in the world produces more of certain products than it can consume. The United States raises more cotton, more tobacco, more hogs, more fruits than it can consume, and manufactures many articles which under the present economic system it cannot use. It sells these surpluses, or would like to sell them, abroad and obtains other commodities which it lacks either wholly or in part. The same, of course, is true usually to a more striking degree in other countries. This mutually profitable and necessary exchange is frequently prevented by the existence of excessive trade barriers. The domestic economy of practically every country of the world either has been or still is dislocated by such barriers.

In some countries we have seen acute poverty cause political unrest during recent years and economic needs made an excuse for wars of conquest and national aggrandizement.

Because bitter strife among nations will continue and peace will neither be promoted nor maintained unless trade barriers are lowered the Young Women's Christian Association supports the trade agreements program and hopes that the authority for its continuance will be renewed, believing it one way by which the cause of peace may be aided. Therefore because we believe that the trade agreements would relieve unemployment in the long run and supply markets for American surpluses, help prevent acute poverty which might cause political unrest, and would serve to bring about peace between nations, we support the extension of the Trade Agreements Act.

Respectfully yours,

Mrs. JOHN FRENCH, *President.*

STATEMENT OF MRS. ARTHUR BRIN, NATIONAL COUNCIL OF JEWISH WOMEN

The National Council of Jewish Women, an organization of 65,000 women with branches in 200 cities in the United States has given careful study and consideration to the provisions and effects of the trade program of our great country based on the Trade Agreements Act of 1934.

Our organization has continuously supported this act and will continue to do so. We favor it for many reasons. We are impressed with the fact that although our foreign trade dropped off between 1929 and 1932 by two-thirds and our national income by one-half, that since 1934 when the Trade Agreements Act was passed both the foreign trade and the national income were increased by one-fourth. We believe that the threat to discontinue the act will be a threat to our national prosperity.

We believe that the Trade Agreements Act protects the interests of consumers and the general public: that it is a fair measure because local and special interests do not supersede the interests and needs of the country as a whole. We believe that this act provides a more scientific, more equitable and more practical method of adjusting tariffs than any previously employed. After Congress has established the broad basis of the program the many technical agreements are left for formulation to experts in various fields of agriculture, commerce, industry, labor, and finance. We believe this method to be a great advance over the method used in

writing the Smoot-Hawley Act of 1930, which is generally considered unsatisfactory.

We hope that the principle of reciprocal tariff pacts first endorsed by the Republican administration and the policy of the most-favored-nation accepted by the Republican Party in its platform of 1922, both of which formed the basis of the Trade Agreements Act of 1934, will receive recognition as a bi-partisan policy.

We fear a return to the tariff policy followed by our Nation in 1930, when the high tariffs we imposed evoked retaliation of other countries. We believe that a high tariff policy makes foreign markets and raw materials increasingly inaccessible and leads many nations to seek to increase and extend their boundaries. We hold that lowering the tariff reduces international friction and leads to better international economic relations. We believe that whereas war in Europe and Asia may block further extension of this program in those countries it becomes more important to further this program of reciprocal trade agreements with South American republics.

Because we believe that the Trade Agreements Act of 1934 has extended our foreign trade, increased our national prosperity, improved our relations with those countries with whom we have signed agreements, we shall continue to support this trade program and work for its extension beyond June 12 of this year and we hope for your favorable action on this measure.

NATIONAL LEAGUE OF WOMEN VOTERS,
Washington, D. C., March 2, 1940.

To: Senate Committee on Finance.
From: National League of Women Voters.

IN SUPPORT OF THE RECIPROCAL TRADE AGREEMENT PROGRAM

The National League of Women Voters urges reenactment of the Reciprocal Trade Agreements Act, as provided in House Joint Resolution 407. In 1924 the League of Women Voters took up the study of the tariff. During the 12 years between 1924 and 1936 league members all over the country searched for a solution of the tariff problem. They organized study groups; they published leaflets and pamphlets and widely distributed them; they participated in local meetings and arranged for radio programs; and they constantly related local tariff problems to national tariff making.

League members came to the conclusion that our tariff was too high and that a downward revision would be helpful to the consuming public, to American economy as a whole, and to the elimination of much international friction.

After the passage of the Trade Agreements Act in 1934 the league promoted study of this new method of tariff adjustment. At the Biennial Convention in 1936, after 12 years' search, the delegates from all the State leagues voted to support "downward revision of tariffs through reciprocal trade agreements." Study of the operation of the trade agreements program since 1936 by 550 local league has resulted in increased understanding and appreciation of the program, and interest in its continuation.

Tariff a national policy.—The League of Women Voters reached the conclusion that the tariff must be a truly national policy not an aggregation of local interests. In determining a tariff policy or in making a tariff schedule various domestic factors must be given proper weight. The degree to which the prosperity of farmers and of automobile workers, for example, is interdependent must be taken into account. The relation of raw materials, semimanufactured, and manufactured goods must be considered. General commercial, financial, and transportation conditions must be examined.

Foreign as well as domestic factors must be considered since foreign markets for certain United States products are basic to our national well-being. If foreign markets are lost, depression results not only for the enterprises dependent on disposal of surpluses abroad, but for other related ones. If workers in export industries are unemployed, they cannot buy the goods produced by other workers for the home market. If we are to promote a tariff policy for our Nation's good, the two-way character of foreign trade cannot be overlooked.

Difficulties of congressional tariff making.—Congress is, of course, responsible for determining our trade and tariff policy. For years, however, Congress has

recognized the difficulties of legislating tariff schedules. It has set up from time to time various administrative methods of assisting with different parts of the problem. The inevitable log rolling of congressional tariff making has resulted in patchwork-quilt tariff schedules which may or may not be in the national interest.

Need for constant revision.—The problem is further complicated by constant change in the domestic and foreign factors affecting American production which tends to make a new tariff act obsolete almost before it is enacted. Thus flexibility in the making of tariffs becomes necessary. Congress recognized this need when it wrote the flexible tariff provision into the 1922 and 1930 tariff laws. Eighteen years' experience with the flexible provision, however, indicates that it is not adequate. Since 1930 when the last major tariff act was passed by Congress, rates have been changed on about 58 items. This proportionately small adjustment during the last 10 years can hardly have been enough to protect our trade interests in view of the tremendous changes that have taken place in our internal as well as in the world's economy. This failure of the flexible tariff provision is due to the "cost of production" formula. This formula provides too limited a basis for tariff adjustments, even if it were possible to determine with accuracy the difference in costs of production among the many countries.

Unilateral action not enough.—Any kind of unilateral modification of United States tariff rates meets only part of the problem. It in no way modifies those foreign trade developments which may adversely affect our domestic economy. Therefore, it is necessary to find a method whereby the United States can work to remove foreign trade barriers. Under the Constitution the power to negotiate with other nations resides solely in the executive branch of the Government. Hence, power to bargain for modification of foreign trade barriers must be given in some form by Congress to the Executive.

Requirements of tariff-making.—The League of Women Voters believes that it is the function of Congress to determine the trade and general tariff policy of the United States and to lay down the rules for its implementation by the executive branch of the Government. We believe that Congress should after determining the general tariff policy—

(1) Authorize continuous study by Government experts of all facts related to trade and tariffs including testimony of interested persons, and that these facts should be made generally available;

(2) Direct the Executive to modify within specified limits United States tariff rates whenever expert study indicates the advisability of doing so;

(3) Authorize the Executive to bargain with foreign countries for mutually advantageous tariff adjustments.

Trade agreements program meets need.—The League of Women Voters believes that the reciprocal trade agreements program is a major advance in the development of a scientific method of tariff-making. In this program Congress has provided for international action in the tariff field and has broadened the base for making tariff adjustments. It has retained its constitutional authority for establishing the tariff policy of the United States. It has given to the Executive branch of the Government specific instructions for carrying out the policy by defining the limits of change in the congressionally adopted tariff schedule, by requiring constant study by Government experts, and by requiring that opportunity be given interested persons to present their views. By enacting the Trade Act for limited periods, Congress has accepted the responsibility for regular review of achievements under it.

The trade program should be continued.—The League of Women Voters maintains that the reciprocal trade program has been successful and should be continued; that increasing national prosperity has been due in part to the foreign trade promoted by trade agreements; that our national economy will be best served by retaining the trade program as an instrument to protect our foreign trade in a world at war; and that the best interests of the United States will be served by keeping the program as a means of promoting sane international trade relations when wars abroad end.

Mrs. HARRIS T. BALDWIN,
First Vice President.

NATIONAL WOMEN'S TRADE UNION LEAGUE OF AMERICA,
Washington, D. C., March 2, 1940.

SENATOR PAT HARRISON,
Chairman, Senate Finance Committee, Washington, D. C.

MY DEAR SENATOR HARRISON: The National Women's Trade Union League of America asks permission of your committee to file with Miss Schneiderman's letter the statement made by Mrs. Stone in behalf of the league at the hearings on House Joint Resolution 407 before the House Committee on Ways and Means. A copy of the statement is enclosed.

Yours very truly,

ELISABETH CHRISTMAN, *Secretary-Treasurer.*

NEW YORK WOMEN'S TRADE UNION LEAGUE,
New York, February 28, 1940.

SENATOR PAT HARRISON,
Chairman, Senate Finance Committee, Washington, D. C.

MY DEAR SENATOR HARRISON: As the hearings on the reciprocal trade agreements move into the Senate, this organization wishes to reiterate to the members of your committee our endorsement of the proposal to extend the program another 3 years, under the existing procedure, and without the restriction which Senate ratification of each agreement would impose.

The position of the National Women's Trade Union League was set forth in detail before the House Committee by the Chairman of our International Relations Committee, Mrs. James Austin Stone. The National League and its several branches throughout the country, representing an individual and affiliated membership of several hundred thousand, unqualifiedly endorse her statement, and are putting their full support behind the extension of the Trade Agreements Program.

Again, as President of the National and New York Leagues, may I urge a favorable recommendation by your committee on this matter?

Very truly yours,

ROSE SCHNEIDERMAN, *President.*

STATEMENT MADE ON BEHALF OF THE NATIONAL WOMEN'S TRADE UNION LEAGUE OF AMERICA, AT THE HEARINGS ON H. J. RES. 407 (EXTENSION OF THE TRADE AGREEMENTS ACT) BEFORE THE COMMITTEE ON WAYS AND MEANS OF THE UNITED STATES HOUSE OF REPRESENTATIVES

NATIONAL WOMEN'S TRADE UNION LEAGUE OF AMERICA,
Washington, D. C., January 30, 1940.

Mr. Chairman, and members of the committee, I represent the National Women's Trade Union League of America, which has a direct and affiliated membership of several hundred thousand. The League is a federation of trade unions with women members, with an individual membership of those other than trade unionists who accept its platform.

The executive board of the league went on record 2 years ago (January 1938) in favor of active support of the reciprocal trade-agreements program and since that time the league has been represented at various hearings in support of the program without modification.

The reason for our support of the program is this: American industry, because of its efficiency, is geared to a high rate of production. The most efficient industries, which are, generally speaking, the ones that pay the highest wages, need export outlets for their surplus products. Foreign markets supply these outlets and the millions of workers employed in these export industries are directly benefited by increased foreign trade. Not only a large section of industry, but also many of our farm products, require foreign markets in which to dispose of their surpluses; and when foreign outlets for these farm products are increased, farm purchasing power for industrial products in the United States is increased, which in turn creates more business and more employment right here in the home market.

According to census figures there are about 50,000,000 "gainfully employed" people in the United States. Estimates have been made indicating that, at the very outside, not over 5,000,000 of this 50,000,000 are engaged in so-called "protected" industries, and that the correct figure is probably nearer 2,500,000. In other words, 90 to 95 percent of our working people are not engaged in industries that can be protected by the tariff. Vast numbers of people in this large unprotected group are actually employed in industries or branches of agriculture that are dependent on foreign markets; so that excessively high tariffs, and the tariff retaliation that they engender, mean fewer jobs and less income for them. Besides, all workers suffer, as consumers, from excessively high tariffs.

As for the 2,500,000 to 5,000,000 workers in protected industries, nobody would want to see tariff changes made in such a way as to cause serious hardship to them. Fortunately, under the trade-agreements program, there have been few, if any, instances of such hardship; this is agreed to by everyone who has made an unbiased study of the facts. On the other hand, many jobs have been created in our great export industries as the result of better access to foreign markets obtained through the agreements. Even the workers in the protected industries are hurt when protection is carried to such extremes that our own people can no longer buy the products of these industries, as we found out after the passage of the Hawley-Smoot Act.

Furthermore, it is well to remember that, generally speaking, wages are lower in these industries than in others. In other words, when we come to compare wages in the so-called protected industries with those in the export industries, we soon discover that there is something wrong with the old notion that high tariffs mean high wages. What we actually find is that, in general, the protected industries pay far lower wages; and that some of these industries, notably the textile industry and certain branches of the garment industry, are large employers of women.

The following figures which I now cite in proof of this statement are similar to some used in the statement which I made at the hearings on the British trade agreement before the Committee for Reciprocity Information on March 15, 1938. They are as significant today as they were at that time.

Let me give the committee a comparison of wages in some of the protected industries—with those in certain export industries. The figures are taken from the 1937 Census of Manufactures and apply to all workers, men and women, since figures for wages of men and women are not shown separately in the census data.

Protected industries:	<i>Average annual wages in 1937</i>
Cigarettes.....	\$930
Cigars.....	670
Garment industries:	
Shirts and collars.....	604
Furnishings and miscellaneous apparel.....	794
Fabric gloves.....	804
Leather gloves.....	753
Textiles:	
Woolen and worsted.....	1,001
Silk and rayon manufactures.....	790
Cotton manufactures.....	745
Dyeing and finishing.....	1,010
Automobiles.....	1,575
Agricultural implements, including tractors.....	1,562
Petroleum refining.....	1,692
Sewing machines and attachments.....	1,506
Typewriters and parts.....	1,236

I have also some more recent figures computed by the Bureau of Labor Statistics, giving the average hourly earnings in September 1939 in certain selected industries. These bear out the fact, so clearly shown by the 1937 figures, that the high-tariff industries pay much lower wages than the export industries. Here are the figures:

Average Hourly Earnings in Protected Industries in September 1939

	Cents
Cigars and cigarettes.....	47. 0
Shirts and collars.....	38. 5
Furnishings and miscellaneous apparel.....	38. 0
Textiles:	
Woolen and worsted.....	52. 9
Silk and rayon manufactures.....	42. 6
Cotton goods.....	38. 5
Cotton small wares.....	48. 3
Dyeing and finishing.....	53. 2
Automobiles.....	93. 0
Rubber industries.....	77. 0
Agricultural implements.....	77. 8
Cash registers, adding machines, calculating machines.....	82. 5
Typewriters.....	63. 8
Petroleum refining.....	96. 9

In this same month of September 1939 the average hourly wage in all manufacturing industries was 64.3 cents, which is 11.1 cents higher than the highest hourly wage in the group of protected industries listed.

How then can we raise wages and living standards for this group of relatively poor paid workers? We are forced back to our fundamental proposition that good business conditions, which mean more employment and higher wages, depend on outlets for manufactured and farm surpluses. This in turn indicates the need for foreign trade. Expanding export trade increases the ability of the worker on the farm and in the factory to buy more goods at home, which means greater prosperity for all, including the workers in the protected industries.

Since this is the sound philosophy back of the reciprocal-trade-agreements program, and since figures available to all show that the program has made definite progress in expanding foreign trade and relieving unemployment since its adoption 5½ years ago, the National Women's Trade Union League of America urges your committee to report favorably on extending the provisions of the act for another 3-year period.

Before concluding, I should like to say a word about the change in world conditions since the program was adopted. It is, of course, a peacetime measure; and some persons argue that because there is now war in other parts of the world it is of no value and might as well be allowed to lapse. The Women's Trade Union League is convinced that this would be a tragic mistake, both from the standpoint of labor and from that of the Nation as a whole. Even in wartime, it is important to have available the best possible means of keeping open the channels of trade to the fullest extent that conditions will permit; and certainly we ought to try to improve our trade relations with our neighbors on the American continent in every practicable way. But even more vital; it is of the utmost importance to keep machinery alive by which, when peace does come, the flow of world trade may be quickly resumed; and in spite of many difficulties, the trade-agreements program has already demonstrated its great usefulness in this respect.

Respectfully submitted.

NATIONAL WOMEN'S TRADE UNION LEAGUE OF AMERICA,
By MARGARET F. STONE,
(Mrs. James Austin Stone), *Chairman of the Committee on
Peace and International Relations.*

NATIONAL SOCIETY SERVICE STAR LEGION, INC.

OSKALOOSA, IOWA, March 1, 1940.

To Senate Finance Committee:

The Service Star Legion, Inc., endorses reenactment by Congress of the reciprocal-trade-agreements program as established in 1934 and renewed in 1937.

It seems evident that the trade agreements have been of assistance to American trade, that they will contribute to world commercial development and world understanding, and that they may be used to benefit United States trade with the Americas. Lowering the trade barriers would go a long way toward solving

present world problems. The reciprocal-trade program of the United States is today the one constructive effort toward this end. When wars abroad end the program should be available to contribute to the rehabilitation of sane trade relations among all nations as a foundation for enduring peace.

Mrs. R. KIRKPATRICK NOBLE,
Delegate, Service Star Legion, Inc., Washington, D. C.

The CHAIRMAN. Mr. Farwell.

STATEMENT OF H. G. FARWELL, PRESIDENT, OVERSEAS AUTOMOTIVE CLUB

Mr. FARWELL. Mr. Chairman and members of the committee: I wish to speak briefly in support of the renewal of the agreement authority in its present form. I speak in behalf of three organizations, two of them being manufacturers having sales outlets in most overseas markets, and one being interested exclusively in export matters. All three organizations are in the after-market field and as such have to do with the manufacture and selling of automotive parts, accessories, garage equipment, and machines for the maintenance and service of motor vehicles after final sale.

These organizations are: First, the Overseas Automotive Club, with headquarters in New York, and of which I am the president. This organization is made up of some 135 members who are the export officials and company executives representing about 800 manufacturing companies in some 17 States of the Union, the Pacific coast being in this lot.

The second organization which I represent is the Motor & Equipment Manufacturers Association, also with headquarters in New York, and I speak as chairman of the export committee of that association. This association comprises some 300 members who manufacture and sell original and replacement parts for motor vehicles. These 300 manufacturers are placed in over 20 States of the Union.

The third organization is the National Standard Parts Association, with headquarters in Detroit, and I have been authorized by that organization to represent them as well.

The CHAIRMAN. How many members are there in that?

Mr. FARWELL. The membership of this organization largely duplicates that of the Motor & Equipment Manufacturers Association, and as its name implies, has to do with the manufacture and sale of those parts of motor vehicles which in technical parlance may be classed as standard. The membership of this association also includes distributors as well as the manufacturers of the items noted, and these distributors are located in all States of the country.

I wish to enumerate a part of the list of products which are manufactured and sold by the many members of the three organizations which I represent, and would cite among these products such items as piston rings, engine parts, spark plugs, brake lining, clutch facings, automotive chemicals, cleaners, polishers, windshield and window glass, windshield wipers, paints and lacquers, enamels, shock absorbers, upholstery materials, chassis and body parts, fan belts, electrical and ignition parts, head lamps, storage batteries, and so forth.

In addition to the above there are specialized garage equipment tools such as wrenches, pliers, screw drivers, pumps, greasing and lubricating equipment, brake testers, electric drills, car washers, air compressors, gas and electrical testing and analysis equipment. All these items are among those manufactured and distributed abroad by the organizations represented.

The volume of products exported by the members of the organizations I am representing is not easy to determine because of the overlapping of classifications in customs procedure which brings items like tools, hardware, paints and some textiles into other than an automotive classification, but in 1938 this volume was close to \$75,000,000.

Local manufacture in several of our overseas markets already has shown the trend in this direction and is making its effects noticeable in reduced exports in certain lines to these markets. Many of us feel that any methods like those provided by these reciprocal agreements are the best steps to take to reduce this tendency toward local manufacture and thus maintain the market for our own manufacturers.

International trade under normal conditions is generally steadier and more even than is domestic trade, and this tendency in turn is reflected in plant operations. The volume of this international trade attained a high point about 1929 and then declined until 1934, when the present program became effective, and since then has shown a gradual improvement, due in large measure, we believe, to the trade-agreements program.

More than ever, those of us active in exporting see that it cannot long continue to be a "one-way street," and that without at least some measure of reciprocity effective, the question of "What do they use for money?" cannot be satisfactorily answered. The improvement in this trade in the last 6 years is traceable to the finding in these agreements of at least a partial answer to this question.

In view of the experience of the organizations which I represent, we are asking the continuance of this reciprocal trade-agreements program in its present form and unchanged.

The CHAIRMAN. I want to ask you this. Along about in 1930, as soon as the Smoot-Hawley Act was being discussed and given consideration, there were some industries that found it advisable to establish plants abroad. It was more in the automobile industry than any other. What was the cause of that?

Mr. FARWELL. It is rather difficult to answer that entirely satisfactorily, I believe. We find abroad in many markets, as you may know, more American made automobiles than we do foreign makes. That, I presume, is only natural, and as a consequence of the preponderance of these American made cars abroad, we have found since 1930 in particular an increasing tendency to manufacture locally the supplies and parts that are required to keep them on the road.

Senator BROWN. By American capital?

Mr. FARWELL. Not always. We find in Australia, for example, a local manufacture down there, the results of which have been to practically bar the importation of American parts. There is a growing tendency for such local manufacturing, and it is true that in many cases there is at least some American capital involved.

Senator BROWN. Does the manufacture of American cars in Canada pretty well satisfy the Canadian market?

Mr. FARWELL. In a general way.

Senator BROWN. Well, the Ford Co. makes all of its cars for the Canadian market in Canada, does it not?

Mr. FARWELL. Yes.

Senator BROWN. Does he have any advantage in shipping his Canadian made Fords to England?

Mr. FARWELL. Yes; from an exchange point of view, if from no other. During the past few weeks, we found orders originating in Trinidad, for example, and going to Canada, but requiring all invoices to be made in sterling; not in Canadian dollars or American dollars.

Senator BROWN. As a general proposition, the French or British made car costing substantially the same is not as good an automobile as the American made car?

Mr. FARWELL. I would like to put it just a little differently, if I may, that for the same price in some other country, the American made car is a better car than the competing car of other manufacture.

Senator BROWN. And that is because of our mass production of cars?

Mr. FARWELL. That is right.

The CHAIRMAN. Thank you very much. Mr. Dillingham.

STATEMENT OF H. L. DILLINGHAM, REPRESENTING THE AMERICAN GLASSWARE ASSOCIATION

The CHAIRMAN. Mr. C. B. Roe testified for your association before the Ways and Means Committee?

Mr. DILLINGHAM. Yes. He is unable to be here, and I am here representing him for the same association.

The CHAIRMAN. That testimony that was given there has been in the hands of the committee and will be given every consideration, and we hope that you will not reiterate it.

Mr. DILLINGHAM. No, sir.

My name is H. L. Dillingham, business manager of the American Glassware Association, which has a membership representing an estimated 80 percent by volume of the glassware industry, excluding window and plate glass, mirrors, and so forth, and containers and bottles. I want to make that clear, that it does not cover window and plate glass or containers or bottles.

The CHAIRMAN. Are Libby-Owens a member of your organization?

Mr. DILLINGHAM. No; they make plate glass and flat glass.

The CHAIRMAN. They do not come in competition with your line?

Mr. DILLINGHAM. They are not in competition with us; it is another branch. This is what you may know as miscellaneous glassware.

Senator GUFFEY. This is freshly blown glass, some of these samples that you have spread out here?

Mr. DILLINGHAM. Yes. Of course there are machine-made and hand-made.

Senator GUFFEY. I understand.

The CHAIRMAN. Are they members of your organization, the ones that make it by machinery too?

Mr. DILLINGHAM. Yes, sir. 80 percent by volume of this industry is represented in our association.

The CHAIRMAN. Is there any competition between the machine-made glass that you are going to talk about and that which is made by hand labor?

Mr. DILLINGHAM. I welcome this opportunity to bring it out to you. I had omitted saying anything about it to you, because it is in our testimony before the Committee on Ways and Means. If you wish me to go into that, I would be very glad, but it is all written out very carefully there.

The CHAIRMAN. There is competition within the industry?

Mr. DILLINGHAM. Very little. That is the part which Congress never seems to have gotten straight on, that hand made ware has very little competition with machine-made ware, and that is fully explained in our testimony, particularly in the Belgian treaty. That became a part of the Ways and Means testimony. However, I will be very glad to go into it more fully if you wish to have me, but it is in there.

Senator GUFFEY. We can read it in that testimony.

Mr. DILLINGHAM. The Association appeared in opposition to the extension of reciprocal trade agreements at the Ways and Means Committee hearing and I wish to supplement this testimony by the addition of a few facts and arguments which were not then presented, and I shall take less than 15 minutes of your valuable time.

The division of the glassware industry for which I speak does a yearly volume of over \$86,000,000, according to the 1937 United States Biennial Census. Manufacturers in this industry are not in favor of the trade agreement method of lowering tariffs, because they have received no benefits from trade agreements and that portion of the industry producing handmade glassware has been decidedly hurt by trade agreements which have been made.

The hand-made glassware industry produces tumblers, stemware, tableware, illuminating glassware, and various kinds of novelties. Most of these types of glassware can be made by three different processes. They can be either hand-blown, hand-pressed, or made by automatic machine. The hand-blown and hand-pressed glassware are usually classed together and called hand-made glassware. The second group of automatic-made ware is commonly called machine-made glassware. I have brought samples to show you just what I am talking about and to clarify your understanding of these types.

This is quite important to you gentlemen to understand our position in this matter. These pieces here [indicating] are what is called hand-made glassware. This [indicating] is called a hand-blown piece of ware. It is entirely different than the machine-made.

Now, this [indicating] is pressed ware, and so is this one [indicating]. That means that they are made on presses which are pulled down by hand and the ware is finished individually through a process known as the glory hole process, and the ware is completely finished by the application of fire, and in some instances by grinding. That is rather a high labor content type of production. So much for the hand-made.

In the so-called machine-made process, you have ware of this type [indicating]. You pay a nickel for this in the chain store, and a dime for this [indicating].

Now, you say, what is the difference between them? Let me explain that by showing you the same pattern machine-made and the same pattern hand-made [indicating]. You see the mold marks show in

the machine-made ware, the finish is hazy, and I am sure the sparkle on a table of the hand-made ware far surpasses that of the machine-made ware. It is in this class of goods that we have a steady demand by people who desire to have good glassware on their table.

Senator GUFFEY. What does that one sell for? [Indicating.]

Mr. DILLINGHAM. This one [indicating] sells for \$1.25, and the other for a nickel [indicating]. It is exactly the difference between sterling silver that I know you all like on your table, and the 10-cent imitation which anyone can buy.

Senator GUFFEY. Anyone in the world can see the difference.

Mr. DILLINGHAM. But that seems to be the great difficulty. Every time the glassware industry comes before you, everybody says "It is glass," and sure, it is, but you have pianos and lumber, and the same difference exists between hand-blown and machine-made glassware.

The CHAIRMAN. Were they included in the Belgian agreement?

Mr. DILLINGHAM. Yes, sir; this ware was all included in the Belgian agreement that is now under consideration. It has not been passed, or course, but it is under consideration.

The CHAIRMAN. Were they included in the Czechoslovakian agreement?

Mr. DILLINGHAM. They were, and the duty was cut from 60 percent to 50 percent in this glassware. In illuminating glassware, it was cut, if I recall rightly, from 70 to 45 percent, and the machine-made glassware of this type was cut from 50 to 25 percent.

The CHAIRMAN. The Czechoslovakian agreement is not before us, is it?

Mr. DILLINGHAM. Not actively, but you will recall that that agreement has not been canceled; it has simply been set aside, and I call your attention to the fact that at any time the Czechoslovakian Nation becomes existent, that all it needs is a Presidential proclamation and that treaty is in force.

The CHAIRMAN. But now it is not.

Mr. DILLINGHAM. At the present time it is not, and we are very happy as a result of that.

The CHAIRMAN. But you are fearful of the future?

Mr. DILLINGHAM. That is why we are here.

The CHAIRMAN. For fear that Czechoslovakia might come back as a government?

Mr. DILLINGHAM. Or the Belgium agreement might be enacted.

Senator GUFFEY. Where is the best hand-made glass made? In what country? Is it in Czechoslovakia, Hungary, or Belgium?

Mr. DILLINGHAM. Let us say, where is good glassware, not the best—let us not get into superlatives.

Senator GUFFEY. Where is the highest grade of glassware made?

Mr. DILLINGHAM. In Sweden, in France, in Belgium, and Czechoslovakia which is now out of the picture.

Senator GUFFEY. I suppose you know that we are trying to get a good many of those experienced Czechoslovakians here in this country. They want to learn the secrets of how to mix the glass on this colored proposition for cut glass.

Mr. DILLINGHAM. There are about four companies who are trying to get the men here to show them how to do it; the bosses, not the workmen. There are four people involved.

The CHAIRMAN. As a matter of fact, these are not in the present Belgian agreement, as I understand.

Mr. DILLINGHAM. These items of hand-made and hand-pressed ware are now before the negotiating committee as to whether or not they will cut the duty on them.

The CHAIRMAN. They have just been cited to the American industry that that is one of the things that they will give testimony about.

Mr. DILLINGHAM. That is right.

The CHAIRMAN. That is as far as they have gone?

Mr. DILLINGHAM. Yes.

The CHAIRMAN. That put fear into you?

Mr. DILLINGHAM. Just the same as the opposition has feared that you fellows would not pass this extension. We are both worried.

The CHAIRMAN. What side are you on? Don't you want it extended?

Mr. DILLINGHAM. No; we are in opposition to it.

The CHAIRMAN. All right. Go ahead.

Mr. DILLINGHAM. The branch of the industry which has been most hurt by the trade agreements is the hand-made glassware section. The machine-made glassware manufacturers have not been affected to any great extent by the trade treaties.

Senator GUFFEY. Let me ask you a question. What percentage of tableware that is sold in this country is hand-made and how much is machine-made?

Mr. DILLINGHAM. I will come to that, if you don't mind, a little later.

Senator GUFFEY. Very well.

Mr. DILLINGHAM. The machine-made glassware manufacturers have not been affected to any great extent by the trade treaties, because foreign manufacturers have not yet made machine table glassware as good as that produced by American factories. It is confined, mind you, to machine-made table glassware, this type here [indicating] is what I am talking about.

Senator GUFFEY. That is what sells in the five-and-ten-cent store?

Mr. DILLINGHAM. That is right. They have not equaled that type of ware. Also, their selling price advantage, due to low labor costs abroad, is not as great, because of the small dollar value of labor increment in each piece. American machine operations and technical control have also aided American factories to produce this type of ware faster and better than in foreign countries. If, at a later date, quality and manufacturing technique of foreign-made machine glassware are improved, the low wage scales paid abroad will become a serious factor to this branch of the industry and any reduction in tariff would work a hardship on the American machine-made glassware manufacturer. Illuminating glassware manufacturers, which employ very largely hand-made operations in the manufacture of their products, keenly felt the Czech competition in the stock inexpensive illuminating glassware lines during the existence of Czech treaty.

Our discussion from this point on will be largely concerning hand-made tableware, because it is this class of ware which has been definitely hurt by the operation of trade agreements. It is important for you to know that 3 percent of the total volume of the entire glassware, including all types, window glass, plate, and so forth,

produced in this country is hand-made tableware. This section of the industry, however, employs 15 percent of the total persons engaged in the manufacture of glass in this country. Thirty percent of the total imports of all glass products into this country is hand-made tableware, and only 1 percent of all the glass exported is hand-made tableware.

Gentlemen, let me repeat that to you—3 percent of the volume in this hand-made tableware; 15 percent of the total people engaged in this country in making glass, including window glass, bottles, containers, and so forth; and 30 percent of the total imports of all glass into this country is hand-made tableware, and 1 percent of all of the glass exported is hand-made tableware.

We cannot export our ware because of the low prices that are charged for the foreign ware in the free markets of the world, due to the low wage scales paid in Europe.

Senator BROWN. Let me see if I get one point there. What part of the American market do the foreign interests have in the hand-made market?

Mr. DILLINGHAM. That is my next statement.

Senator GUFFEY. Is your percentage in volume or dollars and cents?

Mr. DILLINGHAM. That from the 1937 figures and is in dollars.

Senator GUFFEY. That includes a lot of the high-priced, expensive hand-made tableware that we do not make in this country, does it not?

Mr. DILLINGHAM. The finest glassware made in this world is made in the United States, and the people who come from abroad come to my office and want samples of it.

Senator GUFFEY. I am glad to hear that. Where do they make it in this country?

Mr. DILLINGHAM. I cannot mention companies by name here, but in private I will be very glad to tell you.

From the facts that I have shown you, you can readily see that the tariff is a very important matter to the manufacturers of this type of ware.

During the year 1938, when the Czech trade agreement was in operation, more than 25 percent of the domestic consumption of hand-made tableware was imported ware made by foreign manufacturers.

That answers your point, I think.

During this period, until April 1939, when the treaty was declared unoperative, the hand-made table glassware industry slowly disintegrated, particularly those companies making inexpensive barware and promotional stemware. During the year the Czech agreement was in effect, the market for hand-pressed ware was continually sagging in volume, and selling prices of all hand-made ware were depressed, due to the low prices at which foreign-made hand-made table glassware were offered in this country. Much large department-store and chain-store business in this class of ware was furnished by foreign manufacturers simply because the selling price of that ware landed in this country, duty and transportation paid, was at least 20 percent less than comparable ware could be purchased from American manufacturers.

Let me drive that point home to you—20 percent less. In some instances, the prices of foreign-made ware were so low that they were less than the cost of labor and material in this country.

This loss of business forced American manufacturers to curtail their production and reduce employment. The workmen who were laid off tried to find employment, and being unable, they started cooperative hand-made glassware manufacturing establishments. Six of these small units started during this period.

Senator GUFFEY. That is nothing new in the industry, is it—these cooperative glass plants? They have been building cooperative plants in western Pennsylvania for 40 years, where they get low-cost fuel.

Mr. DILLINGHAM. Mosquitoes are not new in this country, but when they come in flocks, they are pretty tough on you.

Senator GUFFEY. Well, it is nothing new.

Mr. DILLINGHAM. It is nothing new; no.

Senator GUFFEY. It is usually the low fuel cost that starts these people in that enterprise.

Mr. DILLINGHAM. It is usually the low prices of the foreign-made ware that starts them now.

The CHAIRMAN. In 1937, in the hand-made United States production, what are your figures?

Mr. DILLINGHAM. Do you mean all ware?

The CHAIRMAN. This hand-made ware. Glass tableware, I mean, of course.

Mr. DILLINGHAM. Hand-made glassware, meaning the hand-pressed and hand-blown ware, was slightly over \$13,000,000—\$13,200,000. If you refer to the census figures—I have a copy of that here if you would like to look at it.

The CHAIRMAN. What were the importations in 1937 of the same character of glassware?

Mr. DILLINGHAM. In this ware, there came into this country—

The CHAIRMAN (interposing). The figures I have are \$1,365,000, according to the tables I have here that are furnished by the Department.

Mr. DILLINGHAM. Sometimes the Department gets mixed up in the classifications that we talk about.

The CHAIRMAN. But generally speaking, the Tariff Commission is pretty accurate, are they not?

Mr. DILLINGHAM. I have found them so. Let me get my figures, and I want to show you how we arrive at that, as long as that has been brought up.

The CHAIRMAN. The figures of all of the United States production in 1935, hand-made, was \$6,000,000.

Mr. DILLINGHAM. You are talking about hand-blown. For hand-pressed, you have to add the two figures together. There was seven-million-and-some-odd dollars of hand-blown in 1937, and there was six-million-and-some-odd dollars—

The CHAIRMAN (interposing). \$6,000,000 in 1937 and \$7,300,000—

Mr. DILLINGHAM (interposing). But we are talking about the hand-made industry, and adding these two together, the hand-pressed and the hand-blown, and if you will get your figures for 1937, it adds to about \$13,370,000. Here is the official copy on that [indicating].

The CHAIRMAN. That is much more than these figures I have.

Mr. DILLINGHAM. That only proves that I am telling you the truth.

The CHAIRMAN. I was trying to compare the imports in 1937.

Mr. DILLINGHAM. You are talking of imports?

The CHAIRMAN. With the exports. The exports, as I get them, are \$1,750,000 (mostly machine-made) and the imports that year practically all hand-made were \$1,365,000. And that is the highest competitive figure we have.

Mr. DILLINGHAM. That is the highest figure in that group, but I think that I can straighten that out for you. I will be glad to make it straight for you.

The CHAIRMAN. I just want to get the picture, that is all. Then in 1937, I find that while the importations were \$1,365,000 in 1937, the next year, 1938, they fell off to \$970,000, and in 1939 they were \$797,000.

Mr. DILLINGHAM. That is attributable to what, do you think, Senator?

The CHAIRMAN. Probably attributable to Czechoslovakia and that we had not entered into this agreement that you are fearful of with Belgium covering your lines of articles.

Mr. DILLINGHAM. And to general business in 1938. The hand glassware industry went off over 30 percent in 1938 in this country.

The CHAIRMAN. Are there any of the companies that manufacture this glass who are making money in the United States?

Mr. DILLINGHAM. Very few. During that period of 1938, one company went from an employment of about 400 to 100. One company went completely out of business, and another company went out for 6 or 8 months. They simply could not meet the competition.

The CHAIRMAN. What year was that?

Mr. DILLINGHAM. 1938.

The CHAIRMAN. Why was that in 1938?

Mr. DILLINGHAM. That was when the Czechoslovakian duty was in force.

The CHAIRMAN. There was an increase in importations at that time. I notice from Czechoslovakia there was an increase to \$521,000 in 1937 of \$220,000 in 1935. There was some increase.

Mr. DILLINGHAM. You see, that is where that glassware was made.

The CHAIRMAN. Then it went off in 1938 and 1939, where there was only \$44,000 in 1939.

Mr. DILLINGHAM. With your permission, I will get the table from which I made up my figures to verify the statements in here which I think will clear up the situation.

Senator VANDENBERG. Let me ask you about this Czechoslovakian import which you say seriously hurt the American business. Were the Czechoslovakian rates generalized to other countries?

Mr. DILLINGHAM. Yes, sir.

Senator VANDENBERG. Were you hurt by importations from other countries as the result also of the Czechoslovakian agreement? I do not understand why you are afraid of being hurt in a prospective Belgium agreement. I would have thought that you already would have been hurt by the generalization of the Czechoslovakian rates to Belgium.

Mr. DILLINGHAM. We were. Belgium got the most out of the Czechoslovakian treaty. Her imports increased at a faster rate than Czechoslovakia's.

Senator VANDENBERG. That is what I thought.

Senator CLARK. Do we not already have a reciprocal trade agreement with Belgium?

Mr. DILLINGHAM. It was not in the first agreement. This only came about in the Czechoslovakian treaty.

Senator CLARK. I understand we already have a reciprocal trade agreement with Belgium.

Mr. DILLINGHAM. No; it does not include glass.

Senator GUFFEY. Are you sure of that?

Mr. DILLINGHAM. I am very sure.

Senator GUFFEY. Plate glass?

Mr. DILLINGHAM. I am talking now of our industry. That is the only industry which I know.

Senator LODGE. Did the importations of glass from Czechoslovakia and Belgium cause you to reduce your prices?

Mr. DILLINGHAM. Yes, sir; I am going into that a little later in this argument. It did. Seriously.

Senator LODGE. Are you going into the question of the effect of the price on your wage rates?

Mr. DILLINGHAM. Yes, sir.

Senator VANDENBERG. I may not be able to wait that long. I want to know what the answer is. Did you have to reduce your prices?

Mr. DILLINGHAM. Yes, sir.

Senator VANDENBERG. Did you have to reduce your wages?

Mr. DILLINGHAM. Yes, sir.

The CHAIRMAN. But still you made some money?

Mr. DILLINGHAM. No, sir; we did not in that period.

Senator VANDENBERG. I think that made a 100-percent record for the trade agreements.

The CHAIRMAN. That was in 1937?

Mr. DILLINGHAM. 1938. And prior to that—well, it has been tough right along.

Senator LODGE. In spite of the reduction in your prices and wages, did your volume go down?

Mr. DILLINGHAM. It did. We are up against cartels. There is in New York City, representatives of the foreign glassware groups who report the market, and through their cartels they get what they want in this market.

Senator VANDENBERG. Now, let me be sure that I understand one statement that you made, because I think it is very important. The rate on this particular type of glass was reduced in the Czecho agreement?

Mr. DILLINGHAM. Yes, sir.

Senator VANDENBERG. And your greatest impact, however, came from the Belgians as the result of the generalization of the Czecho reduction?

Mr. DILLINGHAM. Not in volume, but in ratio of increase.

Senator VANDENBERG. That is what I mean.

Mr. DILLINGHAM. In the rate of increase of their product; not in volume. I want to make that very clear.

Senator CLARK. How did they compare in volume?

Mr. DILLINGHAM. You are asking me for a lot of figures.

The CHAIRMAN. In 1937, from Belgium on this class of glassware, there was \$141,000 of imports came in, and in 1938, there was only \$124,000. Where was there any increase there from Belgium?

Mr. DILLINGHAM. Well, gentlemen, when we begin to talk about these figures, we get all balled up.

The CHAIRMAN. We are not balled up. We are trying to get the facts.

Mr. DILLINGHAM. I will be glad to show you what the facts are if you want to take the time. I am trying to save the time, but let us get at it.

Belgium in 1938, sent us in paragraph 5278 (3), which is the statistical classification of this type of ware, \$222,178 in 1938 in that particular classification plus the classification 5278 (2), which is all table and kitchen glasswares and utensils blown or partly blown in the mold or otherwise cut or engraved, valued at \$1 or more.

Senator CLARK. That figure includes both of these paragraphs?

Mr. DILLINGHAM. Yes.

Senator CLARK. Now, will you compare that with the figures for the other years that Senator Harrison mentioned?

Mr. DILLINGHAM. I have not the figures for 1937 available now.

Senator CLARK. But you have stated here that the imports from Belgium increased much more rapidly than those from Czechoslovakia and we want to have the figures in the record if they show that.

Mr. DILLINGHAM. I am terribly sorry, but I cannot carry those figures in my mind, but I will be glad to look them up and send them to you in substantiation of my statement.

Senator CLARK. I understand that. But I am interested in the statement you made.

Mr. DILLINGHAM. I can prove that by getting the figures.

Senator VANDENBERG. Will you just furnish them for the record?

Mr. DILLINGHAM. I will be very glad to.

To continue with my statement: This loss of business forced American manufacturers to curtail their production and reduce employment. The workmen who were laid off tried to find employment and being unable, they started cooperative handmade glassware manufacturing establishments. Six of these small units started during this period. The only way these small cooperatives could sell their products was at the low prices set by foreign merchandise. In order to meet these prices they paid themselves very low wages, and in that way they endeavored to keep themselves off the relief roll. These cooperative plants are now producing a large proportion of the volume of inexpensive hand-blown glassware sold in this country. Well established factories could not meet this competition. Many of these factories, which had heretofore paid union wages, were obliged to break their agreements with the union, with the full approval of their employees, who realized that it was necessary for them to get less wages if their employer was to sell his product and provide work for them.

Gentlemen, that is not an overstatement. The men actually went to the manufacturers and said, "We will have to take a cut if we are going to get something to eat. You can not sell against this competition."

During the year 1938, the hardship that existed in the hand-made industry was the worst the industry had ever known. Most manufacturers operated at a loss during this period, and their workmen have had reduced yearly incomes, due to wage reductions and short workweeks. These conditions are directly attributable to trade agreements.

The CHAIRMAN. What year was that?

Mr. DILLINGHAM. 1938. In April 1939, the Czech agreement was declared nonoperative, and as a result, the industry during the last 3 months of 1939 has again become active. Employment is increased and most factories have worked a full 40-hour week and some were on a two-shift basis. The activity of the last 3 months has proven conclusively that the major problem of the hand-made tableware industry is low-priced foreign competition, and when that competition is lessened in the market hand-made glass workers are employed and the whole industry becomes more normal. Trade agreements create abnormal conditions in this industry.

Average wages of workers in foreign glassware-producing countries range from 8 cents an hour in Japan to 16 cents in Belgium and 25 cents in Sweden, as compared with 65 cents average per hour in this country. When you realize that over 60 percent of the cost of hand-made glassware is paid back to the workers, whether the ware is made abroad or in this country, the importance of this differential in wage is evident. This same ratio of labor to final cost of goods applies whether the goods are made in this country or abroad, for the foreign manufacturers have the same equipment for producing hand-made tableware as our manufacturers have, and the foreign workman has equal skill to the American workman. The need for continued protection at the present levels for American labor and industry is apparent, but for the sake of encouraging the sale of foreign-made table glassware in this country, the Trade Agreements Negotiating Committee reduced the tariff in the Czech agreement.

The CHAIRMAN. To what figure?

Mr. DILLINGHAM. It was reduced from 60 to 50 percent on the hand-made ware, in the illuminating ware approximately 40 percent, if I recall correctly, and 50 percent on the machine-made ware, and I have stated that the machine-made group have not been affected by the trade treaty. I told you in the first part of my statement that that was because of our superior method of production and our technique, and so forth.

Senator GUFFEY. What percentage of our tableware is machine-made, and what percentage is hand-made?

Mr. DILLINGHAM. If I recall correctly, that is 13 million to 27 million.

Senator GUFFEY. What is that percentage in volume?

Mr. DILLINGHAM. 27 million in machine and 13 million hand.

Senator GUFFEY. That is about 2 to 1?

Mr. DILLINGHAM. Perfectly true.

Senator CLARK. Now, let me ask you a question. In your brief which you filed in the House, or Mr. Rowe filed, you stated that on blown tableware at less than \$1 each, the importations in 1937 from Belgium were \$141,000, and in 1938 there were \$124,000. Is that the classification which you mention, and that was not even set up at that time; it was not even set up until later in the United Kingdom trade agreement, isn't that correct?

Mr. DILLINGHAM. Yes.

Senator CLARK. And that did not go into effect until the 1st of January 1939, so far as 1938 was concerned, the figures you are stating that the Czechoslovakian treaty had caused an increase in the imports from Belgium at a greater rate than from Czechoslovakia is contra-

dicted by the figures taken from your own brief. In fact there was an actual decrease from Belgium.

Mr. DILLINGHAM. You are right, and I am wrong, sir. The increase in the ratio as compared with Czechoslovakia is to what I referred. I misunderstood—I won't say that I say I made a misstatement in that respect.

Senator CLARK. Belgium actually fell off between 1937 and 1938. Did Czechoslovakia fall off, too?

Mr. DILLINGHAM. Belgium's rate of decrease was not as great as Czechoslovakia.

Senator CLARK. So the imports between 1937 and 1938 both of Czechoslovakia and Belgium actually fell off?

Mr. DILLINGHAM. That is true.

Senator CLARK. But Belgium did not fall off as much as Czechoslovakia?

Mr. DILLINGHAM. That is right.

Senator CLARK. But the imports from both did fall off?

Mr. DILLINGHAM. The imports of both did fall off, but the domestic industry in this country in glassware, handmade glassware, fell off at a far greater rate than either of the other two.

Senator CLARK. What was the basis for that? That would indicate just a falling off of consumption of glassware in the United States. Was that due to competition with some other class of utensils?

Mr. DILLINGHAM. No, sir. If you recall in 1938, the country went through rather rough times.

Senator LODGE. Is it not true that even if the rate of import does fall off, the existence of those imports tends to depress the price?

Mr. DILLINGHAM. I was going to bring that point out. The point that you have brought out, Senator Lodge, is exactly my standpoint. All the time this was going on, not only was business rotten here—I won't say rotten, but tough—but your market was being depressed—and completely depressed—by the low price at which these goods were being sold.

Now, let me go on.

It should be noted here that the Czech agreement has never been canceled. It was declared unoperative. This means that if trade agreements are authorized and if the country of Czechoslovakia again becomes established, this agreement will become active simply by presidential proclamation. Judging the future by the past, this hand-made tableware industry fears again that it will be handicapped by the lower tariffs created by the Czechoslovakian Trade Agreement. There is also now pending before the Trade Agreements Negotiating Committee, a trade agreement with Belgium in which hand-made table glassware is being considered.

Undoubtedly, the hand-made table glassware industry is typical of many other industries in this country, in which a large percentage of hand labor is used. None of these hand industries individually produce a very large volume of goods, but I venture to say that the prosperity of this country depends in no small degree on whether the aggregate of these small industries are prosperous. It is our belief that under a trade agreements program these small hand-made industries are bound to suffer. Our reasoning is based on the fact that most foreign countries employ more hand labor than we do, because of the low wages paid, and that the products of these countries are composed in no small degree of what we know as hand-made goods.

When these foreign countries wish to bargain with us, they naturally offer their hand-made products because that's all they've got, in some instances, to offer. The foreign country has low-priced labor to sell, and it can best market it by selling it in countries where wages are high. Under the trade agreements program America sacrifices its hand labor to benefit industries producing machine-made products with an exportable surplus. On the one hand, a Government department is trying to get people back to work, while another department sacrifices the hand workers in this country to make the workmen in other countries more prosperous. Such economics just do not make sense. The theorist will explain it away by saying that the hand workers in this country will find work in machine-made-product factories, or that, because of the tremendous increase in machine-made products in this country their own line of business will soon take up the slack.

Senator LODGE. In what State is the glassware industry principally located?

Mr. DILLINGHAM. The glassware industry centers about in five States, Pennsylvania, the western part of Pennsylvania, New York, West Virginia, Ohio, Indiana, and a section of the Southwest where where you have cheap gas. You will appreciate that the reason for glass factories is cheap fuel.

Senator LODGE. Have you been affected at all by the wage orders of the Wage and Hour Administration?

Mr. DILLINGHAM. Our industry has always been a good paying industry for workmen, and except for a very few isolated cases, I would feel that the Wage and Hour Act had not affected our industry, because of the high wages that have always been paid in it. Will you check that, Mr. Dougherty?

Mr. DOUGHERTY. I would qualify that somewhat on miscellaneous labor. Up to 1937 it was unorganized and this (organization and the requirements of the Wage and Hour Act) materially increased wages and reduced hours. I bring that out in my statement.

Senator LODGE. In other words, in certain places the wages have been increased due to the influence of the Wage and Hour Law?

Mr. DOUGHERTY. Yes.

Senator LODGE. Then were they decreased because of the effect of the trade agreements? Were they decreased?

Mr. DILLINGHAM. Not below the wage-and-hour minimum. What has happened is this—these fellows are out of work and they have to do something. They loafed around for 6 months and they could not find a job. And then seven or eight of them mortgaged their homes, and they got a little money at the bank, and with some friends started a little cooperative shop in order to meet the competition of the low-prices when these imports were coming in. And the only way they could exist was to cut their own wages from \$40 to \$20.

Senator CLARK. I understood Mr. Dougherty to say that the only way in which the wage-and-hour law had affected the industry was that in the case of the miscellaneous labor they had organized and were getting a higher wage. Was that your statement, Mr. Dougherty?

Mr. DOUGHERTY. Yes.

Senator CLARK. That was precisely the purpose of the Wage and Hour Act. Just exactly that.

Senator LODGE. That is the purpose with which I am in sympathy,

and I am in sympathy with the whole upward wage trend in American history. I think it is a brilliant achievement.

Mr. DILLINGHAM. So are we.

Senator LODGE. But what I am trying to understand is the philosophy whereby the Government tries to raise wages with one law and then puts them down with another. I would like to get that explained to me.

Mr. DILLINGHAM. We concur with that point of view, and that is exactly what has happened in this industry. The skilled labor particularly in this industry have had to cut themselves approximately 20 percent in some cases in order to compete with the foreign prices.

Senator LODGE. Isn't it true that no government, no matter how able and brilliant it is, can conduct both of those theories at once, and that one of the theories has to suffer.

Mr. DILLINGHAM. It so appears to me.

Senator LODGE. And at the present time, the high wage theory is the theory that suffers.

Mr. DILLINGHAM. Yes, sir.

The CHAIRMAN. You would think then in view of what the Senator says, and you expressed your idea as agreeing to it, that an industry that in the exports of all glass products in 1926 to 1930 averaged \$9,700,000, and then in 1934 got down to \$5,894,000, and in 1935 was \$7,411,000, in 1937 was \$9,783,000 of exports, and then the next year was \$8,332,000, and last year, 1939, jumped to \$10,422,000, the highest in history, was doing pretty well as a whole, wouldn't you think?

Mr. DILLINGHAM. On a bare statement, improvement certainly has been made.

The CHAIRMAN. That is a pretty good increase, isn't it, of exports of an industry?

Mr. DILLINGHAM. I recall a session that I had with the Committee for Reciprocity Information in which they brought out a chart which said that after all the world business conditions have an awful lot to do with exports and imports, and I agree with that.

The CHAIRMAN. But that is a period that runs from 1926 to 1939, inclusive.

Mr. DILLINGHAM. And the conditions of the world ran concurrently with it.

The CHAIRMAN. And the most prosperous time that was had was between 1926 and 1930. That is when it is pointed to as pretty good business, and at that time we were exporting an average of \$9,700,000 a year during that period, and in 1939 we were exporting nearly twice as much, \$10,422,000. That is a pretty good condition in our export market, isn't it?

Mr. DILLINGHAM. It certainly is commendable, but, Mr. Chairman, I make the point that hand-made tableware is only, of this very large figure that you quote, less than 1 percent.

The CHAIRMAN. I understand that.

Mr. DILLINGHAM. And we feel it, and I am showing you that the hand-made workers and the hand-made manufacturers in this group are not helped and have gone through a very hard period as a result of the trade treaties. That is the point.

The CHAIRMAN. The Czechoslovakian treaty they complained about is out of the window, and then you cite this Belgium business,

that because they may make some negotiations on it, and because the notice is now given and it was suggested as one of the things they can take consideration of, you are frightened? That is the situation, is it not?

Mr. DILLINGHAM. Our fear is the same as those who have the fear that they won't have the chance to extend the trade treaties. I think we are equal in that respect. We both have our fears.

The CHAIRMAN. You may proceed. I may say that we have two more witnesses in connection with this subject.

Mr. DILLINGHAM. I will hurry up, and I appreciate your position in that respect.

On the one hand, a Government department is trying to get people back to work, while another department sacrifices the hand-workers in this country to make the workmen in other countries more prosperous. Such economics just do not make sense. The theorists will explain it away by saying that the hand-workers in this country will find work in machine-made product factories, or that, because of the tremendous increase in machine-made products in this country, their own line of business will soon take up the slack. Experience in the glass industry has proven otherwise. When our business was in tough shape in 1938, the workmen could not get jobs in other plants, except as laborers, and rather than do this, they started working at their trade at very low wages. Their standard of living was reduced. During this period, the Czech agreement was in operation, and it was found that the low prices at which foreign glassware could be obtained in our markets proved to be attractive purchases because of the low price at which the foreign glassware could be purchased. And they don't get back to work in their own line. The price is depressed.

Senator CLARK. To what extent does competition with other forms of glassware enter into the situation? Isn't there competition between hand-made glass and machine-made glass?

Mr. DILLINGHAM. Very slight. I will take the time of the committee if you wish to go into that, but if you look into the testimony before the Ways and Means Committee, it is covered there.

Senator CLARK. You need not repeat it then.

Mr. DILLINGHAM. The policy of bargaining in trade agreements based upon the dollar volume, without regard for the amount of wages involved in the products in which they bargain, we believe is false economy. Such a policy can only lead to a decline in employment of American hand workers at a faster rate than those unemployed workers can be absorbed by the factories producing machine-made products.

Since the trade-agreements policy was adopted there has been an increasing minority in opposition to them. Now, it must be admitted that there is at least a large minority of people in this country that are not in favor of trade agreements. The large minority vote that was recorded on this bill in the House substantiates this fact. This large minority is as sincere in its belief that the trade-agreements program is not a good policy for this country as the majority who favor it is convinced that it is a good solution to the tariff question.

Senator CLARK. It was almost a strict party vote, was it not, in the House?

Mr. DILLINGHAM. It should not be.

Senator CLARK. It was.

Mr. DILLINGHAM. It is too bad we have gotten into that position.

Senator CLARK. If you want to draw a conclusion by the result, you had better state that correctly before you draw the conclusion from it.

Mr. DILLINGHAM. It should not be that way.

Since there is a marked difference of opinion regarding a policy which so vitally affects so many people, we suggest that the authorization for extension of trade agreements be held in abeyance, and that the Congress create a commission of thoroughly qualified experts from both the opponents and proponents and from within and without the Government. Let this commission study the whole question, and make recommendation to the Congress for a permanent tariff policy.

Senator CLARK. Then you would have to have a new commission to study the findings of that commission and a still further commission to study the findings of that one. We have a corps of experts set up by all the departments of the Government concerned, with the assistance of the old Tariff Commission, which this system was supposed to supplant and now if we get a new commission to investigate the findings of that Tariff Commission and the reciprocal trade treaties, it will be necessary then to get another commission to investigate them, won't it?

Mr. DILLINGHAM. That would be in the wisdom of you gentlemen. That is your job.

Senator CLARK. I understand that you are down here advising us what to do.

Mr. DILLINGHAM. Making suggestions.

Senator CLARK. And if you did not like the findings of that Commission, you would be down here advising the setting up of a new commission to check them, wouldn't you? If you did not happen to like the recommendations of that particular commission?

Mr. DILLINGHAM. Senator, the trouble with your present system is that the board before whom you go is appointed by a group who believe in low tariffs, because you have given that power to your Executive.

Senator CLARK. You would like them appointed by a group who believe in prohibitive tariffs, wouldn't you?

Mr. DILLINGHAM. No, sir; I don't ask that. I ask that a fair board be appointed and not one which is partisan in that respect.

Senator CLARK. If you think that you are going to eliminate your complaints about the personnel of a particular committee by changing the law, it has been my observation and experience that you are very much mistaken.

Mr. DILLINGHAM. Mr. Senator, this case is one in which Congress has given the right to the Executive to set up a board before which these various hearings are heard. We know that it is a low-tariff administration.

Senator CLARK. That is my only fear about the reciprocal trade system, that we might accidentally get a high protectionist, prohibitory tariff administration in some time and that will start perverting the purposes of the reciprocal trade agreements to give you these prohibitive tariffs which apparently you are advocating.

Mr. DILLINGHAM. I am sorry if I have left that impression with you. I am not for a prohibitory tariff. Competition is good for this country, and if it does not go wild, foreign competition has been a help to the

hand-blown industry, but certainly not to the extent that we got it, and not at the low prices at which they can sell their goods here. There should be some protection to equalize the low costs of labor and production in the foreign countries as compared with our American standard. That is my point.

The CHAIRMAN. Do you know what the average rates in 1930 in the Smoot-Hawley Tariff Act on glassware were?

Mr. DILLINGHAM. On all glassware?

The CHAIRMAN. Yes.

Mr. DILLINGHAM. I do not. It is as relevant as to show the imports on pianos and lumber, because when you are talking about glassware, you are talking about various kinds, and one is made in a sawmill and the other is made in a wood-working plant.

The CHAIRMAN. It was 60 percent. Now, let me ask you this question—conceding the concessions that were made in the Czechoslovakian agreement, what is the average on glassware?

Mr. DILLINGHAM. I really have not been bothered to figure it out because I think it is irrelevant.

The CHAIRMAN. It was 50 percent. So it has not destroyed the situation.

Mr. DILLINGHAM. But it is on certain kinds of glassware that the cut has been made.

The CHAIRMAN. And it is an industry that shows here that your production on the machine-made and the hand-made have both increased.

Mr. DILLINGHAM. Over what period?

The CHAIRMAN. In 1935, the United States production on machine-made was \$23,400,000. In 1937, it was \$27,700,000. Now, on the hand-made, it was \$11,400,000 in 1935 and \$13,400,000 in 1937.

Mr. DILLINGHAM. And the Czecho treaty was not in force until April 16, 1938, so that in regard to the subject which we have in hand of trade agreements, that does not prove anything.

The CHAIRMAN. Even with the concessions in the Czechoslovakian treaty, I am informed here by the Tariff Commission after a study, that these articles were left with a 50 percent rate of duty average.

Mr. DILLINGHAM. That is perfectly true. And with the ratio in wages of 16 to 65, I think it is justified.

Senator CLARK. Apropos of the suggestion for a new commission, I would like to read the observations on that subject of a very able business man, Mr. Gifford, representing the Detroit Chamber of Commerce before the House Committee on the same subject, in which he said, at page 1548 of the Ways and Means Committee hearings:

I have listened here for several days to the discussions, and frankly most of it seems to me to be entirely theoretical. It is being approached from an academic angle as to the theory of the export business. Actually, I think, if these same men had to get out and try to sell merchandise in a foreign market, they would take a different slant. I heard the argument made yesterday, I think by an eminent writer, that there seemed to be any number of ways in which this could be handled. At one time apparently in his book he felt that it ought to be put in the hands of a committee of responsible citizens. I would like to know what a group of responsible citizens would be, unless he picked them himself. If I pick them, I would believe that they would be responsible. At the present time, he says that the present bunch are not responsible. Maybe they are not, but my experience with them has sold me, and has sold a good many manufacturers on the fact that they are serious and conscientious in handling it.

I put that in simply as a difference in the viewpoint of business men.

Mr. DILLINGHAM. Just an honest difference of opinion.

The CHAIRMAN. Let me ask you this. The Business Advisory Council have some very distinguished businessmen in different lines of industry composing its membership.

Mr. DILLINGHAM. Who was that commission appointed by?

The CHAIRMAN. I think they were appointed by the Secretary of Commerce.

Mr. DILLINGHAM. Is he an administration man or not?

The CHAIRMAN. Well, yes. He said that he was in favor of businesslike and scientific methods in tariff making and in safeguarding our national welfare and the American standard of living. And that is the opinion of a man who is at the head of the greatest glass-making business in the country, the most successful in the industry, and he subscribed to those sentiments. Do you know who he is?

Mr. DILLINGHAM. Mr. Biggers.

The CHAIRMAN. Yes; of the Libby-Owens Co. They have a tremendous business in glass and make good profits.

Mr. DILLINGHAM. Well, I don't know.

The CHAIRMAN. You do not say that Mr. Biggers is absolutely wrong and you are absolutely right, but it is just an honest difference of opinion.

Mr. DILLINGHAM. That is why I believe, where you have such a marked difference of opinion in a question of policy, that time should be given before the policy is established and for the facts to be produced.

The CHAIRMAN. Is there anything else?

Mr. DILLINGHAM. These qualified men can certainly find some common ground for a meeting of minds. This commission should be able to develop a tariff policy that is flexible enough to meet the ever-changing world conditions, and yet protective enough to American interests that it would equitably equalize the lower labor and production costs in foreign countries with American cost of production of comparable goods.

For the proponents of this bill to stubbornly insist that on matters of policy they are right, in the face of the ever-growing minority, which has now become a large minority, only further adds to the confusion which exists in business at the present time. The creation of a commission to study this much-discussed tariff problem, would be an administration gesture to business that it was always seeking to base its policies upon factual information without partisan interpretation.

The American Glassware Association, then, opposes the extension of the authorization of trade agreements after June 12, 1940, because—

1. Trade agreements have not been beneficial to the industry as a whole and have created conditions which have been harmful to the hand-made branch of the industry.

2. The trade agreements act as it is now constituted, provides no way of appeal, from its decree as declared in a trade treaty, to a nonpartisan group where an industry which believes it has been harmed can state its case.

3. The constitutionality of the law is doubted, because the treaty-making powers have been transferred to the Executive department for action without Senate ratification.

4. The whole trade-agreement program has developed into a clever maneuver to lower tariffs, contrary to the spirit of the Constitution, which provides that the matter of revenue shall originate in the House of Representatives.

5. The trade-agreements program has had plenty of time to prove itself and has failed to bring the prosperity to this country which was promised by its proponents, nor has it shown the way to world peace.

6. The program has placed the hand industries of this country at the mercy of the low wage labor of Europe and Japan and has increased employment and reduction of yearly wages in these industries at a faster rate than the machine-made product factories of this country can absorb the oppressed workers.

The American Glassware Association sincerely hopes that the Senate will go on record as not authorizing the extension of trade agreements, as they are now made.

I am sorry to have taken so much of your time.

(The following tables were submitted by Mr. Dillingham:)

A comparison of glassware imports for total year 1938 versus 1937 and principle countries import volume

Paragraph, Tariff Act, 1930	Statistical classification No.	Description	Country	Year 1938	Year 1937	Percent change, 1938 versus 1937	Czech trade-treaty duty	1930 Tariff Act duty	
218 (c)	5273.0	Prisms and glass chandeliers and articles in chief value of glass.	Total	\$234,007	\$50,410	+364.2	30	60	
	5273.1	Lamp chimneys	Czechoslovakia	209,280	38,441	+444.4			
			Total	20,752	30,038	-30.9	30	55	
	5273.2	Globes and shades	Czechoslovakia	11,585	14,209	-18.5			
			Germany	7,162	13,701	-47.7			
	5273.5 (5273.3)	All other, n. s. p. f. (Since Apr. 16, 1938, wall brackets, candelabras, and candlesticks having electrical connections in special classification.)	Total	131,389	151,413	-13.2	45	70	
			Czechoslovakia	125,467	120,162	+4.4			
			Total	222,767	431,144	-48.3	40	60	
	Total		Illuminating articles of every description, finished or unfinished, wholly or in chief value of glass.	Total	608,915	663,005	-8.2		60
	218 (d)	5250.4	Plated and cased glassware	Total	39,931	1,065	+3,649.0	45	60
Czechoslovakia				28,164					
218 (f)	5276.0	Christmas tree ornaments	Italy	4,472					
			Total	1,010,715	1,277,132	-20.9	50	60	
	5276.2	Table and kitchen articles and utensils, hand blown and pressed, polished, cut, colored, or engraved.	Germany	827,299	1,015,036	-18.5			
			Total	966,033	1,364,990	-29.2	50	60	
	5276.5	Engraved, ornamental glassware valued at \$8 each or more.	Czechoslovakia	355,417	520,849	-31.8			
			Japan	134,974	236,046	-42.8			
	5276.9	All other ware not otherwise specified entering under par. 218 (f).	Total	4,205	4,647	-9.5	30	60	
			Sweden	2,969	1,805	+64.5	(1)	(1)	
			Total	1,036,254	1,555,236	-33.4	50	60	
	218 (g)	5276.1	Table and kitchen articles and utensils pressed and unpolished.	Czechoslovakia	529,855	687,825	-23.0		
Japan				118,949	363,365	-67.3			
230 (d)	5276.7	All other ware, pressed, not colored, cut, or engraved.	Total	3,017,207	4,202,005	-28.2			
			Czechoslovakia	26,610	8,001	+232.6	25	50	
(5276.71)	5276.7 became 5276.71 and 5276.72 after Apr. 16, 1938 (pressed building blocks or bricks, crystal color).	Total	20,165	2,907	+593.7				
		Czechoslovakia	45,758	67,604	-32.3		50		
		Germany	15,960	18,576	-14.1				
(5276.72)	5276.72 (Other includes glass and manufacturers, n. e. s. except broken glass or glass waste.)	Total	9,148	20,284	-54.9	40			
		Total, pars. 218 (c) (d) (f) (g) and 230 (d)		3,738,421	4,941,680	76.8	(2)	(2)	

¹ Prior to Swedish treaty in 1935.

² Czech bound.

The Czechoslovakia trade treaty duties began Apr. 16, 1938, and continued for the remainder of the year.

A comparison of glassware imports for the year 1939 versus 1938, par. 218 (c) (d) (f) (g) and 230 (d)

Paragraph T. A. 1930	Classifi- cation No.	Description	Country	1938	1939	Percent of change, 1939 versus 1938	
218 (c)	5273.0	Prisms and glass chandeliers and articles in chief value of glass	Total	\$234,007	\$198,887	-15.0	
			Czechoslovakia	209,280	39,262	-81.2	
	5273.1	Lamp chimneys	Germany	9,843	147,755	+1,401.1	
			Total	20,752	8,678	-58.2	
	5273.2	Globes and shades	Czechoslovakia	11,585	28	-99.8	
			Germany	7,162	7,180	+3	
				Total	131,389	60,013	-54.3
				Czechoslovakia	125,467	41,860	-66.6
				Germany	4,703	15,273	+224.8
				Total	5273.5 \$190,049	5273.3 222,767	\$99,086 106,790
5273.5	All other n. s. p. f.	Czechoslovakia	5273.5 166,374	5273.3 10,774	7,704	-94.4	
		Germany	5273.3 29,123	5273.5 195,497	230	11,004	-94.4
5273.3	(Since Apr. 16, 1938, wall brackets, candelabras, and candlesticks, having electrical connections.)	Germany	5273.5 11,069	5273.3 60,647	230	63,107	+470.1
		Total	5273.3 608,915	5273.5 608,915	2,460	374,368	-38.5
Total all items under paragraph 218 (c), illuminating articles of every description, finished or unfinished, wholly or in chief value of glass.							
216 (d)	5250.4	Plated and cased glass	Total	39,931	12,263	-69.3	
218 (f) 1939	5278.0	Christmas tree ornaments	Czechoslovakia	28,164	6,070	-78.4	
			Belgium		4,080		
1938	5276.0		Total	1,010,715	783,745	-22.5	
			Czechoslovakia	73,944	6,743	-90.9	
			Germany	827,299	632,933	-23.5	
			Japan	37,862	48,237	+27.4	
			Poland	71,516	95,707	+33.8	
			Total		42,081		
Classification numbers 5278.2 and 5278.3 for 1939 are comparable to 5276.2 for 1938							
	5278.2	Table and kitchen articles and utensils blown or partly blown in the mold or otherwise, cut or engraved, valued at \$1 or more each.	Czechoslovakia		1,098		
			Germany		1,390		
			France		3,091		
			Sweden		9,353		
			United Kingdom		13,491		
			Belgium		5,016		
	5278.3	Table and kitchen articles and utensils blown, partly blown (except cut or engraved, valued at \$1 or more each), pressed, polished, otherwise produced or colored, etched, cut, engraved, etc.	Total	966,033	797,160	839,241	-13.1
			Czechoslovakia	355,417	44,084	45,182	-87.3
			Germany	48,506	91,563	92,933	+91.6
			Belgium	123,712	222,178	227,188	+83.6
			Sweden	103,181	141,164	150,522	+43.1
			Japan	134,974	88,284	88,284	-34.8
			United Kingdom	32,257	32,562	46,053	+42.8
			France	28,316	40,060	53,151	+87.7

A comparison of glassware imports for the year 1939 versus 1938, par. 218 (c) (d) (f) (g) and 230 (d)—Continued

Paragraph T. A. 1930	Classifi- cation No.	Description	Country	1938	1939	Percent of change, 1939 versus 1938	
1939	5278.5	Engraved Ornamental Glassware Valued at \$8 each or more.....	Total.....	\$4,205	6,616	+57.3	
1938	5276.5		Sweden.....	2,969	3,483	+17.3	
			United Kingdom.....	645	-----	-100.0	
			France.....	-----	48.3	-----	
			Italy.....	29	586	+1,920.7	
			Netherlands.....	-----	515	-----	
Classification Nos. 5278.6 and 5278.7 for 1939 are comparable to 5276.9 for 1938.							
	5278.8	Glassware, other than bulbs, and table and kitchen utensils, blown or partly blown, in the mold or otherwise if cut or engraved, valued at \$1 or more each, n. e. s.	Total.....		\$20,642		
			Czechoslovakia.....	-----	2,504	-----	
			Germany.....	-----	2,761	-----	
			United Kingdom.....	-----	2,761	-----	
			France.....	-----	2,635	-----	
			Belgium.....	-----	2,321	-----	
		Sweden.....	-----	2,076	-----		
	5278.7	Glassware, other than bulbs, and table and kitchen articles and utensils, blown or partly blown, (except cut or engraved, valued at \$1 or more each) pressed or otherwise produced, or colored, etched, cut, engraved, etc.	Total.....	\$1,036,254	661,455	682,077	-34.2
			Czechoslovakia.....	529,885	54,650	57,154	-89.2
			Germany.....	141,621	182,037	184,798	+30.5
			Japan.....	118,949	145,270	145,270	+22.1
			France.....	51,173	69,324	71,959	+40.6
			Italy.....	64,515	-----	76,890	+19.2
			United Kingdom.....	28,690	30,591	33,352	+16.2
			Belgium.....	16,188	33,087	35,408	+118.7
			Sweden.....	17,811	17,459	19,535	+9.7
			Total.....	3,017,207	2,311,679	-----	-23.4
			Total.....	26,610	9,061	-----	-65.9
		Czechoslovakia.....	20,165	2,603	-----	-87.1	
		Germany.....	1,569	564	-----	-64.1	
		Japan.....	1,716	1,994	-----	+16.2	
		United Kingdom.....	1,959	313	-----	-84.0	
Total all items under paragraph 218 (f).....							
218 (g)	1939	5278.1	Table and kitchen articles and utensils, pressed and unpolished.....	Total.....	26,610	9,061	-65.9
				Czechoslovakia.....	20,165	2,603	-87.1
				Germany.....	1,569	564	-64.1
				Japan.....	1,716	1,994	+16.2
				United Kingdom.....	1,959	313	-84.0
Classification numbers 5278.8 and 5278.9 for 1939 are comparable to 5276.7 for 1938.							
230 (d)		5278.8	All other glass, glassware and manufactures, pressed, not colored, etc., n. e. s., pressed building blocks or bricks, crystal color.	Total.....	45,758	29,241	-36.1
				Czechoslovakia.....	15,960	2,580	-83.8
				Germany.....	9,148	6,828	-25.4
				Belgium.....	6,354	4,469	-29.7
				France.....	1,176	41	-96.5
				Japan.....	8,906	4,756	-46.6
				United Kingdom.....	2,130	3,270	+53.5
				Year.....	3,738,421	2,736,612	-26.8
		5278.9	All other glass, glassware and manufactures pressed, not colored, etc., n. e. s., other (include glass and manufactures, n. e. s., except broken glass or glass waste fit only for remanufacture.)	Total.....	45,758	29,241	-36.1
				Czechoslovakia.....	15,960	2,580	-83.8
				Germany.....	9,148	6,828	-25.4
				Belgium.....	6,354	4,469	-29.7
				France.....	1,176	41	-96.5
				Japan.....	8,906	4,756	-46.6
				United Kingdom.....	2,130	3,270	+53.5
Total paragraphs 218 (c), (d), (f), (g), and 230 (d).....							

After Apr. 22, 1939, 1930 Tariff Act duties applied to all imports from all countries subject only to the United Kingdom and Swedish trade treaties; countervailing duties of 25 percent additional for all German ware. Czechoslovakia ware is classified as German unless shipped before Mar. 17, 1939.

There are 2 trade agreements now in force:

(a) With Sweden: All engraved ornamental glassware valued at \$8 each or more 1930 rate, 60 percent; treaty rate 30 percent.

(b) With United Kingdom: All table and kitchen glass articles and utensils blown or partly blown in the mold, which are cut or engraved and valued at \$1 or more each 1930 tariff rate, 60 percent; treaty rate, 45 percent.

Statistical summary of the glassware industry versus imports based upon United States census of manufacturers and the U. S. Department of Commerce imports

United States business	1937	Imports		
		1937	1938	1939
1. Flat glass (window and plate glass).....	\$100,938,681	\$2,950,460	\$1,130,351	\$979,354
2. Glass containers, bottles, etc.....	160,640,202	718,536	566,303	323,309
3. Hand-made tableware.....	13,377,195	2,024,873	2,090,592	1,627,934
4. Electric light bulbs and oil lamps.....	11,287,019	14,385	18,142	20,201
5. Lighting glassware.....	11,002,838	693,015	608,925	374,340
6. Machine-made tableware.....	27,701,842	75,605	72,368	38,302
7. Scientific, lens, technical, industrial, and all other glassware and Christmas-tree ornaments.....	20,422,680	2,725,000	2,125,281	1,892,277
8. 1937 total United States class, all products... 9. 1937 total hand-made tableware.....	354,379,496 13,377,195	10,171,883 (1)	6,528,052 (1)	5,155,777 (1)
10. 1937 total employed in 1937 in industry, all products.....	79,051			
11. Estimate 1937 total employed in 1937 hand-made tableware industry.....	12,000	(2)		
12. 1937 total all imports of glass, all products.....	10,171,883			
13. 1937 total, all imports of hand-made tableware.....	2,024,873	(3)		
14. 1938 total, all imports, all products.....	6,528,052			
15. 1938 total all imports of hand-made tableware.....	2,006,592		(4)	
16. 1939 total all imports of glass—all products.....	5,155,777			
17. 1939 total imports of hand-made tableware.....	1,527,934			(4)

¹ 3.1 percent of entire industry, dollar volume.

² 15.1 percent of entire industry employment.

³ 28.8 percent of entire industry.

⁴ 30.7 percent of entire industry.

⁵ 29.6 percent of entire industry.

Senator CLARK. Mr. Chairman, before the next witness takes the stand, I should like to clear up a matter which came up in the testimony here yesterday. During the hearings of yesterday while Dr. Coulter was testifying, Senator Vandenberg inquired of Dr. Coulter concerning a seeming diametrical conflict between figures with reference to United States exports of wheat and wheat flour to trade agreement countries and non-trade agreement countries which he—Senator Vandenberg—had found in the hearings before the Committee on Ways and Means of the House of Representatives and those supplied by Secretary Wallace.

A careful check reveals that figures referred to by Senator Vandenberg are quantity figures for two carefully chosen years, 1935 compared to 1938; whereas the figures supplied by Secretary Wallace are value figures comparing a pre-agreement period, 1934 and 1935 and a post-agreement period, 1936 to 1938. If the percentage increase of United States exports of wheat and wheat flour to trade agreement countries and non-trade agreement countries is calculated on a quantity export basis the figures would be:

Exports of wheat and wheat flour increased to trade agreement countries by 255 percent.

Exports of wheat and wheat flour increased to non-trade agreement countries by 38 percent. Those figures are furnished by the Department of Agriculture at my request.

The CHAIRMAN. Mr. Dougherty.

STATEMENT OF GEORGE DOUGHERTY, REPRESENTING NATIONAL ASSOCIATION OF MANUFACTURERS OF PRESSED AND BLOWN GLASSWARE, PITTSBURGH, PA.

Mr. DOUGHERTY. I hope I will be able to contribute some brevity to this hearing insofar as my own statement is concerned.

My name is George Dougherty. I represent the National Association of Manufacturers of Pressed and Blown Glassware with headquarters in Pittsburgh, Pa. Our manufacturers give employment to the great majority of the members of the American Flint Glass Workers' Union of North America, an organization with a membership of 22,000 or more. Our agreements with the skilled workmen have been maintained since 1887 and with the semi-skilled employees since 1936 and 1937.

I might explain that some of our members are members of Mr. Dillingham's American Glassware Association, but our association comprises the employers of the union glass workers. That is the difference. So they appear here chiefly on subjects affecting the labor angle of this question.

We wish to record our request that no extension be made of the Trade Agreement Act and that the plan under which it is now administered be discontinued.

The experience of our industry with the trade-agreement program up to now is that under it only reductions have taken place in the rates of duty on imported glassware. We are therefore here to express the opposition of our employers and their employees to the extension of the Trade Agreements Act for another period.

We are not opposed to the reciprocal theory in our commercial relationships with other countries, but we hold that all agreements we make should be on a sounder basis and provide fairer treatment to our American industries and workers than those now in effect. We believe that a nonpartisan board or committee should confine its efforts to developing all the scientific, economic facts, with liberal consideration for the welfare of American workers involved; and the recommendations of such a board should be the basis of the agreements; which, in turn, should be bilateral and subject to Senate approval.

Since the record of the trade agreement policy to date reveals it as a general plan for reducing rates of duty with few, if any, increases being made, the employers and employees in the glassware industry are justified in the fear they have for the survival of certain branches glassware manufacture. We refer, chiefly, to those plants making glassware by hand.

In these factories the cost of labor alone has risen to the point where it is now 65 to 70 percent of the total cost. This unusually high cost factor has been built up by the cooperation of our industry in following the theories and laws on wages and hour as promoted

by the present administration since 1933. The changes in hours and wages since that year have been as follows:

	Hours reduced	Wages increased
	Percent	Percent
Reduction in hours of skilled workers.....	14.44	
Increase in wages of skilled workers.....		41.67
Reduction in hours of semiskilled workers, furnace department.....	10.00	
Increase in wages of semiskilled workers, furnace department.....		45.00
Reduction in hours of semiskilled workers, other departments.....	18.80	
Increase in wages of semiskilled workers, other departments.....		55.27

In enumerating the foregoing increases in wages we do not mention the increased cost involved in paying 50 percent premium on regular rates for time worked in excess of 42 hours in a week, and in some cases the hours worked over 40 in a week.

In connection with this matter of 50 percent for overtime, we would point out the loss sustained by the employer who, for overtime, pays 50 cents premium on labor costs which already constitute 70 percent of his total cost. When paying the increase for overtime, he has raised the percentage to 105 percent or normal cost.

Our industry does not come here to complain about its wages and hours, but we are here to oppose the continuation of a foreign trade policy which ignores the importance of those wages and hours in relation to domestic cost and the importation of foreign glassware made under inferior wage and living standards. A policy which on one hand, and then on the other, deliberately aids and assist foreign producers to supply a large part of our American market (by failure to provide adequate protection for those improved wage and hour standards) is already causing distress by unemployment, disruption of the hand-blown branch of the industry and destruction of the very standards it seeks to improve.

Employees who have expected to realize better living conditions through higher standards of employment have been unable to continue in regular and steady work. Factories failing to compete with the prices quoted in the American market by foreign producers have closed; others have reduced wages; some workers have left their union and others have raised funds by using their savings, mortgaging their homes and pledging the credit they could command to join in cooperative enterprises which contribute further to the general demoralization of industrial and commercial conditions.

In connection with these cooperative efforts in glassware manufacturing on the part of the workmen, we call your attention to the illustrated article appearing on page 51 of the February 1940 issue of the trade journal, the Glass Industry, which gives its report of the conditions responsible for the cooperative factories and the struggle they have made to eke out an existence in competition with foreign-made glassware.

To illustrate the extent of the sacrifices made by these cooperatives under the pressure of foreign competition, we submit exhibit labeled Sample No. 1, which is a staple shape of hand-blown glass goblet used in hotels, clubs, restaurants, and so forth. The cost of union labor in this goblet is 87 cents per dozen pieces, nothing being included for the many other items which go to make up the total factory cost of \$1.25.

This goblet, and similar ones, are reported as being sold in the market by the cooperatives for 75 cents per dozen pieces complete, including the shipping container, the value of which is 10 cents per dozen pieces (including packing material and the cost of packing labor).

Hand-made glassware has been imported for many years preceding the advent of the Trade Agreements Act, and American producers have always had difficulty in competing with it. Today, these difficulties have been increased by higher wages, and the reduction of working hours we have mentioned in this statement, and the failure of the negotiators of the trade agreements to recognize—

(a) That the accurate comparison of imports with domestic production should be dozens or pieces brought in, which would show the number of American productive man-hours displaced. Foreign factory values in terms of dollars do not make for accurate comparison when foreign wages are but a fraction of the rates of those paid in America.

(b) That in the effort to maintain American wage and living standards, our employers and employees are entitled to a greater measure of protection than now applies to imported hand-made glassware under the prevailing schedule.

We are interested in changing the present plan of formulating trade agreements to one that will be more responsive to the important interests of American production and employment, and to this end we are petitioning the Senate of the United States to vote unfavorably on the bill proposed to extend the Trade Agreements Act for another period.

The CHAIRMAN. Thank you very much, Mr. Dougherty.

In connection with the testimony of those representing the glass industry, I desire to insert in the record a telegram addressed to the clerk of the committee by Mr. Harry H. Cook, international first vice president, American Flint Glass Workers' Union of North America, Toledo, Ohio.

TOLEDO, OHIO, March 1, 1940.

Mr. F. M. JOHNSON,

Clerk, Committee on Finance, Senate Office Building, Washington, D. C.

It being utterly impossible for us to appear before the honorable committee now conducting hearings on the extension of the Reciprocal Trade Agreement Act to orally present for the American Flint Glass Workers' Union of North America, speaking for the more than 35,000 workers in the flint-glass industry, the serious effects of glassware manufactured in foreign countries under cheap labor conditions, being imported to our shores before and since the negotiation of trade treaties, we feel compelled to vigorously protest against the continuation of the Reciprocal Trade Agreement Act beyond its expiration date, June 12, 1940.

The serious effects of importation have been repeatedly stated in brief filed and otherwise in the past by the American Flint Glass Workers' Union, hopeful, always of securing adequate protection for our industry and the employment opportunities of the workers.

We are now confronted seriously with a 10 to 25 percent wage reduction, demanded by one of our large factories because of conditions created largely by importation of glassware in competitive lines under reciprocal trade agreements. To submit to this reduction means the complete disruption of this particular branch of the glass industry, namely, the thin-blown hand-made glassware branch. To resist it means a serious strike with loss of employment and tremendous financial loss. There are other similar aspects.

What this glass industry, one of the oldest in the country needs, is more security and encouragement and not to be constantly harassed by the prospect of downward revision in tariff rates under trade agreements with foreign countries that have already demoralized the glassware markets and destroyed the employment

opportunities of workmen who have lived and hoped to gain a livelihood in the flint-glass industry.

The administering of the Trade Agreement Act has already been marked by a series of reductions in import rates. The direct effect of this policy is to take from the American worker a greater part of his home market and turn it over to foreign producers who are working under lower wage and living standards. The workers look forward to better wages and living standards and any improvement in wages and hours for the American glass workers is of no avail if the doors of his home market are opened widely to foreigners by means of lower tariff rates. It represents virtually a reduction in wages.

We speak with regard to the hand-made glassware industry and if tariff rates are not raised to a higher level, then it naturally must follow that our present standards are lowered.

For the foregoing reasons, which are only a few of the many and with the hope of protecting our industry and our employment, we most emphatically oppose and protest the extension of the trade-agreements program in its present form and ask that all of the trade agreements be ratified by the Senate before they are put into actual operation.

HARRY H. COOK,
*International First Vice President, American Flint Glass
Workers' Union of North America, Toledo, Ohio.*

The CHAIRMAN. Is Mr. A. H. W. Stimson of Northampton, Mass., in the audience?

(No response.)

(Subsequently Mr. Stimson submitted the following statement, which was ordered printed in the record.)

MARCH 2, 1940.

CHAIRMAN, COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

STR: In compliance with your wish to avoid as much as possible duplications of previous testimony, I will submit only a few additional figures and statements that seem important.

As most important, I wish to be allowed to correct the transcribed version of my answer to Mr. McCormick's first question on page 1032 of the House hearings. In this answer, as transcribed, they have hog-tied the wrong party. I have never yet been hog-tied, not even to the Republican regime. With reference to Mr. McCormick's question, "What is Mr. Cullman's object in appearing down here?", evidently I did not get the question, as the answer should have been, "He is not here to my knowledge." Apparently I thought he asked me "What 'was' his object?", for I answered that in 1935 he was opposed to any reduction in tariff on the Sumatra Wrapper from the Netherlands. The Cullman Bros., Inc., were affiliated with the Shade Growers Association. These growers produced the nearest as a substitute to the Sumatra grown in this country. A delegation of 16 farmers appeared in Washington and testified to the effect that I was in Washington unauthorized, and in my own personal interests. These men were the ones who were so hog-tied financially that they could not speak their own minds. The office where they appeared had a copy of a resolution passed by a unanimous vote of the board of directors of the Connecticut Valley Broadleaf and Havana Seed Tobacco Growers, Inc., granting me the authority; therefore, their testimony had little effect on the final results.

Again, on page 1006, Mr. Robertson asked, "But you mean you are gaining on all fronts?" My answer, "Yes, sir; and we also know through the facilities of present communication, in spite of the propaganda in the farm magazines and in the press, that this program has greatly benefited, not only your section, but Kentucky as well, through an agreement with France, whereby she agreed to take over \$3,000,000 worth of that type of tobacco, and that has very much strengthened the prices of Kentucky tobacco." It says in the transcript that "Wallace" agreed; "France" and "Wallace" do not sound very much alike to me. There must be something radically wrong with me as a witness and I hardly agreed that there should be no future duplications.

Again, on page 1013, at the top, J. W. Alsop was elected president and Fred B. Griffin was elected manager at salaries of \$30,000 each and if their salaries had been \$100,000 each, instead of \$30,000, the additional cost to me on each 100 pounds of tobacco would have been about one-tenth of 1 cent, due to the enormous amount of tobacco handled in our association. Fred Griffin and J. W. Alsop were in no way responsible for the destruction of our association. Imme-

diately after the collapse, 18 farmers went to Alsop's office. I was one of them and we formed a new marketing combine with J. W. Alsop at the head. Each of them were given 10 contracts to be signed by other farmers and Alsop is still packing and selling tobacco for a sizeable number of farmers. As late as 1936, he paid my hail insurance and furnished me with some fertilizer, \$1,000 at 6 percent interest and in 1937, \$3,300 at 5 percent, both times with no note or mortgage. J. W. Alsop is very highly esteemed by all farmers and as far as I have any knowledge, he has never been active in any movement detrimental to our best interests. Fred B. Griffin, up to 1933, held our respect. Sometime previous to that date, he became affiliated with the Shade people and other interests. The people who wrecked our association were many combined forces, manufacturers, dealers, and packers, and all of those interested in destroying cooperative-marketing associations so that they can keep the farmer at their mercy. These same forces who are now active in trying to destroy the Trade Agreements Act, are the same who are trying to destroy the confidence of the American farmer in Henry A. Wallace, the best and ablest Secretary of Agriculture that this Nation has ever had. They are the same people who are trying to discredit the State Department, the Tariff Commission, Committee on Reciprocity Information and all who are working for and have succeeded in consummating trade agreements, which have in every instance given us the best of the bargain. We, the rank and file of the people of New England, are more at the mercy of this element, than any section of equal importance in the United States. As the record now stands, 22 Republicans, and 1 Democrat out of 29 Congressmen, and a possible 2 Democrats out of 12 Senators, or a total of 8 out of 41, are recorded in favor of this resolution.

May I be permitted to enter in the records part of a news item, dated January 22, 1940, "The remarks of A. H. W. Stimson of Pine Grove concerning the opposition of the National Grange leader to the reciprocal-trade-agreement program made last week before the House Ways and Means Committee in connection with tobacco agreements, met with criticism of local Grangers * * *. In the Easthampton Grange 30 of the 250 members are farmers or live on farms. Mr. Stimson was at one time a member of Easthampton Grange." So you can see this could mean 30 to 220 in favor of Tabor and against the farmer. I would like at this time to enter into the records a call by the Franklin County Farm Bureau, for a meeting to be held in Whately Town Hall. This meeting was held last Monday night. The hall was packed with farmers from 5 or 6 counties, mostly tobacco men. Five county agents were heard, as well as six county Farm Bureau presidents and State President Jordan, also Howard Russell, secretary of the State Farm Bureau. All of the speakers from the president down had only the kindest of words and expressions of praise for the great ability and zeal of their national president, Mr. O'Neal, and toward the end of the meeting, I gave them a splendid opportunity to voice disapproval of my stand on this resolution. I received only applause; not one voice was raised even in mild criticism and again before the meeting closed, I advised them to pay their 1940 dues, and they were still paying dues 20 minutes after the meeting closed. I had 2 men try to count Congressman Treadway's constituents and they figured there were at least 100 farmers from his district.

May I enter this individual income record of 1939?

In the House Hearing I was questioned about the cream coming into the United States from Canada. I found after going home that milk producers whom I was able to contact, feel as I do and were somewhat better informed relative to the imports of cream. Under the second trade agreement with Canada, the duty was reduced from 56.6 cents per gallon to 28.3 cents. In 1939 there were imports of 2,367,000 gallons and in 1938, 5,000 gallons; and in 1939, 2,000; while Boston alone consumed about 6,000,000 gallons in 1939. There was more cream wasted in removing milk and cream caps in Massachusetts alone than was shipped in from Canada.

[From the Springfield Union, January 28, 1940]

INDIVIDUAL INCOME UP \$3,412,000,000--SECRETARY HOPKINS REPORTS 1939
TOTAL AS \$69,683,000,000, MUCH OF THE GAIN COMING AT YEAR END

WASHINGTON, January 27--(A. P.).--Secretary Hopkins announced today that income payments to individuals last year totaled \$69,683,000,000, a gain of \$3,-412,000,000 over 1938.

This gain was accounted for largely by a 5-percent boost in salaries and wages to a total of \$43,783,000,000, the commerce chief reported. Dividends and in-

terest showed the greatest percentage of increase, however, rising 15 percent to \$9,081,000,000 from the 1938 total of \$8,476,000,000.

December income payments, which Hopkins said were the largest for any single month since December 1936, reached \$6,898,000,000, more than a billion dollars ahead of November and three-quarters of a billion dollars ahead of December 1938.

"Much of the 1939 gain in income payments was concentrated in the closing months of the year," Hopkins said.

He reported that social security benefits for the year exceeded \$500,000,000, but were only \$30,000,000 higher than in 1938, while relief payments, other than work-relief wages, were about the same in both years.

AGRICULTURAL ADJUSTMENT ADMINISTRATION,
Northampton, Mass., February 21, 1940.

To All Tobacco Growers:

A special meeting for all Connecticut Valley tobacco growers will be held in the Town Hall in Whately on Monday, February 26, at 8 p. m. This meeting is being called by the Franklin County Farm Bureau.

Arthur C. Bardwell, member of the State agricultural conservation committee, will present a plan for legislation that will materially affect all tobacco growers. In addition, other material relating to the present tobacco situation will be presented. There will be ample opportunity for discussion.

Please plan to attend.

Very truly yours,

WILBUR F. BUCK,
County Administrative Assistant.

The CHAIRMAN, Col. F. L. Herron, of New York City, representing the Motion Picture Producers and Distributors Association, was to have appeared before the committee this morning. He advised the clerk on yesterday that pressure of business had forced him to leave the city and that he could not be present this morning to testify. I have his statement before me and will insert it in the record. Colonel Herron's prepared statement endorses the trade agreements program and urges its continuance.

STATEMENT, FEBRUARY 4, 1940

As a medium of entertainment, information, and education, American motion pictures not only have welcomed competition in foreign markets, but have supported a wide open door to our domestic market for the pictures which the industries of other nations have produced. The screen has constantly recognized that there are no boundaries to art and that there should be no limit to the exchange of those services between peoples which make for greater understanding, tolerance, and goodwill.

The American entertainment film has gained leadership the hard way. It is the achievement of private industry, unaided by public subsidy, protective quotas or barriers here against the competition of foreign pictures. It has met a world competition which is aided in the most serious way by all of such artificial barriers.

Our pictures have been and are the messengers of our commerce generally, and they are able to serve thus because they necessarily reflect the initiative, enterprise, and invention that have made American living standards in good and bad times.

They are able to serve this mission because they are produced in a land where free institutions have protected the screen from bureaucracy, censorship, and pressure-group distortion.

A very definite aid latterly in all these services is our governmental policy of trade agreements aimed at the leveling of many of these barriers.

Few industries have had to contend with greater difficulties in this respect. Not only have our screen products been forced to surmount the restrictions against all foreign commerce in many lands, but they have had to meet excessive and in most cases unreasonable restraints, aimed directly at the distribution and exhibition of our pictures in foreign fields. The devices included quotas and contingents, high tariffs and import licenses, exchange control and compulsory domestic

production, and many other schemes looking not only toward diminishing imports from abroad, but towards forcing American distributors to help build up domestic industries to operate in competition to American-produced pictures. That was the situation at the peak of these trade difficulties in 1933.

Since 1934, the motion-picture industry of the United States has been one of the beneficiaries of the most-favored-nation clause negotiated in general trade agreements with foreign countries, and it has been protected from many of the discriminations hitherto prevalent. The industry has been definitely and favorably affected by the opportunities to negotiate against exactions, barriers and restraints in certain foreign countries, as the result of the reciprocal trade agreements initiated and concluded by our State Department.

Such opportunities were brought about by the completion of general trade agreements with Belgium, Brazil, Canada, Colombia, Cuba, France, Costa Rica, Finland, Guatemala, Haiti, Holland, Honduras, Nicaragua, El Salvador, Sweden, and Switzerland.

In the face of the still rapidly growing and most serious hindrances to the distribution of American films abroad, the principle of reciprocity has had the effect of aiding the effort against the erection of unfair barriers against American screen entertainment. Some nations now place our product in the nondiscriminatory treatment class, and in addition to having tariffs lowered, duties and other assessments have been fixed in some places so that we are not now open to sniping in the way of new or elevated border or internal taxes in these countries with which trade agreements have been made.

From the economic aspect, it must be noted that normally foreign markets supply approximately 40 percent of the total gross receipts of the American motion-picture industry; that to the extent to which these markets are closed or made unprofitable to us it will affect the industry's ability to employ the great number of people now working in this and associated industries; that closed markets to American films would make impossible the great financial outlays necessary at the present time to produce the type of pictures that has made this country the world's production center, and that finally any reduction in our entertainment standards would necessarily affect our domestic theater structure.

While none can pierce the uncertainties of the future created by the war now in progress, our present position in foreign markets enables the American motion-picture industry to hold to those standards of production, investment, and employment that have given our entertainment products world leadership.

The CHAIRMAN. The committee will recess until 10 o'clock Monday morning.

(Whereupon at 12 o'clock noon, a recess was taken until Monday, March 4, 1940, at 10 a. m.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

MONDAY, MARCH 4, 1940

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, in the Finance Committee room, at 10 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The first witness this morning is Mr. Matthew Woll, representing the America's Wage Earners Protective Conference.

How much time will you require, Mr. Woll?

Mr. WOLL. About 40 minutes.

The CHAIRMAN. We have five witnesses scheduled for this morning, and I had hoped to conclude by noon, as it will be necessary for us to go to the Senate floor, as we have one or two very important bills over there. Could you finish in, say, 30 minutes?

Mr. WOLL. I doubt it. However, I will do the best I can.

Senator VANDENBERG. Mr. Woll is the only representative of organized labor, and I think that he should have as much time as he desires.

The CHAIRMAN. I have had a number of requests from representatives of organized labor, and Mr. Woll had a very extensive argument which was placed in the record at the hearings of the Ways and Means Committee of the House.

Mr. WOLL. My argument here will be quite different than that.

The CHAIRMAN. There were many labor representatives whose arguments are in that record—many of them were heard.

We would like to hear everyone who is scheduled for this morning, but if you cannot do justice to your argument in less than 40 minutes, just go ahead in your own way.

Mr. WOLL. I will try to economize time as much as possible.

STATEMENT OF MATTHEW WOLL, PRESIDENT, AMERICA'S WAGE EARNERS' PROTECTIVE CONFERENCE

Mr. WOLL. Support of the trade-treaty program rests principally on six points. We shall examine these one by one, and then draw a general conclusion.

1. It is maintained that by reducing import duties and obtaining reciprocal concessions from other countries, our export trade is stimulated. This increase in exports, it is contended, in turn requires increased employment in factories and on the farms. The net result is allegedly a contribution to recovery and the promotion of prosperity. Let us examine this general contention.

The stimulation of our export trade as a result of the trade treaties signed to date cannot be proved. The evidence available does not support any such contention. If anyone is interested in verifying this statement he has only to investigate (a) the exports from the United States to trade treaty countries, not from 1934 to 1938 or 1939, but from the date when each trade treaty went into effect, with our exports to nontrade-treaty countries over the same period. For the nearest approach to scientific comparison each trade treaty country should be compared with an adjacent nontrade-treaty country. The date of departure for comparison, to repeat, should be the year during which a particular treaty, and not the entire trade treaty program, went into effect. The favorable results often attributed to the trade treaty program are arrived at by using 1934 as the blanket basis for comparisons. This is not the proper statistical procedure.

(b) One should compare the increase in our exports from 1932, the low point since 1929, to 1935, with the increase since 1935, which is the first year during which more than one trade treaty went into effect. Actually 1936 would be a more reasonable base since the trade treaties in 1935 were made with countries of minor commercial importance—Belgium, Sweden, and Haiti. If the exports increased materially in 1933, 1934, and 1935, it may safely be concluded that the trade-treaty program was not responsible for the increase. The increase of 1935 exports over 1932 exports was 40 percent; that of 1937 over 1935, 47 percent. Between these percentages there is not much to choose. But proper investigation should include 1938. In that year exports declined. If 1938 is compared with 1935 the increase falls to 35 percent. In other words, exports in one way or another increased about as much without benefit of the trade-treaty program as under the program. In 1939, in spite of the impetus given to exports by the outbreak of the European war, showed only a 3-percent gain over 1938, and this did not change the picture materially. If duty reductions should give rise to increased exports the present trade-treaty program cannot be used as a means of proving it.

Increased exports, it is held, lead to increased farm and factory employment. This is true on the face of it unless increased mechanization should offset the increase in output in terms of employment. But there is another side to this proposition. Increased imports must accompany to some extent at least the larger exports. Now if the competitive products that are imported were manufactured in the United States, it is quite certain that the number of workers required to produce them would be considerably greater than the number required to produce an equal dollar volume of exports. This follows from the much lower wage rates prevailing in foreign countries. In other words, if an increase of \$1,000,000,000 in exports gave rise to \$1,000,000,000 in imports, we would trade a smaller number of man-hours worked in this country for a larger number of man-hours worked in foreign countries. In other words, there is quite a difference between man-hours and merely the monetary signs of imports and exports. Thus, while the trade would balance in dollars it would be distinctly against us in employment. The promotion of export jobs by increasing imports is a losing transaction for our workers and does not represent a means of bringing either recovery or prosperity to our farm and industrial workers as a whole. Undoubtedly exports help some farm and factory workers; but this

help must be purchased at the expense of others who would go to work if the competitive imports were produced at home. Wages paid in various foreign countries may be found by consulting the monthly and annual publications of the International Labor Office.

2. The reduction of duties and the removal of trade barriers is said to promote international trade not only between the United States and other countries but, as a result of the example set, between all nations of the world. This is supposed to reduce international economic rivalries; and since international economic rivalries embody factors which contribute to war, the reduction of trade barriers is supposed to foster international peace. We next examine this proposition.

Let us dismiss the obvious fact that we have a trade-treaty program, on the one hand, and a world at war in many sectors, on the other. Let us overlook the contention that the trade-treaty program arrived on the scene too late to prevent the outbreak of hostilities based on economic struggles of long standing, even though the program had been in effect long enough to produce the alleged gains in trade claimed for it. Since the latter claim is erroneous we may agree that nothing occurred which would have produced any appreciable effect upon the economic difficulties which presumably underlay the war.

Can anyone say that the trade-treaty program brought about the lifting of a single exchange restriction, a single import quota, or removed a single export subsidy? If our so-called lead in the imposition of trade barriers had such pronounced and immediate effect that from 1929 to 1932 world-trade collapsed because of world retaliation and counter-retaliation, not only against the United States but other countries which had nothing to do with the Tariff Act of 1930, why has the reversal of the world trend been so long delayed after 1934 when we began to offer inducements for the reduction and removal of barriers? The adverse effects required only 2 or 3 years to produce their full effects, i. e., from 1930 to 1932; but 5 or 6 years of our proffered hand of goodwill has been accompanied by increasing rivalry.

International trade leads to international interdependence. This, according to the theory, should lead to international pacification. Yet at the same time it appears that international rivalry grows to some extent, at least, out of competition for control of raw materials. National efforts are directed at independence and not dependence. If nations did not have so many foreign stakes they should therefore have fewer occasions for rivalry and friction. If we, for example, had no stake in some foreign section we should not be concerned about protecting such a stake, whether it be a market or an investment. We should be less likely to become involved in a war. Widespread trade leads to such stakes both in the form of markets and investments.

Yet what value have these stakes to us compared to our domestic market? In 1939 our exports amounted to \$3,177,000,000. Let us say that total domestic employment was 40,000,000 in manufacturing, transportation, mining, farming, and the various service trades. An increase of \$1 in the weekly wage would have increased the domestic market for goods \$2,000,000,000, given a steady price level. That gives an indication of the importance of our foreign markets.

International interdependence based on trade also produce international vulnerability to economic disturbances. Even though the United States is not involved in the European war, we are greatly affected by it. Should the war come to an end tomorrow we could not escape the depressing consequences of general demobilization and the ensuing unemployment. Had we not created the interdependence which is regarded as the source of peace we should not be so vulnerable to the machinations and ambitions of foreign dictators.

Now, this is not set forth as a counsel of isolationism but to demonstrate the fallacy that international interdependence is a guarantee of peace. International stakes may have a value but pacification of the world is clearly not one of them. Nations fight for stakes, whether they are markets, sources of raw materials, or investments. These stakes may or may not be worth fighting for; but the interdependence which they produce is not a cure for war.

In 1920, after the close of the World War during which our trade boomed, we found ourselves with \$97,000,000 of returned goods on our hands. These represented a considerable surplus and acted as a depressant on domestic trade. If the present war leads to a similar boom in exports, the beginnings of which are already visible, we should prepare ourselves for another stream of returned goods. Perhaps we could then once more begin extending vast credits to foreign countries to pull us out of the ensuing depression. Prostrate foreign countries with depressed wages would seek our market in a strong effort to revive themselves at home. Would the trade-treaty program work in reverse or would it expose us to this depressing competition?

I wish to stop here long enough to call attention to an editorial that was published by Daniel J. Tobin, president of the Teamsters International Union and a vice president of the American Federation of Labor, in the February issue of the Teamsters Journal, giving his view regarding the difficulties confronting us at the end of the period. I shall not read the entire editorial, but I will merely read the last sentence of the quotation which I will hand in for the record as a whole.

Mr. Tobin says:

Does anyone who has any sense believe that the economic conditions of the United States can be preserved and that union-labor wages can continue to obtain here if the world is flooded with cheap-labor products and the country invaded by the products of labor of nations driven to destruction by war expenditures?

(The complete editorial referred to is as follows:)

(From the Potters Herald, official Journal of the National Brotherhood of Operative Potters and East Liverpool Trades & Labor Council)

CONGRESS SHOULD EXPLAIN

The Congress is now considering, upon the demand of Secretary of State Hull and other State Department intellectuals, supported by President Roosevelt, the continuance of the reciprocal trade treaties.

These trade treaties are contrary to the Constitution, are contrary to the express policy of every Democratic-controlled Congress from 1882 to 1932. They are contrary to and virtually set aside and nullify the protection of jobs and standards of living which American workers received through the Asiatic exclusion law, restrictive immigration laws and fair-labor-standards law.

Secretary of State Hull in serving as Congressman and Senator bitterly opposed the granting of taxing and treaty-making power to any appointed officials of our Government.

Every leader of democracy, prior to 1933, has publicly opposed this type of legislation.

Daniel J. Tobin, vice president of the American Federation of Labor, president of Teamsters International Union, and chairman of Democratic Labor Committee in 1932 and 1936, a keen student of world and labor conditions, in a leading editorial in the Teamsters February Journal, says, in part:

"The labor movement is destroyed in most of the countries of the world. That includes the Americas, north and south of the United States. If the war conditions continue for 2 years from now, what is left of the labor movement in the European countries will be destroyed because of the economic destruction due to war. * * * Only those who close their eyes or through their ignorance or blindness to war conditions can fail to see that with the destruction of value in the European countries, no matter who wins the war, the economic conditions of those countries will be destroyed. * * * The markets of the world will be drawn down and cheap labor will be forced upon all the workers of the European countries so that they can help pay the expenses of this awful catastrophe now obtaining in Europe and Asia. The hours of labor established by the French workers union 2 years ago have been totally set aside and instead of a 40-hour week they are now working 52 and 56 hours and will soon be working 60 hours, to meet the demands of a nation engaged in war and in danger of destruction. The trade-unionists of England are alarmed and recently held a conference with the leaders of the French labor movement endeavoring to plan some method of procedure to protect the English worker; or let us put it another way--fearing that war will cause the destruction of the conditions which labor enjoys in that country similar to what has happened in France. Does anyone who has any sense believe that the economic conditions of the United States can be preserved and that union-labor wages can continue to obtain here if the world is flooded with cheap-labor products and the country invaded by the products of labor of nations driven to destruction by war expenditures?"

In view of the statement of conditions so ably made by President Tobin and the historic policy of the Democratic Party, we deem it fair to ask why the change in policy since 1932?

Can it be possible that international bankers, our few exporters, and our automobile, office-appliance equipment, and canning trusts have been able to change this historic Democratic policy?

Surely, some explanation should be made for this most unusual change in attitude at a time when it should be apparent to everyone that American markets will soon be flooded with the products of the pauper wage paid workers of Europe and Asia.

Your Congressman and your Senator should know your views on reciprocal trade treaties, the continuance of which jeopardizes your job opportunities and your standards of living.

Mr. WOLL. The collapse of our war trade after the World War is reflected in the trade trends from 1919 to 1922. In the following table exports and imports are shown for these years:

[In millions of dollars]

	United States exports	United States imports	Total		United States exports	United States imports	Total
1919.....	7,749	3,904	11,653	1921.....	4,378	2,509	6,887
1920.....	8,080	5,278	13,358	1922.....	3,765	3,112	6,877

In 1919 and 1920 trade volumes were the highest on record. The increase in trade, however, came in greater proportion in imports from 1918 to 1920. Exports increased 33.6 percent from 1918 to 1920, while imports went up 74.1 percent. From 1919 to 1920 exports increased only 4.3 percent while imports rose 35.2 percent. Imports from Europe increased \$806,000,000, or 216 percent, while exports to Europe increased only 5 percent in 1920 compared with 1919, both figures being for the fiscal years ending June 30.

The reason for the great increase in imports after the war as compared with exports lay in the collapse of foreign currencies and the return to European farms and factories of the demobilized armies. Depreciated currencies made it more difficult for the Europeans to purchase from us and easier for us to buy from them. It is worth noting that the chief increase in total imports were in manufactured foodstuffs and finished manufactures. Imports of manufactured foodstuffs from all countries increased from \$555,000,000 in 1919—calendar year—to \$1,238,000,000 in 1920, or 123 percent. Those of finished manufactures increased from \$493,000,000 in 1919 to \$876,000,000 in 1920, or 77 percent. On the other hand, imports of crude materials increased only 4.8 percent and crude foodstuffs only 5.8 percent.

In other words, competition with farm and factory producers of foodstuffs increased sharply, since the imports of manufactured foodstuffs increased 123 percent. Likewise competition with industrial workers increased sharply, since imports of finished manufactures increased 77 percent. Imports of raw materials, most of which have long been and still are on the free list and are largely noncompetitive, increased only about 5 percent. In 1921 87 percent of the crude material imports were on the free list while of the manufactured foodstuffs only 10 percent were on the free list.

The flood of imports became so menacing to the American economy that the Congress passed an emergency tariff act in 1921, which was vetoed; another in 1922, which went into effect; and then revised the rates upward in the Tariff Act of 1922. The new rates were apparently not excessive, since trade increased steadily from 1922 to 1929.

Experience with returned export merchandise was very disheartening in 1920 and 1921. Total returned merchandise during the 2 years amounted to \$163,000,000. Over 8,000 automobiles valued at \$13,500,000 were returned. Others were congested in export warehouses and on the docks. They continued to come back from dealers in foreign countries to which they had been shipped until well into 1923. From 1919 to 1923 automobiles valued at \$22,800,000 were returned. During the 4 years from 1919 to 1922, both inclusive, total returned goods amounted to \$254,000,000, or about \$200,000,000 more than normal returns.

In 1922 the Director of the Bureau of Foreign and Domestic Commerce in his annual report said:

Particular mention should be made of the prompt and effective assistance of the State Department, and its representatives abroad, in the solution of the difficulties in connection with the Cuban warehouse situation, arising from the heavy accumulations of undelivered American goods.

The report might have added that in addition to congestion of Cuban warehouses, Key West was congested with additional goods which had been destined for Cuba but never arrived there.

In the annual report of 1921, page 87, the Director of the Bureau above mentioned said in part:

With the exchange rates of foreign currencies depreciated to a point which made our prices in dollars prohibitive * * * with the impossibility of settling in gold the balance already due us, with the difficulty of arranging further credit facilities, with cancellation of orders, with rejection of goods already shipped, and the dishonoring of drafts, it was impossible for exports to continue at the rate * * * to which they had grown during and directly after the war.

On page 130 of the same report appears the following:

The presence of large and varied stocks of refused merchandise in the custom-house at Buenos Aires has had the effect of seriously slowing up the demand for imported articles, as the idea prevails among consumers that these stocks will eventually be thrown on the market and liquidated at forced sales.

The purchase by American investors of long-time European securities, such as railway, municipal, and industrial bonds, would help to correct the exchange rates.

In other words, having exported so heavily, and faced with decreasing exports and increasing imports because of depreciated European currencies, our only defense lay in sending money abroad to reestablish the currencies at a higher rate and thus correct the unhealthy foreign trade conditions which had developed. That is a situation which has already begun at the present time.

Would it not be better to avoid these conditions in advance by refusing to follow the foreign-trade siren too far this time? All the accent today is on the removal of trade barriers. During the last war we had the Underwood Tariff of 1913. Quotas, exchange devices, and similar restrictions were not yet instruments of trade policy. Yet our foreign trade fell from \$13,358,000,000 in 1920 to \$6,887,000,000 in 1921, a decline of almost 50 percent in 1 year. Then, after the duties were increased under the Tariff Act of 1922, trade increased again, not, to be sure, because of the tariff, necessarily; but nevertheless hand in hand with it. There is at least as much ground for crediting the increase in trade after 1922 to the higher rates in the Tariff Act of 1922 as there is for crediting the increase after 1932 to an act which went into effect only after a lapse of 2 years and the effect of which could not be felt until 1936. The Tariff Act of 1922 was at least contemporaneous with the increased trade. Compared with it, the trade-treaty program looks more like jumping on the bandwagon. Trade had already increased 28 percent before more than one trade treaty had been signed. It had increased more than 47 percent before more than three additional agreements were signed, and unimportant ones at that—Sweden, Haiti, and Belgium.

We see no process of logic by which the claim can properly be set forth that the trade-treaty program is designed (1) to prevent in any appreciable measure the reappearance of depreciated currencies in Europe during or after the present war and the consequent increase of imports from these countries once the war is over, and increased difficulty in exporting to them; and (2) we see nothing in the trade-treaty program to prevent an initial one-sided and over-expanded export trade. This is not to say that the latter will necessarily occur; but if it does not, the trade-treaty program which seeks to facilitate trade expansion cannot be credited with prevention of the unhealthy condition.

The true interest of the United States lies not in extending its trade with the warring nations and thus increasing its vulnerability to an export debacle when the war ends, but lies rather in maintaining as nearly as possible a peacetime balance. We may be sure that after the war Europe will be in no position to increase its purchases from us, and much less so if the various nations buy to the hilt during the war. If they do the latter they will the sooner reach the position in which they found themselves after the last war; namely, that they cannot buy unless we furnish them the money. If we again do the latter, that is, lend money, we shall need no Tariff Act of 1930 to repeat 1929-32. Just as the 1921 debacle was accomplished under

the low Underwood tariff, so can another disaster follow the present war if our traders run after war demand. If then we extend credit to the impoverished nations as we did after 1921, the 1929 debacle will surely reappear.

It would be far wiser to cultivate our own garden. The domestic market has vast possibilities. The less we depend upon European outlets or war outlets, the less will the economic reverberations of demobilization strike our country once the war ends.

Thus, we may conclude that international trade does not prevent war. Secondly, we will be in a more favorable position to avoid collapse of our trade if we keep it within reasonable bounds while the war goes on. Next to the avoidance of military involvement in the war, our avoidance of economic involvement is of paramount importance.

3. The United States regularly produces surplus agricultural products which it is held must be exported as the alternative to throwing them on the domestic market with disastrous consequences. Cotton and tobacco and sometimes corn and wheat are the chief products in this classification. In the absence of a foreign market for the surpluses, crop restrictions and regimentation must be resorted to at home, it is contended. They allege that we should purchase enough abroad to provide foreign countries with funds with which to buy our surplus products. So goes the argument. Let us see how far the trade situation supports this contention and to what extent the trade treaty program has fulfilled the claims made for it by way of opening markets for our surplus farm products.

We have on the free list a considerable number of important items which we regularly import. The most important of these are newsprint, pulpwood and wood pulp, coffee, rubber, bananas, fertilizer, jute, copper ore, tin, tea, raw silk, cocoa beans, palm oil, copra, tapioca, tung oil, and carpet wool. Imports of these products account for a large part of total goods imported free of duty.

Total imports of goods on the free list during recent years have been as follows:

1932.....	\$886, 000, 000	1937.....	\$1, 765, 000, 000
1934.....	992, 000, 000	1938.....	1, 183, 000, 000
1936.....	1, 384, 000, 000		

Our exports of raw cotton have been as follows:

	<i>Bales</i>		<i>Bales</i>
1932.....	8, 916, 000	1936.....	5, 409, 000
1933.....	8, 353, 000	1937.....	5, 728, 000
1934.....	5, 753, 000	1938.....	4, 561, 000

Exports of unmanufactured tobacco have been as follows:

	<i>Pounds</i>		<i>Pounds</i>
1926-30.....	545, 000, 000	1937.....	434, 000, 000
1931.....	524, 000, 000	1938.....	489, 000, 000
1933.....	438, 000, 000	1939.....	358, 000, 000
1935.....	396, 000, 000		

The value of cotton and unmanufactured tobacco exports combined have been as follows:

1931-35 average.....	\$547, 000, 000	1937.....	\$515, 000, 000
1934.....	505, 000, 000	1938.....	583, 000, 000
1936.....	508, 000, 000	1939.....	321, 000, 000

Wheat and corn exports averaged slightly over \$20,000,000 from 1931-35, and then declined to less than \$5,000,000 until 1937 when the combined value of these exports was slightly over \$40,000,000. In 1938 the combined exports jumped to \$172,000,000, but in 1939 they declined to \$56,000,000. The increased exports in 1938 resulted largely from export subsidies granted for foreign sale of wheat.

Now it is obvious that our imports of goods on the free list would provide foreign countries with sufficient funds to purchase all the cotton, unmanufactured tobacco, corn, and wheat that we have exported in recent years. It is not necessary that we seek to import more competitive dutiable products in order to provide foreign nations with necessary funds to purchase that part of our chronic surpluses of agricultural products which they are able to absorb. Our imports of rubber, coffee, silk, tin, copper ore, wood pulp and pulpwood, and so forth, provide adequate exchange to take our farm surpluses in ordinary years. If other countries do not liquidate our surpluses the reason must be found elsewhere. Other sources of supply have been developed. Our cotton exports have declined sharply since 1932 and 1933. Yet our total foreign trade has expanded quite sharply. Whereas our total imports increased over 100 percent from 1932 to 1937, our exports of cotton declined 35 percent. Exports of unmanufactured tobacco has not reached the level of 1931 since that year. Lard, which is often mentioned as one of the exports helped by the trade treaties, has also failed to find an expanded foreign outlet. The average exports from 1931 to 1935 were 444,000,000 pounds per year. In 1936 exports were only 111,000,000 pounds, in 1937 only 135,000,000 pounds, and in 1938 only 204,000,000 pounds. In 1934, the year the trade treaties were first authorized, exports were 431,000,000 pounds.

Might I say here that I have made no reference in this paper to the gold and silver purchases made by our country which provide other countries with exchange for the purchase of goods in our own country.

Evidently failure of foreign countries to increase their purchases of cotton, tobacco, and lard was attributable to some other reason than any failure of the United States to increase its imports, for we have seen that our imports in general increased more than 100 percent from 1932 to 1938.

If we can find no relationship between increased imports, on the one hand, and the export of our two leading agricultural exports, on the other, what becomes of the theory that we should lower our duties in order to dispose of our agricultural surpluses abroad? If foreign markets are so shifting and undependable, for what purpose do we open our domestic market to greater competition in competitive goods?

4. In order to export more we must import more, it is said. This is to say that if we wish to dispose of our farm surpluses abroad or wish to add to factory employment, we must reduce duties in order that foreign goods may come in in greater volume.

But we have just shown that increased imports have not led to greater exports of our farm surpluses of cotton, leaf tobacco, and lard. Previously we saw that increased factory employment attributable to increased exports represented a net loss in employment compared with what employment might be had we manufacture at home the competitive articles which we now import.

The fact is that our imports increased during the years when the average duty on dutiable items was the highest in many years. In 1932 the average duty on dutiable items was 57.8 percent. Yet in 1933 imports increased \$108,000,000, and of this increase \$90,000,000 was in dutiable items and only \$18,000,000 in free items. In 1934, without a lowering of duties, except on Cuban sugar in September of that year, imports again increased. This time they went up \$203,000,000 and of this increase 56.6 percent was in dutiable items. Now, in 1937, with returning prosperity and higher prices, imports increased \$586,000,000; but even though duties had been reduced by 14 trade agreements, 65 percent of the increase came in items on the free list. In other words, while the duty was high, i. e., from 1932 to 1934, particularly because of the effect of a low price level in combination with specific rates, the increase in imports occurred largely in the dutiable items. In 1937, when the average duty on dutiable items had fallen to 37.4 percent, the principal increase in imports occurred in the items on the free list.

Thus absolutely no correlation exists, unless it be a negative one, between increase of imports and reduced duties. The facts prove as clearly as anything can be proved in the field of foreign trade, that the level of duties existing before the trade treaties went into effect were not only not embargoes but were not so high that foreign exporters lost their competitive advantage. Certainly the duties did not offset more than the difference in cost of production in foreign countries and the United States. Why then should it be considered necessary to reduce this level of duties?

5. It is argued that the United States was in considerable part responsible for the wide resort to trade barriers and restrictions during the past 10 years by enacting the Tariff Act of 1930. Having taken the lead in the imposition of trade restrictions and having observed the disastrous consequences in paralyzed trade from 1929 to 1932, the United States, it is claimed, should acknowledge its error and take the lead in a sustained program to reduce these barriers. We proceed to examine these allegations and conclusions.

There is possibly little to be gained by pointing to the Empire preferential system enacted by the British Commonwealth in 1928, to the increase in the Cuban tariff in 1928, and to other trade restrictions, all of which preceded the 1930 tariff. Little will be gained from a mention of these facts since those who are bent upon hanging the economic distress after 1929 on the Tariff Act of 1930 refuse to be guided by facts. They have adopted a doctrinal theme song which is impervious to factual evidence.

Other nations have adopted trade restrictions in pursuance of economic policies aimed at natural self-interest, as they see it. The tariff policy of the United States can at best play but a small part in shaping internal economic policies of European and Asiatic countries. It would be as reasonable to say that the internal economic policies of the United States are shaped by the tariff policy of England, as to say that the internal policies of England or Germany or France or Italy or Russia are shaped by our tariff levels. No realistic view of the adoption of internal economic policies can countenance such an absurd conclusion. Cuba, Brazil, Japan, and a few other countries of which leading products find a predominant outlet in the United States would be greatly affected by radical departures in our treat-

ment of their products; but, in most of these instances in which large outputs of raw products are shipped to the United States, we receive these products free of duty. This is true of coffee, silk, rubber, tin, copper ore, and other raw materials already mentioned.

The alleged disastrous effects of the Tariff Act of 1930 were so swift in making themselves felt that they preceded by nearly a year the actual enactment of the tariff. The mollifying effects of our benevolent trade-treaty program, on the other hand, are so slow that after 5 years of our extensive efforts, trade quotas, exchange regulations, export subsidies, controlled exports, and trade shackles in general are more extensive and numerous than they were when we began.

Why the Tariff Act of 1930 should have been followed so swiftly by economic retribution while the Tariff Act of 1922, which brought about a greater percentage increase in average duties than did the Tariff Act of 1930, was followed by increased foreign trade and unprecedented domestic prosperity, has not yet been satisfactorily explained. The average rate of duty jumped from 29.5 percent to 38.1 percent when the Tariff Act of 1922 was enacted. This was an increase of 8.6 percentage points and this represents an increase of 29.1 percent or nearly a third of the 1921 average duty. The 1930 tariff brought about an increase in the average rate from 40.1 percent in 1929 to 44.7 percent in 1930. This was an increase of only 4.6 percentage points. This figure should perhaps be doubled since the new tariff did not go into effect until midyear. The increase would then be 9.2 percentage points. This represents a 22.9-percent increase over the 1929 rate, or something less than one fourth.

6. It is alleged that the trade-treaty program has brought about increased exports and thus has helped American farmers and industrial workers. At the same time it is held that the ruinous competition anticipated by so-called alarmists has not come to pass. We next examine this point.

We have already shown that the trade-treaty program cannot be credited with the increase in exports which have occurred since the act went into effect. We should modify this by saying that an indeterminate part of our increased exports to Cuba may properly be credited to the trade-treaty program. That our exports to Cuba would have increased in any case may be inferred from the increase in our shipments to the Philippine Islands, which are similar to Cuba in the production of sugar and tobacco and some other tropical products. Exports to Cuba rose from \$45,000,000 in 1934, the year of the agreement, to \$92,000,000 in 1937, while our shipments to the Philippines in the same period went from \$47,000,000 to only \$85,000,000. But in 1938 our exports to Cuba fell to \$76,000,000 while shipments to the Philippines went to \$86,000,000, thus giving a higher increase than that in our exports to Cuba. Exports to some other nontreaty countries increased more sharply than did those to Cuba.

The reason that our exports to Cuba should have responded to our trade treaty lies in the fact that we reduced the duty on Cuban sugar from 1½ cents per pound to nine-tenths of a cent per pound, and because sugar is the principal product of the island, and the United States is an important market for sugar from Cuba even though a quota limitation was placed on the imports. In probably no other case was the duty reduction granted by the United States so great a factor in the particular foreign country's total economy.

As for the remainder of the world there is no possibility of attributing to the trade-treaty program increased exports to trade-treaty countries which cannot be matched by equal or greater increased in exports to nontreaty countries if the comparison is made from the year particular treaties went into effect through 1938, which is the latest year for which detailed statistics are available. In those instances where the exports to trade-treaty countries may be compared with exports to adjacent nontreaty countries, measured from the year in which the specific treaty went into effect, the results are very striking and show graphically the utter failure of the trade treaties to set off the treaty countries from the nontreaty countries. Charts which show exports to adjacent countries where one has entered into a treaty and the other where no trade treaty exists, demonstrate the parallel trends and tell the story. In many instances exports to the nontreaty countries increased to a greater percentage than those to adjacent trade-treaty countries.

These facts once more show with compelling force that reduction of our duties does not in general determine trade movements. It demonstrates again that our tariff level was not too high; for, had it been too high, a reduction in the duty should have been reflected in heavier trade. This was not the result obtained with respect to our trade as a whole, compared with other periods of our history, nor with respect to our trade with trade-treaty countries. Since the trade-treaty program went into effect only a normal expansion in our trade has taken place.

The CHAIRMAN. You have now taken over 40 minutes, Mr. Woll.

Mr. WOLL. Is it your pleasure that I should stop?

The CHAIRMAN. It is the pleasure of the chairman. You said that you would take 40 minutes, and there may be some questions asked you by members of the committee.

Senator KING. How much longer will you require? I have not had the pleasure of hearing all of your testimony.

Mr. WOLL. I think it will take me 10 or 15 minutes more. I want to be accommodating to your wishes.

The CHAIRMAN. And I want to be accommodating to you too, Mr. Woll. Mr. Woll was on the calendar for Saturday morning of last week, and at his request, through a friend, we put it off until today, and I had understood that he would take about 40 minutes. We have a long calendar here. There are five witnesses today on this calendar and we must adjourn in time to attend the session of the Senate today which involves the consideration of an important bill this afternoon—

Senator CLARK (interposing). There are two extremely important bills before the Senate.

The CHAIRMAN. We have kept up with the calendar thus far. I do not want to inconvenience anybody, but it seems to me that if you could put the balance of your statement in the record and submit yourself to questions, it would be much better for the orderly conduct of this hearing.

Mr. WOLL. May I have 5 minutes more? I shall let the balance of the paper go in, but I am sorry that I cannot read the conclusion, which is the summary of that, but in addition to the paper which I prepared, there are some other questions not dealt with in that paper which relate to the question of the termination of the agreements and slightly touched upon.

Apparently if this power to negotiate reciprocal-trade treaties is extended for 3 years and 6 months, then of course agreements may be made to the very end of that period, which will extend that period again for 3 years longer. Whether Congress is willing and ready to abdicate that power during all that period of time is best answered by the Congress itself.

Then, of course, there comes in the question of who has the power to terminate these contracts, and I understand that Congress would not have the power. That is my understanding. And it is intended that the State Department or the President be given authority to increase or decrease tariffs upward or downward 50 percent. It should be understood that if we take 100 percent as a standard, to reduce them 50 percent would mean a reduction of one-half, and to increase them 50 percent would bring it up to one and a half, thus giving a value of 100 percent to administrative authorities in fixing rates that should obtain. Certainly that cannot be considered an administrative function, but is a legislative function. The validity of this contention is best illustrated by saying that should Congress give to the President the right to lower or raise tariff rates not 50 percent, but 75 percent or 90 percent, we could clearly see the fallacy that this is not a treaty-making power but purely an administrative act.

Senator KING. Is that point covered pretty fully in your brief?

Mr. WOLL. It is not.

Senator KING. I would be very glad if you would submit an additional statement discussing those legal questions involved there.

Mr. WOLL. I have not touched upon the constitutional point here, but I agree fully with what Senator Wagner said in 1929 that even the Supreme Court did not clearly indicate that these trade treaties were constitutional.

Then I was very much interested in the presentation of the Secretary of State, and particularly the conclusion that if Congress should reserve the right for the Senate to ratify these trade treaties, as of right they should do, that then the whole system as presented by him will fail and all of the peace arguments will vanish. That argument sounded to me a great deal like a Hitler pronouncement, not having faith in democracy and not trusting the Senate in dealing with international affairs. In other words, the State Department must deal with these matters wholly and solely and alone, and our parliamentary procedures must be swept aside or else we can no longer be assured of peace in our international relationships.

Those are some of the additional points that I wanted to present, in addition to the paper.

I thank you very much.

The value of domestic manufactures according to Census Bureau increased from \$30,557,000,000 in 1933 to \$60,710,000,000 in 1937. In the same period exports rose from \$1,674,000,000 to \$3,349,000,000. The increase of each was virtually 100 percent. Exports merely followed the trend of recovery which was world-wide. In 1938 the Federal Reserve Board's index of industrial production in the United States fell to 86 from a level of 110 in 1937. Imports fell from \$3,009,000,000 to \$1,949,000,000. Industrial activity in foreign countries did not decline as much as they did in the United States. Preparation for war helped to sustain industrial activity abroad. According to the Yearbook of the International Labor Office industrial

production in the United States declined from 92.2 in 1937 to 72.3 in 1938, while the world, exclusive of Russia but including the United States, showed a decline from 104.2 to 92.9. Were the United States omitted the decline would obviously have been less, or about 10 percent. If we now look at our exports in 1937 and 1938 we find a decline from \$3,349,000,000 to \$3,094,000,000, or slightly less than 10 percent. This is another remarkable correlation and again illustrates the lack of effect of the trade treaty program on our exports.

It is difficult to know from how many angles the lack of effect of this program on our exports must be shown in order to make an impression. Even the decline in our imports in 1938, roughly from \$3,000,000,000 to \$2,000,000,000 after most of the trade treaties had been in effect longer than a year did not modificate the claims of the defenders. It merely blinded them a little more; and blindness stands them in good stead.

Auto exports drop 31 percent.

The automobile industry is often cited as an example of the benefits obtained through the trade treaty program. United States exports of automobiles and trucks, including foreign assemblies from parts produced in the United States, since 1932, have been as follows, in units—source: Automobile Manufacturers Association:

Number exported:		Number exported—Continued:	
1932.....	120, 239	1936.....	346, 067
1933.....	176, 583	1937.....	475, 914
1934.....	310, 522	1938.....	325, 942
1935.....	334, 841		

From these figures it can be seen that exports increased sharply after 1932. By 1934 the exports had increased 158 percent, and by 1935, 178 percent. In other words, before the effects of the trade treaties could make themselves felt, exports had already recovered very sharply. Exports in 1938 compared with those of 1935 show a decline of 3 percent. Exports in 1937 were higher than those of 1935 by 42 percent, it is true, but the foreign market did not hold. Unit exports dropped 31 percent from 1937 to 1938. If there is merit in exporting more automobiles and trucks, it is difficult to understand wherein the trade-treaty program may be credited with any contribution to the results.

The percentage of automobile and truck exports to factory sales in the United States are shown in the following table—from the same source, Automobile Manufacturers Association:

Percent exports bear to United States factory sales

1932.....	8. 7	1936.....	7. 7
1933.....	9. 1	1937.....	9. 8
1934.....	11. 2	1938.....	13. 0
1935.....	8. 4		

Here we see again how exports increased before the trade-treaty program went into effect. In only 1 year, namely, in 1938, was the percentage of exports higher in relation to domestic factory sales than in 1934 when the trade-treaty law was enacted.

Thus, whether we compare unit sales or percentage of exports to domestic sales, we find that the trade-treaty program cannot be credited with the increases recorded since 1932. In both instances most of the ground had been recovered before the trade treaties made themselves felt.

What becomes then of the claim that employment in the automobile industry was stimulated by the trade treaties? Can anyone truthfully say that a hundred additional jobs were created in the automobile industry by the operation of the trade-treaty program? No such claim could be substantiated statistically. Exports go up or down in relation to the domestic and world-wide levels of prosperity. In 1937 domestic production in nearly all lines was on the highest level of any post-depression year; and so were exports. Automobile trucks were no exception. In 1938 the level of production declined sharply; and again automobiles and trucks were no exception. Also, once more, exports of automobiles and trucks as well as total exports declined; although as previously pointed out, total exports did not decline as much as domestic production because industrial activity in the rest of the world, because of war-industry activity, did not decline so much as in the United States.

From 1930 through 1937 alone the American people have spent more than eight billions of dollars in the construction of highways. This vast outlay, with the expenditures of previous years, created the greatest market in the world for the products of the American automobile industry.

The American automobile producers have been among the principal proponents of the trade-treaty program. Great stress has been laid on the possible opening in foreign countries of additional outlets for American automobiles and trucks. We are led to wonder what further subsidies the American automobile industry will require or under what condition will they be satisfied?

With many thousands of jobs of American workers transferred to workers in foreign countries, through our entry into trade treaties, with the benefits of the Fair Labor Standards Act nullified, with the purchasing powers of many thousands of America's workers greatly reduced, with additional billions required yearly to provide for those unable to secure employment, a lesser expenditure for highways surely would not be helpful to the American automobile industry.

The higher wage level existing in some of the export industries is sometimes pointed to as of special significance. The fact is that the industries selected for comparison are mass-production industries which are highly mechanized and as a result have a comparatively low percentage of labor cost. In addition these industries are not subjected to low-wage competition from abroad. There is, therefore, every reason why such industries should pay relatively higher wages quite irrespective of exports.

We may turn now to some other considerations. One of these is the matter of the most-favored-nations clause. These trade treaties are referred to as reciprocal trade treaties. The fact is that we have made duty reductions which are almost world-wide in their application whereas the reductions which we have been accorded or promised in return are restricted to the countries making direct agreements with us. If there are any exceptions to this we have not heard of them. Only if other countries should make treaties among themselves all around, and not with us, so that we would make no concessions in return, would we receive free benefits from the other countries as they are now receiving from us. The other countries, however, are

not making such agreements and as a result we are in the position of giving away our market to third countries, that is, countries not a party to particular agreements, without exacting concessions in return. This is a means of lowering our duties in general but it is not reciprocity nor does it meet the usual conception of bargaining.

It is sometimes stated that the trade treaties and foreign-trade activity in general lead to increased railway-freight activity. This contention overlooks the shorter haul which export freight requires compared with domestic goods destined for domestic consumption. Cotton, for example, one of our heaviest exports, is produced largely in States lying on or near the South Atlantic or Gulf coasts. Wheat moves largely by the Great Lakes or through Gulf ports if the exports are from Texas, Oklahoma, or Kansas. Apples are produced chiefly in Virginia, Pennsylvania, and New York, in the East, and in Oregon, Washington, and California, in the Northwest. Fruit canneries are located predominantly on the west coast. Canned salmon and tuna are seacoast products. Tobacco is produced largely in North Carolina, Kentucky, and Virginia. Packing-house products are located near the Great Lakes or on or near the Mississippi. Petroleum is moved by pipe lines. Cotton goods are manufactured predominantly in New England and in North and South Carolina and Georgia. Aircraft is manufactured largely in southern California, Washington, New York, Connecticut, and Maryland. Coal comes from Pennsylvania and West Virginia. Automobiles are manufactured largely around Detroit and the Great Lakes.

These various products embody our principal exports and in no instance is a long rail haul involved in moving the bulk of the shipments to export points. On the other hand, in distributing these and numerous other products to consuming centers throughout the United States, numerous long hauls in addition to short hauls are required. Ocean shipments of varying distances must be added to inland transportation in the case of exports with the result that heavy goods must come from points comparatively near the water snipping points.

As for imports, it is generally true that if they are competitive with American goods and are bulky in character, they do not usually move far inland, but concentrate their competitive effects in sections near the importing centers. Among such products may be mentioned glass, cement, milk, lumber, cattle, coal, petroleum, fresh fish, and so forth. Imports which are high in value compared with bulk penetrate the entire country even in the face of domestic competition, but by their very nature such goods do not give rise to much freight tonnage. Precious stones, watches, scientific instruments, perfumes, lace, pottery, pharmaceuticals and drugs, oriental rugs, essences and extracts, wines and liquors, spices, nuts, and furs are imports of this type.

Among our heaviest imports are wood pulp and pulpwood, fertilizer, newsprint, sugar, bananas, coffee, rubber, cocoa beans, copper ore, copra, palm oil, tapioca, tin, carpet wool, and so forth. But these articles, with the exception of sugar, are on the free list and are not subject to duty reductions.

(The editorial appearing in Labor, referred to in Mr. Woll's testimony, follows:)

[LABOR—A National Weekly Newspaper, Washington, D. C., January 30, 1940]

ABOUT RECIPROCAL TRADE TREATIES

GOOD THING TO BROADEN FOREIGN MARKETS, BUT OUR PROSPERITY DEPENDS ON BUYING POWER OF OUR OWN PEOPLE

During the next few weeks we are going to hear a lot about President Roosevelt's reciprocal trade treaties. So it behooves us to give the subject a little dispassionate consideration.

Reciprocity in foreign trade is not a new idea. Such outstanding champions of a high protective tariff as James G. Blaine and William McKinley, both Republicans, were advocating it 50 years ago. However, their scheme was quite different from the one now advanced by President Roosevelt and Secretary of State Hull.

The Blaine-McKinley idea was that we should "swap" with one country at a time, saying in effect: "If you will give our products special preference in your markets, we will give your products special preference in our markets."

The Roosevelt-Hull proposal is that when we consummate such a deal with one country, we shall immediately grant the same concessions to all other countries, even if they do not give us any concessions in return.

That sounds decidedly queer to the average citizen, but Secretary Hull points out that it was President Harding and his Secretary of State, Charles Evans Hughes, now Chief Justice of the Supreme Court, both Republicans, who established "the most-favored-nation policy" back in 1923.

Under the Harding-Hughes plan any nation which treats our products exactly as it treats the products of other nations receives the same treatment from us, even to the extent of giving it the benefit of any reciprocal trade agreement we may make with other nations.

We have been operating under the Roosevelt-Hull policy for 6 years and now Congress is being asked to extend the law for 3 years more. Hull says it has worked well despite the unsettled conditions throughout the world. His opponents maintain that while it may have benefited some lines of business in this country, it has injured others, and the nations which have made no concessions to us have benefited most of all.

Each side submits a mass of figures to sustain its contentions. Even the experts can't agree on the interpretation of those statistics. The ordinary citizen who attempts to wade through the maze of claims and counterclaims emerges sadly bewildered.

Mr. Hull conscientiously believes that the prosperity of this country and the peace of the world depend, in large measure, on the removal of tariffs and other barriers which block the free flow of commerce between nations. His foes say his theory is all right, but that if Uncle Sam attempts to do the job in the way proposed, he will wind up by being a sort of international "goat."

Labor recognizes the value of foreign trade and the desirability of removing the restrictions which now harass it, but frankly feels that Mr. Hull overemphasizes the importance of our dealings with other nations. That does not mean that his reciprocal trade plan is bad. On the contrary, it undoubtedly has many virtues. But Labor is convinced that American prosperity depends on the volume of domestic trade, rather than the volume of foreign trade.

We export about 8 percent of the things we produce. The remainder, 92 percent, must be consumed here at home. A 10-percent increase in the buying power of the American people would do more to stimulate business in this country than any deal we could possibly make with foreign countries.

Mr. WOLL. If the competitive dutiable imports were produced in the United States, railways would enjoy greater tonnage than they obtain through carriage of exports of equal volume for the reasons already cited. As for the noncompetitive items, they are mostly on the free list and do not enter in greater or lesser quantities because of the trade-treaty program.

It is a legitimate question to ask why extension of the trade-treaty program is feared, if it has not led to any appreciable increase in imports. In the first place, we know that specific labor elements have been injured by existing trade treaties. Specific losses in some industries have possibly been offset by gains in others. Without any

not gains appearing in the results as a whole, injuries and losses have none the less been experienced. What the Nation gains by possibly benefiting a few mass-production industries, such as the automobile, office appliance, fruit canning, and packing industries, at the expense of others, it is difficult to see. So that one industry may possibly but not certainly export more, others are called on to suffer keener foreign competition.

In the second place, imports which concentrate their competitive effects on certain markets demoralize domestic prices and depress wages. The percentage of imports to domestic production as a whole often gives a totally misleading impression of the triviality of the effects produced. Imports that may appear trivial when compared with total domestic production may bear heavily upon a limited section or may represent a considerable percentage of a particular class or division of a wider line of goods.

In the third place, the trade treaties do not lend themselves to the flexible range of action required to meet the exigencies of war conditions and are particularly ill-adapted to meet the requirements of post-war liquidation and readjustment.

In the fourth place, the trade treaty program makes it more difficult for domestic industry to meet the provisions of the Fair Labor Standards Act whereby not less than 30 cents an hour must be paid and work limited to 42 hours per week unless overtime is paid. The Asiatic Exclusion Act was not passed because we consider the orientals undesirable but because of the low wages they are ready to accept. The effect is much the same when we accept their goods manufactured in the Orient without duties to compensate the difference in wage levels. The same holds true of our restrictive immigration laws. As we reduce our duties we approach the nullification of both acts. The intent of Congress will have been nullified by executive action.

Finally it is in order to point out that a 3-year extension of the trade-treaty program may operate to extend some treaties as much as 6 years. A treaty renewed toward the end of the proposed 3-year extension would run 3 more years and could not be terminated by act of Congress. Only the President could denounce any given treaty and a 6 months notice is provided in the treaties before abrogation can be effected. In 6 months a great deal of economic damage may be inflicted upon the employment opportunities of American workers.

We find no support for the lowering of duties in the foregoing facts nor any reason for extension of the trade treaty program. If, on the other hand, it is the will of the elected representatives of the people to seek further reductions in our tariff, we ask that these representatives ratify the reductions in conformity with the constitutional provisions regulating the Nation's entrance into treaties. So that a fair hearing may be obtained by those who may be deprived of employment and a livelihood through further duty reductions, we ask that all trade treaties be ratified by the Senate.

Further, we ask that a limitation be imposed providing that competitive imports of workers in foreign countries be denied entry into American markets at total landed costs, tariff duties paid, which are less than American costs of production or wholesale selling price of products of American workers when such competitive products of American workers are commercially available.

The annual reports of the Director of the Bureau of Foreign and Domestic Commerce for 1921 and 1922 are filled with instances of rejection of imported goods, canceled orders, distress sales, and similar difficulties. A compilation of quotations from these reports has been made, and we offer them for the record.

(The same are as follows:)

From annual reports of the Director of Bureau of Foreign and Domestic Commerce to the Secretary of Commerce, for the fiscal years ended June 30, 1920, and June 30, 1922:

COPENHAGEN

"When the armistice was signed the Scandinavian countries possessed great financial wealth, but, as a result of the strict blockage which was in effect during the war, they were in great need of every class of goods. Large orders were promptly placed for goods that were intended to be sold in Germany, Russia, and Finland as well as Scandinavian countries. In a short time, however, the huge imports that had accumulated in the large ports, especially Copenhagen, could not be disposed of, and a commercial and financial crisis was reached. This caused the rejection of numerous shipments, and the commercial attaché received many requests for assistance in adjusting trade disputes." (P. 22.)

BRAZIL

"The work of Commercial Attaché Julius E. Philippi at Rio de Janeiro for the year 1919-20 consisted principally in clearing away the difficulties arising from the disturbed conditions following the armistice. Great quantities of goods had been accumulated at New York for exportation to Brazil, representing orders that had been placed during a period of more than a year. Some of them, in fact, had been forgotten by the Brazilian importers, who in their efforts to secure supplies, despite the restrictions on shipping and the export licenses, had given orders to anyone who would take them. As soon as space became available all exporters wished to forward their goods at once. As a consequence many Brazilian houses found themselves unable to accept such large quantities of merchandise." (P. 25.)

MEXICO CITY

"The office of the Commercial Attaché in Mexico City was established in July 1919 when Edward F. Feely, who for 9 months had been making investigations in Mexico as a trade commissioner, was appointed commercial attaché. One of his first opportunities in his new post was the call for assistance from American firms whose orders in Mexico had been canceled because of falling prices." (P. 26.)

From annual report of the Director of Bureau of Foreign and Domestic Commerce to the Secretary of Commerce for the fiscal year ended June 30, 1921.

CHILE

"The subsequent cessation of nitrate sales, bringing with it a fall of Chilean exchange, caused many cancellations and failures, with the result that during the autumn the attaché's efforts were principally devoted to adjusting claims and collecting disputed accounts." (P. 20.)

AUSTRALIA

"The main work of the trade commissioner has consisted in assisting in the adjudication of numerous disputes arising out of repudiation of drafts; in helping local importers of American goods to obtain means of remitting funds outside the banks." (P. 38.)

"In addition to these three main causes for the collapse of Latin American exchange there is a contributing cause in the embargoes established by various Latin American countries on the exportation of gold. The lifting of these embargoes, now in effect in Argentina, Brazil, Uruguay, Peru, Cuba, and Mexico, would have at least a temporary salutary effect." (P. 125.)

BRAZIL

"A movement of decline in Brazilian business was well under way during the last months of 1920, and no improvements had appeared by the close of the fiscal

year. Pending a rise in the value of the milreis the market was virtually stagnant, with local houses making only indispensable purchases. In February 1921, \$12,000,000 worth of American merchandise lay in the Rio de Janeiro customs and on harbor lighters, and removals from this stock have been more than compensated by later arrivals." (P. 131.)

CHILE

"During the latter part of August business disturbances set in which continued throughout the remainder of the year. Importers of foodstuffs such as sugar and rice were seriously embarrassed when those commodities suffered a sudden fall in value. Heavy losses were sustained by holders of large stocks of wool, hides, copper, textiles, and other staples when prices fell, while reports of further reductions in foreign manufactured articles made importers and consumers reluctant to purchase. The fall of Chilean exchange occasioned by the cessation of nitrate sales continually advanced the value of the dollar and resulted in numerous cancellations of orders and refusals to accept merchandise, as well as in the failure of many business houses with insufficient capital." (P. 132.)

"The amount of unclaimed merchandise was not so large at the end of the year, because of the uniform method of the banks in retiring unaccepted merchandise from the customhouse and selling the goods to the best advantage." (Pp. 132-133.)

From annual report of the Director of the Bureau of Foreign and Domestic Commerce to the Secretary of Commerce for the fiscal year ended June 30, 1922:

CUBA

"The rights of American shippers in the matter of goods value at \$68,000,000 to \$80,000,000—caught in Cuban port congestion and commercial depression—were maintained and safeguarded through the unceasing efforts of the commercial attaché's office at Habana, acting in close cooperation with the American Department of State. This was one of the most complicated and arduous tasks performed in recent years by Government representatives in Latin America, and the adroit and successful handling of the situation has called forth expressions of the warmest commendation." (P. 4.)

"The most significant service of this type rendered by the bureau during the past year was in connection with the heavy accumulation of undelivered American goods at Cuban ports. This situation arose when goods ordered during the boom-time period were delivered and the consignees found it difficult to accept them because of the depression which had in the meantime set in, particularly the drop in the price of sugar, the principal Cuban export product. In the effort to relieve the congestion on the wharves, docks, and lighters, the undelivered goods were consigned, at the direction of President Zayas, to a large number of bonded warehouses of various descriptions, many of them hastily created for this purpose. In the process of decongestion of the ports, involving some 340,000 packages, the exact location of particular shipments had not been carefully recorded, making it difficult later to get at such shipments as it was desired to clear.

"The situation was meanwhile complicated by the fact that the usual period of 6 months allowed, under the Cuban customs regulations, for the clearance of imported goods had expired, and this fact rendered the whole accumulation of goods possibly subject to forced sales by the customs authorities for customs and storage charges. Realizing the great danger of a resulting break in the whole Cuban market, which would incidentally make the situation more difficult for such Cuban concerns as endeavored honorably to accept shipments and meet obligations, the commercial attaché at Habana secured the issuance of a decree, on December 5, 1921, permitting imported goods which had not yet been cleared through the Cuban customs to be returned to the port of origin within a period of 120 days, without requiring the payment of duty. The uncertainty as to where goods were located made it impracticable for concerns to avail themselves of this privilege, and, through the intercession of the American chargé d'affaires and commercial attaché, the Cuban Government granted the insurance underwriters, involved in the major part of these shipments, the privilege of carrying through a thoroughgoing inventory of the goods stored. In order to allow for this to be done, it was necessary to request a further and protracted period of grace from the liability to forced customs sales.

"The final decree granted by President Zayas extended the period of re-export, without duty, to August 31, 1922. Meanwhile, representatives of the underwriters, working in cooperation with the Cuban customs officials and the com-

mercantile attaché, began a listing of the goods stored in every warehouse using the customs records wherever adequate. As the results became available, the records were transcribed, and, through cooperation between Acting Commercial Attaché Jones, at Habana, and the foreign tariffs and Latin-American divisions of the bureau, at Washington, the American concerns indicated as the original owners of shipments were notified as their packages were located in the course of the inventory. Concerns were advised in each case as to the courses of action open to them, under the concessions secured through the joint efforts of the Departments of State and Commerce, and the assistance of the office of the commercial attaché at Habana was offered to the representatives of the individual concerns in securing prompt clearance of such goods as it was desired to re-export. More than 1,000 such warehouse listings were sent out to individual concerns in the United States, through the division of foreign tariffs at Washington. In several hundred of these cases no address was indicated, and this fact involved considerable effort in endeavoring to identify the possible shippers in the United States with the incomplete and illegible inscription derived from the Cuban records.

"These organized efforts on the part of the Department of Commerce, supported in the diplomatic phases by the Department of State, resulted in active steps being taken by a large number of concerns toward the disposal of their goods held in Cuba, and have opened the way to a rapid clearance of the undelivered goods that had accumulated in the Cuban ports during the last 2 years." (P. 16.)

VLADIVOSTOK

"Similar to the Cuban bonded-warehouse situation was that which developed at Vladivostok, where had accumulated quantities of goods of various origin shipped during a period of years, which, because of the disturbed conditions, had not been taken up by the original consignees. Under the law, merchandise held at the customs for more than 1 year, without the payment of duty, could be sold at public auction. Action in this direction had already begun when Trade Commissioner Mayer obtained from the Vladivostok authorities a respite and a concession allowing undelivered goods to be reexported simply upon the payment of a 10 percent export tax." (P. 17.)

ARGENTINA

"One of the most important and difficult tasks undertaken by the office was the determination of the quantities and values of merchandise left for account of American manufacturers and exporters in the customhouse at Buenos Aires." (P. 81.)

SERVICES TO GOVERNMENT AND OTHER ORGANIZATIONS, STATE DEPARTMENT

Particular mention should be made of the prompt and effective assistance of the State Department, and its representatives abroad, in the solution of the difficulties in connection with the Cuban warehouse situation, arising from the heavy accumulations of undelivered American goods." (P. 21.)

OUTSTANDING ACTIVITIES DURING FISCAL YEAR

"Plans were furthered for the disposal of rejected American merchandise in South American ports and in Cuba in cooperation with other divisions, an inventory of such merchandise was effected and permission for its reexportation obtained from the Cuban Government." (P. 88.)

Mr. WOLL. Thus we see two results of the World War for which the State Department might prepare. One is a sharp increase in imports of competitive goods, that is, manufactured foodstuffs and finished manufactures; and the other, lending of assistance to our foreign representatives to clear foreign docks and warehouses of undelivered American goods.

The report of the Director of the Bureau of Foreign and Domestic Commerce said, to quote further:

"It is recognized that depreciated exchange rate of European currencies as compared to the American dollar raise the price of our products to prohibitive figures and act as a check on exports to that market."

Senator CLARK. Do I understand that your position is that the country would be better off if the rates of the Smoot-Hawley tariff were in force and unchanged?

Mr. WOLL. I say this, that the Smoot-Hawley tariff rates did not bring about the depression.

Senator CLARK. You say on page 6, "Why then should it be considered necessary to reduce this level of duties"—that referring to the Smoot-Hawley?

Mr. WOLL. Yes, Senator.

Senator CLARK. Do you consider that it would be better for the country as a whole to go back to the system of the Smoot-Hawley bill than the reciprocal-trade treaties?

Mr. WOLL. Yes; and it is my understanding, and I think that we will go back to it.

Senator CLARK. I do not care about your prediction, but your position. Now, on page 8 of your statement, and the following page, you make an argument about the Reciprocal Trade Act, and the effect of your argument is that the reciprocal-trade agreements have been a detriment to the automobile industry, is it not?

Mr. WOLL. I bring out the facts there that after the war we had a great many automobiles on our hands and suffered severely. And might I say in that connection, that the report that was made about the increased automobiles, unfortunately lumped the exports of Canada with those of the United States.

Senator CLARK. We had here the other day before this committee an extremely intelligent gentleman who was sent here as the official representative of the automobile industry, who presented a very strong argument on behalf of the extension of these reciprocal-trade agreements. Do you think that the automobile industry sent that man, Mr. Budd, down here just out of their own inveterate stupidity and malice to try to misrepresent the facts and mislead Congress as to what these trade agreements had done?

Mr. WOLL. The figures quoted in my paper are taken from figures furnished by the Automobile Manufacturers Association in the 1939 edition, and if those figures are erroneous, then of course we must blame the automobile industry for the erroneous figures given.

Senator KING. Those are the figures put out by the automobile industry?

Mr. WOLL. Absolutely.

The CHAIRMAN. We had some figures put in here, in the record the other day, by Mr. Budd.

Mr. WOLL. May I question what those figures were?

The CHAIRMAN. I think everybody can read those figures.

Mr. WOLL. My figures are taken from the records of the automobile industry publication, Facts and Figures, the twenty-first edition, of 1939.

Senator VANDENBERG. I think it should be said for Mr. Woll that even Mr. Budd's figures, when they were broken down, I think demonstrated that the export recovery of the automobile business was primarily due to the recovery of world buying power.

Mr. WOLL. But the question is made as to my figures, and I say that the figures are taken from the automobile industry.

Senator CLARK. I did not question your figures. I questioned some of the remarks that you made about the figures, and I asked

you if it was your opinion that the automobile industry when they sent Mr. Budd down here to present a very intelligent statement, as it seemed to me, as to the benefits which had been enjoyed by the automobile industry under the reciprocal trade agreements, were just acting from some inveterate stupidity and malice

Mr. WOLL. I am perfectly willing that Mr. Budd analyze my statement on this subject.

Senator DAVIS. Could Mr. Woll's paper be printed without interruptions in the report of the committee?

Senator CLARK. He was not interrupted.

Senator DAVIS. He was interrupted by the chairman, and part of his statement is not in the record at all, as I understand it. I would like to see it printed in full.

Senator CLARK. The chairman stated that the statement could be printed in full in the record.

The CHAIRMAN. That consent has been given.

Senator KING. I suppose the Senator is referring to the fact that I made an inquiry concerning the limited statement made?

Senator DAVIS. No; I did not mean that. I mean when the chairman interrupted Mr. Woll to ask him how long it would be before he would be through, and he said about 15 or 20 minutes. I say that his paper in full should continue right on and be printed in full, and then after that the remarks and the questions of the other Senators should appear in the record.

The CHAIRMAN. The whole statement, Mr. Woll, will be printed in the record just as though you had read it, as I think for some 40-odd minutes.

Mr. WOLL. May I also have the privilege of reading an editorial from the publication Labor inserted in my remarks, because I wanted to indicate how the railroad organizations feel on the subject.

Senator KING. As a part of your statement?

Mr. WOLL. Yes, sir.

Senator DAVIS. That ought to be inserted at the place where you mention railroad labor here.

Mr. WOLL. My paper is marked in that connection.

Senator VANDENBERG. What is the attitude of railroad labor organizations?

Mr. WOLL. I will read the last paragraph of this—

The CHAIRMAN (interposing). Whom is that from? Mr. Whitney?

Mr. WOLL. No; from the publication Labor.

The CHAIRMAN. It is not in the testimony or an editorial from any of the members of the four brotherhoods, is it?

Mr. WOLL. It is edited and owned by 15 recognized standard railroad labor organizations, including 3 railroad brotherhoods not affiliated with the American Federation of Labor and represents the point of view of those railroad labor organizations.

Senator CAPFER. And Labor is the official publication of the railroad labor organizations?

Mr. WOLL. That is right. Reading just the last, the conclusion:

Labor recognizes the value of foreign trade and the desirability of removing the restrictions which now harass it, but frankly feels that Mr. Hull overemphasizes the importance of our dealings with other nations. That does not mean that his reciprocal trade plan is bad. On the contrary, it undoubtedly has many virtues.

But labor is convinced that American prosperity depends on the volume of domestic trade, rather than the volume of foreign trade.

We export about 8 percent of the things we produce. The remainder, 92 percent, must be consumed here at home. A 10-percent increase in the buying power of the American people would do more to stimulate business in this country than any deal we could possibly make with foreign countries.

(The entire editorial appears elsewhere in Mr. Woll's testimony.)

Senator VANDENBERG. Now will you state for the record, Mr. Woll, what the America's Wage Earners' Protective Conference is?

Mr. WOLL. The America's Wage Earners' Protective Conference is a voluntary organization exclusively composed of some 22 organizations affiliated with the American Federation of Labor and directly interested and involved in foreign trade.

Senator VANDENBERG. Will you put the list of those 22 organizations into the record?

Mr. WOLL. I will be very happy to do that.

(The list referred to is as follows:)

Matthew Woll, president, International Photo Engravers' Union.

James Maloney, vice president, Glass Bottle Blowers Association.

John Mara, secretary, Boot and Shoe Workers' Union.

R. E. Van Horn, treasurer, Cigar Makers' International Union.

James M. Duffy, president, National Brotherhood of Operative Potters, East Liverpool, Ohio.

Thomas E. Burke, secretary-treasurer, United Association of Plumbers and Steamfitters of United States and Canada, Washington, D. C.

Joseph Gilooly, president, American Flint Glass Workers' Union, Toledo, Ohio.

Rudolph Heintz, treasurer, United Wall Paper Crafts, Chicago, Ill.

John Beck, president, American Wire Weavers' Protective Association, Cleveland, Ohio.

John Mara, president, Boot and Shoe Workers' Union, Boston, Mass.

Joseph N. Weber, president, American Federation of Musicians, New York City, N. Y.

R. E. Van Horn, president, Cigar Makers' International Union, Washington, D. C.

John Posschl, president, International Union of Operating Engineers, Washington, D. C.

L. P. Lindelof, president, Brotherhood of Painters, Decorators and Paperhangers of America, Lafayette, Ind.

David Dubinsky, president, International Ladies' Garment Workers' Union, New York, N. Y.

James Maloney, president, Glass Bottle Blowers' Association, Philadelphia, Pa.

John B. Haggerty, president, International Brotherhood of Bookbinders, Washington, D. C.

Matthew Woll, vice president, Photo Engravers' International Union, Washington, D. C.

George E. Brown, president, International Alliance Theatrical Stage Employees and Moving Picture Operators, Washington, D. C.

Joseph E. Mayeur, president, Window Glass Cutters' League of America, Columbus, Ohio.

John F. McNamara, president, International Brotherhood of Firemen and Oilers, Boston, Mass.

M. J. Flynn, executive secretary.

The CHAIRMAN. I notice on page 2301 of the House hearings that the Brotherhood of Railroad Trainmen passed the following resolution and had it put in the record, unanimously passed on June 2, 1939, at the Second Quadrennial Convention of the Brotherhood of Railroad Trainmen, meeting in Cleveland, Ohio—in effect the resolution endorsed this reciprocal-trade-agreement program.

Mr. WOLL. They are not a part of the American Federation of Labor nor are they associated with Labor.

Senator CLARK. None of the other trainmen are members of the American Federation of Labor?

Mr. WOLL. No. That is, any of the four brotherhoods.

The CHAIRMAN. You are not speaking for the American Federation of Labor?

Mr. WOLL. I am speaking for the America's Wage Earners' Protective Conference, and not for the American Federation of Labor. The position of the American Federation of Labor on this subject has been clearly defined by me in the record of the House hearings, wherein I presented the resolutions, actions, and letters of the American Federation of Labor.

The CHAIRMAN. I thought you expressly stated that you were not speaking for the American Federation of Labor in your testimony.

Mr. WOLL. I do say now that I do not speak for the American Federation of Labor.

The CHAIRMAN. In order to overcome the difficulties involved in comparisons of trade with agreement and nonagreement countries resulting from the use of calendar years, the Tariff Commission has made a study covering the period of actual operation of each of these trade agreements, and in each of these comparisons the preagreement period is taken as beginning with January 1 of the second year prior to the agreement. The period, therefore, covers either precisely 2 years or in the case of those countries with which agreements went into effect sometimes after the 1st of January of a given year, 2 years plus the additional preagreement months of that year. For each country, the postagreement figures represent the entire period from the 1st of the month during which the agreement went into effect through October 1939. The resulting figures of the trade-agreement countries are then compared with changes in total trade with all countries for the same periods.

The analysis made by the Tariff Commission was limited to 10 countries, but these accounted for 92 percent of the total exports which trade agreements had been made before 1937, and for 90 percent of the total imports for all such countries.

Senator DAVIS. For what years, Mr. Chairman?

The CHAIRMAN. During the life of the trade agreements. I ask that that be placed in the record following Mr. Woll's testimony.

(Same is as follows:)

Preagreement and postagreement trade of United States with principal trade-agreement countries

(In millions of dollars)

Country	Periods compared		Annual average value of trade				Percent increase in United States trade with all countries	Country's share of our total trade	
	Preagreement	Postagreement	Preagreement	Postagreement	Increase			Preagreement	Postagreement
					Amount	Percent			
Cuba:									
Exports to	January 1932-August 1934	September 1934-October 1939	30.6	73.5	42.9	140	60	1.75	2.63
Imports from			59.7	119.2	59.5	100	58	4.10	5.13
Belgium:									
Exports to	January 1935-April 1935	May 1935-October 1939	47.3	72.4	25.1	53	50	2.45	2.50
Imports from			26.1	67.0	40.9	157	47	1.61	2.82
Sweden:									
Exports to	January 1933-July 1935	August 1935-October 1939	27.8	62.7	34.9	125	52	1.43	2.13
Imports from			32.7	48.4	15.7	48	45	1.98	2.02
Canada:									
Exports to	1934 and 1935	January 1936-October 1939	312.8	459.0	146.2	47	35	14.17	15.41
Imports from			259.0	341.1	82.1	32	31	13.99	14.05
Brazil:									
Exports to	do	do	42.0	62.3	20.3	48	35	1.90	2.09
Imports from			95.6	103.7	10.1	11	31	5.16	4.36
Netherlands:									
Exports to	do	do	30.0	52.8	32.8	66	35	2.26	2.78
Imports from			34.5	41.6	7.1	21	31	1.86	1.71
Netherlands East Indies:									
Exports to	do	do	10.5	24.6	14.1	134	35	.48	.82
Imports from			46.3	88.8	37.5	51	31	2.50	3.45
France:									
Exports to	January 1934-June 1936	July 1936-October 1939	115.2	151.4	36.2	31	38	5.17	4.92
Imports from			59.2	63.0	3.8	10	25	3.04	2.66
Colombia:									
Exports to	January 1934-May 1936	June 1936-October 1939	22.2	40.5	18.3	82	37	.99	1.32
Imports from			47.3	48.7	1.4	3	26	2.48	2.00
Finland:									
Exports to	1934 to 1936	January 1937-October 1939	6.5	12.7	6.2	95	38	.28	.40
Imports from			12.2	18.8	6.6	54	19	.60	.77

The CHAIRMAN. I have a letter from Mr. Daniel J. Tobin, general president of the International Brotherhood of Teamsters, Chauffeurs, Stablemen, and Helpers of America, which I would like to have printed in the record together with an editorial which is enclosed with his letter, endorsing this program and asking for its continuation.

(Same is as follows:)

FEBRUARY 26, 1940.

CLERK OF FINANCE COMMITTEE,
United States Senate, Washington, D. C.

DEAR SIR: The International Brotherhood of Teamsters is deeply interested in the adoption by the United States Senate of the bill to extend the power and right to the President and to the State Department to continue the trade-agreement pacts for a period of 3 years, as adopted last week by the Congress. We favor this legislation because it means more work for truck drivers, and our general membership believes that it will be helpful to our Government.

I am enclosing an editorial which was written on January 20 and appeared in the February issue of the official publication of the International Brotherhood of Teamsters, which was mailed to the homes of 400,000 of the members of the above-named organization. This editorial expresses the opinion of the membership of the International Brotherhood of Teamsters. I am requesting you to call this editorial to the attention of the committee handling this matter, and I am asking you to do this in the name of the general membership of the International Brotherhood of Teamsters.

With very kindest regards, I am,

Very sincerely yours,

[s] DANIEL J. TOBIN, *General President.*

[Attachment]

EDITORIAL APPEARING IN FEBRUARY ISSUE OF OFFICIAL MONTHLY PUBLICATION
OF INTERNATIONAL BROTHERHOOD OF TEAMSTERS

It is our opinion that the trade agreements which have been favored by President Roosevelt and strongly advocated by Secretary of State Cordell Hull, are a help our country, our Government, and especially to our international organization. Trade agreements are not free trade, as has been insinuated by political leaders who differ with the administration because of political affiliations. Trade agreements, as is stated by some labor men in Washington, are not throwing down the walls or barriers of tariff and establishing a condition which they say will have a tendency to break down the wage scales of American workers. For instance, there are some printing trades organizations that claim that a good deal of our American printing has been sent to Europe, the work done there and brought back here again, and all this done for less than it would cost to have the same printing done in America. The reports of the Department of State and Commerce show, we are informed, that for every dollar that we in this country expended to purchase foreign-made printing, that is in competition with our goods or our manufactured products, Europe has purchased from five to ten dollars' worth of the same products. Another example: 400,000 tons of coal similar to anthracite came into this country from Russia in 1 year. In the same year our country exported to other countries 13,000,000 tons of coal. We cannot expect other countries to buy this enormous amount of coal from us, which is mined by union miners and loaded by union longshoremen, and railroad union men, unless our country expends some money or purchases something from those countries. I am informed that the trade agreements in nearly every instance give the United States the better part of the bargain and that it is entirely and distinctly different from any such thing as free tariff or free trade.

At any rate, speaking for the International Brotherhood of Teamsters, in which we are primarily interested, the delivery of foreign goods, such as coal and other products, has increased our hauling in the different parts of our country. It has created trucking, and after all we are deeply interested in increasing our work or protecting our work as other unions are in protecting theirs. We are also of the opinion that the trade agreement, in which there is only admitted to our country some of the things that we need in exchange for the purchase of some of the surpluses we have, that this so-called trade agreement creates a better understanding between the nations with which we enter the trade agreements, and that a feeling of good will and closer relationship has been established as a result of the

trade agreements. We have enormous surpluses in our country, especially of agricultural products, and unless we can find a market for those surpluses in other countries under trade agreements, then you can rest assured the surpluses will continue to obtain and multiply, thereby reducing the income of those engaged in the production of those products. If we can sell 50,000 automobiles in France under a trade agreement, we can very easily agree to purchase from France 5,000 rolls of silk, or some such product. We cannot help thinking that there is some political prejudice and some personal feeling predicated the opposition to the trade agreements. We can fully understand that some organizations may feel it their duty to protect their own employment as much as possible, even to the extent of injuring other organizations and trades.

There is another side to this question. If we expect to sell our surpluses to European countries, which we must do in order to have any such thing as prosperity in our own country, then we must give them some money to purchase those surpluses from us, and the only way those countries can have the money is for us to buy some of the things that they have in surplus. Before Czechoslovakia was taken over by the Germans there was an enormous quantity of ladies' shoes coming to this country, some directly from that country and others through France. There were certain kinds of shoes coming that we could not produce in this country, I am informed, because over there they have the skins from certain animals, such as innumerable young goats, which are not in our country, and those skins being cured into several kinds, qualities, and colors of kid leathers, they are able to produce certain kinds of ladies' shoes, especially for evening wear, which we could not very easily duplicate in our country. This statement can be verified by the purchasers of ladies' shoes in any of the large stores in our country, such as Marshall Field in Chicago.

We have at the present time elevators, or storehouses, containing millions of bushels of wheat which we cannot use in our country and which Europe has no money to pay for even if they were willing to buy same. The question confronting the American people is: How are they going to purchase these surpluses if they are impoverished? We believe that consistent trade agreements, in which it is provided that we sell much more than we are required to buy and in which we will purchase only by agreement some of the things that are not highly competitive with our country, and in which we can establish a better feeling and understanding with those nations with whom we enter into trade agreements—we are of the opinion that that is the policy for our Government to pursue, and we trust that the Congress in this session will pass laws empowering our Government to continue endeavoring to establish trade agreements.

The CHAIRMAN. I have another letter that I ask to be incorporated in the record from the International Brotherhood of Electrical Workers. They endorse this program and ask for its continuation. The letter is signed by D. W. Tracy, International President.

(Same is as follows:)

FEBRUARY 28, 1940.

Hon. PAT HARRISON,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR MR. CHAIRMAN: May the International Brotherhood of Electrical Workers, affiliated with the American Federation of Labor, claim a share of the record of your committee, in its deliberations concerning trade compacts. The International Brotherhood of Electrical Workers wishes to be recorded in the affirmative in any canvass of public opinion respecting Secretary Hull's trade compact program. We take this step after due deliberation.

In the present sorry state of the world, any program which tends to accent better relations as between nations—sentimental relations depend on trade—should be supported by all men of good will.

It is our firm conviction that the tariff question, in its bearing on trade compacts, has been dragged like a red herring across the trail. As a matter of fact, the tariff is not vitally involved. This does not mean that we are opposed to protective tariffs, or that we are utopian enough to believe in universal free trade. But our understanding of the Hull program is that it does not crash head on against tariff walls, but bypasses, by treaty agreements, abnormally high structures.

However, Mr. Chairman, neither the workers, in highly protected industries, by increased wages, nor the consumer, in lowered prices, have proportionately shared in such State subsidies.

Out of the 50,000,000 men and women classified by the census as gainfully employed, nine-tenths are engaged in one of the following three types of industry which are not benefited by tariffs:

TARIFFS DO NOT HELP SERVICE TRADES

First, there are the service trades—occupations which must be performed in the locality in which the consumer lives. Linemen and powerhouse employees, repairmen, and mechanics are all good examples of this type of worker. For them, there is no possibility that imported goods will compete or affect wage levels, since they are primarily engaged in doing something rather than in making something. Besides those already mentioned, linotypers, domestic workers, retail clerks, stenographers, truck drivers, railroad employees, hotel and restaurant employees are important groups of persons whom the tariff cannot possibly help for similar reasons. Altogether service workers are a group of about 23,000,000 or half of all those gainfully employed.

TARIFFS DO NOT HELP PRODUCERS OF IMMOVABLE GOODS

The second group of workers beyond the reach of the tariff is composed of those producing goods, but goods of a kind which cannot be moved at all or which can move short distances at best. In some cases, such as the building trades, no explanation is required to show why the goods do not move. Before the days of refrigeration, almost all foods except grains would also have fallen into this class, and even with refrigerated transport available, the bulk of our fresh vegetables, bakery goods, and dairy produce still originates not far from the place of consumption. Regardless of whether imports do or do not affect prices of some of these products on the seaboard and near boundary lines, the standard of living of most of such producers has nothing whatever to do with the tariff.

Coal miners are in much the same position for a different reason. With the cost of transportation what it is, goods which are heavy relative to their value will move only very short distances except by water. For example, the United States imports a small quantity of coal which is almost all consumed around Seattle and around Boston; in the same way we export a small quantity (larger than the quantity imported), chiefly to Canada. Yet no one will contend that conditions in the coal industry, whether good or bad, can be traced to the effect of imports or exports upon price. This group of workers numbers about 13,000,000 or about one-fourth the total. It likewise includes some of the best-organized industries in the entire country, as well as some with the highest earnings.

TARIFFS DO NOT HELP WORKERS IN EXPORT TRADES

The third group of persons whose wages and working conditions are untouched by the tariff is that made up of workers producing goods which the United States exports in large quantity. Since the tariff is a tax on imported goods designed to raise the price not only of the import but also of the competing domestic goods, it is obvious that to have any such effect part of the supply must come from abroad, or must, at least, have come from abroad prior to the imposition of the tariff. If, for example, we were to place a tariff on cotton such as constitutes the bulk of our production, it could have no effect on the price of cotton. We would in no case import cotton of the types grown in this country, and the domestic supply would continue to determine domestic prices. Although his is perhaps the most extreme example which could be chosen, the case is no essentially different from that of many goods for which we actually gave tariff rates on the books. The test of protection must, therefore, be whether the tariff affects the price of the commodity in question.

By this test, a great many American agricultural products and manufactured goods are unprotected, among those which come to mind are automobiles, cotton, wheat, apples, lard, bacon, hams, agricultural machinery, radios, most electrical apparatus, office machinery (typewriters, calculating machines, cash registers, etc.), rubber tires, refined petroleum and certain types of lumber. In the manufacture of goods of these and a great number of other types, the tariff is powerless to affect the wages or working conditions of labor. Taking manufacture and agriculture together, this group accounts for another 7,000,000 out of the total 50,000,000 gainfully employed.

We have now accounted for some 43,000,000 workers in all, surely a large enough proportion to have more effect upon the American standard of living than the remaining five to seven million, whatever may be the effect of tariffs upon

their wages. Some of the 43,000,000 need foreign trade to boost production in their industries or, in the case of agriculture, to maintain prices. Others of the 43,000,000 in fact the whole group, have a consumer interest and a certain producer interest in the stability or gradual increase of buying power and consumption. But none have the slightest reason to thank the tariff for their jobs, their wages or the terms of employment which they enjoy. Among the members of the organized workers in this country, it has been conservatively estimated that more than 4,500,000 out of a total of six-million-and-odd fall into one of these groups which are in no way benefited by high tariffs. As consumers their interests are injured by excessive tariffs which raise the cost of living.

What of the remaining 5,000,000 workers, employed for the most part in the so-called protected industries? If high tariffs raise wage rates, as claimed by high-tariff advocates, the wages of this 5,000,000 should be above the average for other industries. In addition, we should expect to find labor as well-organized, working as steady hours and finding as steadily increasing opportunities for work there as elsewhere. These characteristics are, however, almost wholly lacking. Instead of finding highly desirable types of employment being fostered by our tariffs, we find some of the very worst industries from the point of view of labor, as well as some which benefit small groups of workers at great cost to the Nation as a whole.

Under these circumstances, it is a grave question whether labor benefits at all from the encouragement of these industries as compared with the benefits which would result from a policy that would encourage other industries better able to give large numbers of workmen high rates of pay and steady jobs.

The workers in the electrical industry are actually involved in the advancement of the trade-compact program.

Exports of electrical goods to 14 countries which grant concessions on some of these products and with which agreements were in effect in 1938, amounted to \$22,400,000 in 1934 and to \$38,400,000 in 1938, representing an increase of 71.4 percent.

Exports of electrical machinery and apparatus to other countries increased in the same period from \$44,000,000 to \$63,700,000—an increase of 44.4 percent. This is concrete evidence of the way in which trade agreements have helped to improve employment and pay rolls in the electrical industry.

Senator JOHNSON. I have a letter from Mr. Mollin, secretary of the American National Live Stock Association, correcting for the record some of the evidence. I would like to have that made a part of the record.

The CHAIRMAN. Without objection, that will be placed in the record. (Same is as follows:)

MARCH 2, 1940.

Hon. E. C. JOHNSON,
United States Senator, Senate Office Building,
Washington, D. C.

DEAR SENATOR JOHNSON: You will recall that when I testified before the committee, statements were made by others intimating that raw silk and crude rubber should be considered as competitive agricultural products. I have checked this matter and find that in the classification issued by the Department of Agriculture on November 17, 1939, raw silk and cocoons, and crude rubber are classified as agricultural noncompetitive products.

I would appreciate very much your having this letter placed in the hearings so that the record may be kept straight.

STATEMENT OF L. J. TABER, MASTER, NATIONAL GRANGE

Mr. TABER. My name is L. J. Taber. I am master of the National Grange.

In appearing before the Finance Committee, I want to make it clear that the National Grange continues its opposition to the renewal of the Reciprocal Trade Agreements Act for another period of 3 years. Before the Ways and Means Committee on the 25th of January, the views of the National Grange were presented in an extended brief. To conserve the time of the committee, we but

re-emphasize some of the compelling reasons why this act should not be continued.

We oppose the passage of this legislation in its present form for six general reasons:

1. Since this act was passed, the exports of agricultural commodities have been reduced and the importations of competitive farm products has been increased.

2. The general effect of reciprocal treaties and the legislation itself has had a depressing effect on the agricultural price level, and reduced farm income.

3. This legislation has reduced import duties and customs receipts. It violates the constitutional provision that revenue legislation should originate in the House of Representatives.

4. It affects both domestic and foreign commerce, a responsibility belonging to the Congress of the United States.

5. These trade agreements are in fact treaties and as such violate the constitutional requirement compelling their ratification by the United States Senate.

6. With the adoption of acreage limitation for the farmer and wage and hour restrictions in labor and industry, we should not permit importations from countries where wages are lower or hours are longer, or where the farmers have no limitations on production.

We want to make it clear in the outset that the attitude of the National Grange on this question is not a matter of recent development. Under a former administration the Grange opposed the reciprocal treaty program between the United States and Canada, because we were then convinced that it would be detrimental to the best interests of the American farmer. In 1934, when this legislation was pending before Congress, we registered our opposition because it was feared that it would work out to the disadvantage of the American producers. In 1937 the Grange registered a protest before both the Ways and Means Committee and this distinguished committee against the extension of the provisions of the act at that time.

For many years the National Grange has continuously and unambiguously declared in favor of the American market for the American farmer to the limit of his capacity to supply the same efficiently.

This information is given to emphasize the fact that the Grange has always been nonpartisan in its approach to this question. Our resolutions are adopted at the annual conventions with delegates present from the North, the South, the East, and the West. And our position on this question has always been approved in an overwhelming manner. For more than 50 years the Grange has led the fight for tariff justice. Our fathers demanded tariff for all or tariff for none. When the Farm Board legislation was being enacted, the Grange appealed to this body to include the export debenture or some other method of bringing justice to agriculture. At our last annual session, held at Peoria, Ill., in November, the Grange again went on record in opposition to the extension of the trade-treaty program in its present form. We are glad to note that every farm organization is now opposed to the passage of this act without some type of corrective amendment.

As advocates of the trade-agreements program have placed so much emphasis on the importance of our export market and have minimized the disastrous effects of competitive imports, we feel it necessary to

call attention to the fact that the treaty program has not increased the percentage that our farm exports have to the total value of goods shipped abroad. In 1924 the percentage of agricultural to total exports was 32.1. After 6 years of reciprocal treaties, according to the latest data available, our agricultural exports for 1939 were but 21 percent of the total, the lowest point in the entire history of the Republic.

On the other hand, agricultural imports remained at approximately 50 percent of the total in value of all goods imported into the United States. This compels a brief consideration of the effect of agricultural imports and surpluses to this treaty program.

As we are all well aware, the surplus problem has been the most difficult with which American agriculture has been faced since the close of the World War. In our efforts to solve this question, Congress passed the Agricultural Marketing Act of 1929, the Agricultural Adjustment Act of 1933 and the various subsequent acts that were passed in this connection. It stands to reason that this problem cannot be solved, but that it will be aggravated, by importing foreign surpluses of competitive farm commodities and piling them on top of the American surpluses.

In appraising the workings of the Trade Agreements Act from the standpoint of the farm population, it will be recalled that in 1932 Mr. Roosevelt made an address in Baltimore, during the course of which he declared:

I know of no effective excessively high tariff duties on farm products. I do not intend that such duties shall be lowered. To do so would be inconsistent with my entire farm program, and every farmer knows it and will not be deceived.

Nevertheless, the tariff has been reduced on approximately 200 items coming under the agricultural schedule. In numerous instances the rates have been reduced on commodities of which we have troublesome surpluses. While the Surplus Commodities Corporation has been buying up these surpluses in an effort to stabilize the price level, the Department of State, in one trade agreement, after another has been lowering the duties on items that the Surplus Commodities Corporation has been buying and distributing among families on relief. With the permission of the chairman, I should like to insert in the record at this time a table, giving a list of 18 selected commodities having a bearing on this question.

The CHAIRMAN: Without objection, that may be done.

(Same is as follows:)

Purchase of selected agricultural commodities by the Federal Surplus Commodities Corporation, and imports of those commodities, fiscal years 1938 and 1939

Commodity	Quantity purchased	Amount spent	Imports	
			Quantity	Value
Apples, fresh, bushels.....	4, 180, 847	\$4, 978, 816	52, 000	\$90, 000
Beets, pounds.....	17, 858, 259	149, 383	1, 000	(1)
Cabbage, pounds.....	182, 706, 166	1, 562, 503	339, 000	8, 000
Carrots, pounds.....	7, 612, 960	72, 379	270, 000	8, 000
Cauliflower, pounds.....	793, 576	17, 968	39, 000	1, 000
Celery, pounds.....	20, 391, 300	381, 384	96, 000	3, 000
Cheese, pounds.....	3, 445, 500	478, 211	110, 107, 000	23, 584, 000
Eggs, dozen.....	11, 310, 390	2, 285, 659	551, 000	105, 000
Fish, pounds.....	3, 677, 398	262, 966	668, 345, 000	60, 289, 000
Grapefruit, pounds.....	188, 441, 390	2, 524, 313	12, 763, 000	185, 000
Grapes, pounds.....	16, 830, 826	319, 480	771, 000	1, 030, 000
Milk, fluid, gallons.....	18, 440, 847	4, 229, 949	22, 000	5, 000
Peas:				
Canned, cases.....	864, 102	1, 427, 780	1, 610, 000	165, 000
Dried, pounds.....	6, 000, 000	122, 813	4, 616, 000	183, 000
Fresh, pounds.....	77, 940	2, 808	4, 882, 000	223, 000
Potatoes, white, bushels.....	6, 579, 548	4, 286, 457	1, 697, 100	1, 444, 000
Raisins, pounds.....	80, 109, 000	2, 137, 251	825, 000	92, 000
Rice, milled, pounds.....	85, 948, 000	2, 822, 207	137, 024, 000	2, 294, 000
Tomatoes, fresh, pounds.....	20, 741, 815	465, 288	120, 692, 000	2, 633, 000
Wheat cereal, pounds.....	106, 550, 500	1, 942, 517	(1)	(1)
Total.....		30, 479, 112		92, 298, 000

- 1 Not available.
- 2 Jan. 1-June 30, 1939, not separately classified previously.
- 3 Cubic feet.
- 4 Pounds.
- 5 Includes seed potatoes.
- 6 Broken rice.

Source: Annual Reports of the Federal Surplus Commodities Corporation, fiscal years 1938 and 1939; Foreign Crops and Markets, Nov. 17, 1939.

Mr. TAGER. As this table shows, during the fiscal years of 1938 and 1939, the Surplus Commodities Corporation spent \$30,479,112 in buying up surpluses of the commodities listed in the table. During the 2 years in question, our imports of these same commodities were valued at \$92,298,000. It should be understood that these figures apply only to the commodities listed in the table to which I refer. This list, of course, is not all-inclusive and could easily be lengthened.

We all approve of the work that has been done by the Surplus Commodities Corporation under the conditions prevailing during recent years. The Grange has supported the appropriations made by Congress for this work. But who would go as far as to say that the Government should buy up not only our own farm surpluses, but foreign surpluses that have been imported, and give them away?

It is being continually drilled into our ears that if we want to sell to other nations, we must buy from them, and that trade is a matter of give and take. No sensible person will dispute the soundness of that proposition, which is self-evident. It is well to remember in this connection that the United States has the biggest free list of any nation in the world. During the calendar years of 1938 and 1939, 61 percent of all our imports entered the country duty free. It would seem, therefore, that with the exercise of a little ingenuity and "Yankee trading" skill, we should be able to find an outlet for some of our own surpluses without pursuing a policy that results in flooding our markets with commodities that we do not need and of which we already have more than enough. Certainly we should take from other nations the things that we need and do not produce at home.

That is exactly what we have always done; but, most emphatically, we should not make it easier for other nations to send us the things we do not need and of which we already have a surplus.

Labored efforts have been made by the supporters of the trade agreements program to convince the farmers of the country that they are being benefited by it, and that our imports of agricultural commodities are so small as to render them inconsequential.

Nothing could be farther from the truth. According to official Government statistics, our imports of competitive farm products for the fiscal years of 1937 and 1938 averaged \$537,198,000 annually. Let us now consider the acreage of American farms displaced by these competitive imports. According to the Department of Agriculture, the average acreage under cultivation in the United States for the fiscal years of 1937 and 1938 was 341,475,850. The average value of the crops grown on this total acreage for the 2 years in question was \$5,524,015,000 per annum. The average value of crops grown per acre was \$16.02. By dividing this figure into the value of our competitive farm imports for the period under consideration, it will be seen that the acreage displaced on American farms was 33,533,000 per year.

The total value of all the farm crops grown in the imperial State of Texas during 1938 was \$302,957,000. During the same year, the total value of all crops produced in Iowa was \$310,166,000. During 1938 the total farm value of all the crops grown in Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania was only \$393,521,000. The value of all farm crops grown in Missouri, North Dakota, South Dakota, Nebraska, and Kansas during 1938 was \$529,668,000, which was \$7,530,000 less than the value of the competitive farm products imported during that year. I want to make it plain that the figures quoted in this connection refer solely to crops and do not include the value of livestock and poultry products.

Senator VANDENBERG. Am I right in assuming that those figures apply only to competitive products? They do not include rubber, coffee, and things of that sort?

Mr. TABER. They are taken from the Department of Agriculture as competitive imports, and we have not checked their figures. I have not thought it necessary to check their figures.

Senator JOHNSON. They do not include rubber.

Mr. TABER. Of course not. Nor spices nor coffee, bananas, or such.

Senator VANDENBERG. I think it is very important to show that.

Mr. TABER. The 33,533,000 acres of cultivated land displaced by competitive farm imports amounts to more than the reduction in acreage that has been brought about since 1933 in connection with the corn and cotton control programs. In the case of corn, the reduction amounts to 14,171,000 acres. The reduction in cotton acreage between 1933 and 1938 was 15,230,000, giving us a total reduction of 29,401,000 acres for the two crops.

Thus we have the spectacle of the Government, under the guise of soil conservation, paying the farmers of the country approximately \$500,000,000 a year to reduce acreage and production, while permitting and even encouraging competitive imports of farm products valued at the same amount.

It is important to keep in mind the fact that our imports are priced on the basis of foreign costs. The import figures do not include the cost of transportation, insurance, and customs duties. If these items were added, the total import figures would be much higher, and the total acreage displaced would also be much greater.

Then, too, it must not be forgotten that competitive imports are always offered at a lower price than that which prevails at home. These imports place a ceiling, so to speak, on our price level, rendering it virtually impossible for domestic producers to secure prices commensurate with our higher costs of production and the American standard of living.

When the trade-agreements legislation was passed 6 years ago, the hope was held out to our farmers that under this program an export market would be found for our unwieldy and price-depressing surpluses. But all the rosy and alluring promises that were made in this connection have not been fulfilled.

In support of this statement, let me cite the fact that during the fiscal year ending July 1, 1934, we exported 8,366,000 bales of cotton. During the fiscal year ending July 1, 1939, our exports amounted to only 3,605,000 bales, showing a loss of 4,761,000 bales. Roughly speaking, therefore, our cotton exports have been more than cut in half. During the fiscal year ending July 1, 1934, our exports of pork and pork products amounted to 705,981,000 pounds. For the fiscal year ending July 1, 1939, exports of these products totaled 350,372,000.

Our exports of wheat, including flour, increased from 35,000,000 bushels in 1933 to 115,734,000 bushels for the year ending July 1, 1939. However, most of the wheat we have exported has gone out of the country under a subsidy and not under the workings of the reciprocal trade agreements.

The same has been true with reference to cotton during the past year. Our exports of leaf tobacco showed an increase of 111,700,000 as between the fiscal years ending June 30, 1934, and June 30, 1939. However, since the outbreak of the new European war, Great Britain, one of the countries with which we made a trade agreement, which formerly took the bulk of our tobacco exports, has made arrangements to buy most of her tobacco in Turkey, so that this export market will be lost to us.

I might pause to say that we are not blaming any nation which is fighting for its life; we are simply making a statement of the clear fact that the Reciprocal Trade Agreements Act has not interfered in any way with this treatment of us.

Summing it all up, during the fiscal year ending June 30, 1934, the last year before the reciprocal tariff program went into effect, our exports of farm commodities totaled \$787,343,000. Our agricultural exports for the fiscal year ending June 30, 1939, amounted to \$682,962,000. This shows a loss of farm exports amounting to \$104,381,000. On the other hand, during the fiscal year ending June 30, 1934, our imports of farm commodities totaled \$828,952,000. For the fiscal year ending June 30, 1939, farm imports amounted to \$998,616,000. This shows an increase in imports of \$159,664,000.

In the light of all this, it is difficult to see how it could rationally be argued that the workings of the trade-agreements program has been beneficial to agriculture.

When the Reciprocal Tariff Act was passed in 1934, it was viewed as an emergency measure and was made self-repealing at the end of 3 years. But it was renewed for another period of 3 years in 1937, and now the proposal is to extend it for another term of 3 years, on the theory that we are still confronted with an emergency. It seems to us that any situation which persists for a duration of 9 years cannot properly be classified as an emergency, but must be regarded as a settled condition.

Among other things, the Grange objects to the unconditional most-favored-nation policy that has been pursued in the making of the reciprocal trade agreements that are now in effect. The nations that are benefiting by our generosity in this connection are not responding, but many of them are making bilateral agreements among themselves. Witness the agreement with England which I have just mentioned.

A policy under which we gain concessions from one country while making concessions to virtually all other countries producing and exporting a given commodity places us at a distinct disadvantage. Moreover, each new agreement we make under this policy, generalizing tariff reductions to the rest of the world, leaves us with so much less bargaining power when it comes to making future agreements.

Again, proper steps have not been taken to protect American interests against foreign currency depreciation under the workings of these agreements. This is placing us at a further disadvantage in our foreign trade relations.

Many domestic producers resent the fact that appeal to the courts is barred under this legislation by virtue of the provision that section 516-B of the Tariff Act of 1930 does not apply in matters relating to reciprocal trade agreements.

Nor is it any longer necessary to make fact-finding investigations regarding the difference in the cost of production as between this and other countries before changing tariff rates, as was the case under section 336 of the Tariff Act of 1930.

If this legislation is to be reenacted, it should certainly be amended so as to call for congressional ratification of any future trade agreements that may be made thereunder. Every agreement we make affects the revenues of the Federal Government, and it is expressly provided in the Constitution that all matters relating to taxation must originate in the House.

Since 1934 we have reduced the duty on imports of sugar from Cuba from 2 to 0.9 cents per pound. Between September 3, 1934, and December 31, 1939, the Treasury sustained a loss of revenue in this connection amounting to \$133,924,000. In the meantime, the retail price of sugar to the consumer has not been reduced to the extent of a single mill. The chief beneficiaries have been some of the biggest banks of Wall Street, which own the major portion of the Cuban sugar industry.

All this was done in violation of the constitutional principle that revenue legislation must originate in the House.

Viewing these agreements as treaties, which they really are, it is interesting to keep in mind the fact that in 16 of the 22 countries with which we have dealt, they were subject to some form of parliamentary ratification. Those who take the position that the United States Senate cannot be trusted to perform its proper functions in this connection not only turn their back upon the Constitution, but they betray their lack of faith in the processes of popular government.

In closing, I want to say that the National Grange has faith in the democratic processes; we have faith in the elected representatives of the people; we have faith in the Congress of the United States; we have faith in this committee, and when we can make our appeal to committees like this and carry that appeal to the floor of the House and the Senate, we will be satisfied with the treatment we receive; but when we have treaties that affect our very lives and commercial arrangements that may have an effect on our very future, enacted, we do want the chance to register a protest some place where we can make it articulate and where we can make it effective.

The CHAIRMAN. Mr. Taber, you were president of the National Grange in 1934, were you not?

Mr. TABER. Yes, sir.

The CHAIRMAN. You entertained the same views with respect to the program of reciprocal trade agreements then as now, did you not?

Mr. TABER. Very largely. The Grange then asked that they be ratified by the Senate. We then asked that that provision be applied.

The CHAIRMAN. You opposed the program at that time in 1934, and in 1937?

Mr. TABER. That is right. We opposed the same program earlier under the Canadian treatment.

The CHAIRMAN. Let me ask you this, Do you agree after an investigation and report of experts with this statement, that the United States exports of agricultural products to trade-agreement countries have increased 50 percent, whereas exports of such products to non-trade-agreement countries declined 2 percent?

Mr. TABER. I have not seen those statements.

The CHAIRMAN. This is prepared by the Tariff Commission's experts. You would not say that they are not accurate, would you?

Mr. TABER. I could not say they are not accurate, but I would call your attention to several obvious omissions. We lost quite a market in Germany and quite a market to the warring nations. You eliminate that and you will find that those figures would not read that way at all. If you take out the German figures, I will agree with these; otherwise I will not.

The CHAIRMAN. Would you agree with this statement of these experts who have studied this question—

Mr. TABER (interposing). I am afraid of experts.

The CHAIRMAN. You mean, some experts?

Mr. TABER. That is right. I don't know what figures you have there, but all I know is the published reports. We accept them as accurate, and they do show the figures I have read into the record; the correct figures we have taken from the published records of the Department of Commerce.

The CHAIRMAN. Would you say that this statement is erroneous, that the United States imports of dutiable agricultural products have declined to a greater extent than did those agricultural products which enter the United States free of duty?

Mr. TABER. I have not checked those figures.

The CHAIRMAN. But you would not take issue with that statement?

Mr. TABER. Not necessarily without making a study from the tables that the Department furnish.

Senator KING. I would want to know about the basis of the tariff computations. I know that in the consideration of a number of

tariff bills, I was not satisfied with the findings of the Tariff Commission.

Senator VANDENBERG. I hope you do not ask me those questions.

The CHAIRMAN. I know what a candidate for the Presidency would say, of course. [Laughter.]

Senator CLARK. That was in the old days, Senator, that you are talking about, the Tariff Commission?

Senator KING. It is just the same.

The CHAIRMAN. What do you say with respect to this statement, because I have respect for your judgment and your fairness?

Mr. TABER. I thank you very much, but I want to know where you get your statements.

The CHAIRMAN. From the Tariff Commission. Prepared by them for the years 1935 to 1938.

Senator KING. When were they prepared? For this hearing?

The CHAIRMAN. January, 1940.

Mr. TABER. 1935 to 1938 are not fair figures. 1934 to 1935 are the only fair figures you can use, because in 1935 we had some reciprocal trade agreements functioning. 1939 is the last year.

Senator CLARK. Isn't 1935 to 1939 the test figure period?

Mr. TABER. No; it is not, my distinguished Senator.

Senator CLARK. You did not have any trade agreements functioning in 1934, did you?

Mr. TABER. We had two or three in effect, and we had several beginning to function in 1935.

Senator CLARK. For a test period of the Trade Agreements Act, 1935 is the first one you can use.

Mr. TABER. That would be a funny test period after the horse has reached the first quarter. Nineteen hundred and thirty-four is the last year in which there were no tariff treaties operating.

Senator CLARK. I understand that.

Mr. TABER. In 1935, we had some operating.

Senator CLARK. That is the reason we start in with 1935.

Mr. TABER. That is the reason we do not. The horse race has started.

The CHAIRMAN. I have just put in the record a comparison of the periods under which these trade agreements operated, and for the period they have been in operation as to exports and imports for those countries, and those countries which have not trade agreements. That is a matter which is in the record, so that people who read it may see it.

Mr. TABER. Yes.

The CHAIRMAN. Do you agree with the statement that the United States exports of cotton with trade-agreement countries experienced a smaller relative decline than did the exports of cotton with non-trade agreement countries?

Mr. TABER. That statement has very little bearing on the fact that we are supposed to have agricultural surpluses, and cotton is one of them. I would like to put in the record what has happened to cotton acreage and production for all of these years which shows a constant decline under the reciprocal treaties. Every year we have had the reciprocal trade treaties, the total amount exported has declined.

The CHAIRMAN. Is your organization very strong in the cotton-growing regions?

Mr. TABER. We have many Grange members in the South, I am proud to say, Senator. And let me pause to say that there is not one matter upon which the Grange is more concerned than the restoring of the export market to cotton, and I want to chide my friends on this side just a little and say that when the Marketing Act was pending, I received more support on this side of the committee than I did over here for our export debenture program that would have moved a lot of cotton at that time.

The CHAIRMAN. May I say that the organizations which are largely interested in cotton have endorsed this program and asked for its continuance.

Mr. TABER. I am aware that many of them have, Senator.

The CHAIRMAN. We thank you. Does anyone want to ask any further questions?

Senator HERRING. I want to ask you, Mr. Taber, approximately the number of members of the Grange?

Mr. TABER. Approximately 800,000 dues-paying members. We are organized in 36 States with State organizations. We are organized in 6 States without State organizations. We have 8,000 local units.

Senator HERRING. Does that include members of the family?

Mr. TABER. It just includes the dues-paying members.

Senator HERRING. Are they all farmers or connected with agriculture?

Mr. TABER. Our association's constitution requires that they must be interested in agriculture and have no pursuit in conflict with the program of the Grange.

Senator HERRING. You don't happen to know how many you have in my State of Iowa, do you?

Mr. TABER. About 5,000.

Senator HERRING. The American Farm Bureau have about 1,500,000 in the United States in 39 States.

Mr. TABER. Mr. O'Neal's testimony was in the record the day before yesterday in which he stated their membership, so I will not state it.

Senator HERRING. He said he represented 1,500,000 farmers and members of their families belonging to the organization.

Mr. TABER. That is right. He gave the dues-paying membership as—

Senator HERRING (interposing). Four hundred thousand.

Mr. TABER. They have a family membership and we have an individual membership. If you join, we count one member, and if you join with your wife, that is two members. We have many memberships that are just heads of the family, of course.

Senator CAPPER. Mr. Taber, I am glad that you are interested in the problems of the cotton producer. Out in my country we are greatly concerned about the wheat raiser. What is your observation now as to the effect of this reciprocal trade program for the wheat growers? Has it been of any help to them?

Mr. TABER. We have not seen any help. All the figures we can get together, Senator, indicate that it was the subsidy, or as we call it—call it whatever you please—which was utilized in moving wheat. It did more to move wheat and more to move cotton—I want to get this in the record that the subsidy moved more cotton in 3 months

than the trade treaties moved entirely since they were started, and much cheaper.

These tables compiled from the Department of Agriculture statistics indicate clearly the declining loss of world market for cotton. They also prove that recent reciprocal treaties are not correcting the serious situation.

Cotton acreage and domestic exports

	Acreage in United States	Acreage in foreign countries	Domestic exports (600-pound bales)
Predepression period:			
	<i>Acres</i>		
1924-25.....	39,601,000	41,199,000	8,240,000
1925-26.....	44,386,000	43,314,000	8,267,000
1926-27.....	44,608,000	39,942,000	11,300,000
1927-28.....	38,342,000	39,758,000	7,857,000
1928-29.....	42,434,000	42,866,000	8,410,000
Average, 5 years.....	41,854,000	41,416,000	8,817,000
Depression and Farm Board period:			
1929-30.....	43,232,000	43,188,000	7,035,000
1930-31.....	42,444,000	43,005,000	7,133,000
1931-32.....	38,704,000	43,396,000	9,193,000
1932-33.....	35,891,000	42,809,000	8,895,000
1933-34.....	29,383,000	40,717,000	7,964,000
Average, 5 years.....	37,931,000	43,770,000	8,044,000
A. A. A. and trade agreement period:			
1934-35.....	20,806,000	48,634,000	5,037,000
1935-36.....	27,509,000	51,651,000	6,267,000
1936-37.....	20,755,000	55,125,000	5,689,000
1937-38.....	33,023,000	59,377,000	5,976,000
Average, 4 years.....	20,438,000	53,772,000	5,742,000
1938-39.....	24,248,000	52,752,000	3,512,000

Senator CLARK. Well, it is a fact, is it not, that the income of the farmers of the United States taken as a whole from wheat exclusive of Government benefits have increased materially? Isn't that true?

Mr. TABER. This year; yes.

Senator CLARK. Since 1932, we will say, when wheat sold down to 23 cents a bushel on the farm out in western Kansas under the beneficent Smoot-Hawley Tariff Act with the tariff at 42 cents a bushel on wheat.

Mr. TABER. There is something more important than that, Senator, and that is this, that the ratio of prices received by farmers to prices paid has been only about 75 percent as high during the past 2 years as it was during the base period, 1909-14. The present figure is 83.

Senator CLARK. What was it in 1932? That was when the Smoot-Hawley Tariff Act was in full flower.

Senator JOHNSON. The Senator from Missouri certainly does not attribute the low price of wheat in 1932 to the Smoot-Hawley Act?

Senator CLARK. I certainly do.

Senator JOHNSON. Was the Senator in the Senate at that time?

Senator CLARK. I was not. If I had been, I would not have voted for the Smoot-Hawley Act.

Senator JOHNSON. I just wonder what the Senator has ever done to get rid of the Smoot-Hawley Act.

Senator CLARK. I voted for the Reciprocal Trade Agreements Act, which is the only way we could go about and correct that very vicious situation created by the Smoot-Hawley Act and the preceding tariff act.

Senator JOHNSON. This is your reason for your support of the Reciprocal Trade Agreements Act?

Senator CLARK. There is no question on earth about that. Anybody who favored the rates of the Smoot-Hawley Act is entirely correct in voting against the Reciprocal Trade Agreements Act.

Mr. TABER. You miss a very great point there, Senator—

Senator KING (interposing). There were a great many who were opposed to the Smoot-Hawley Act and yet also were opposed to the reciprocal trade agreements program.

Mr. TABER. That is what I want to get to. Mr. Brenckman, our Washington representative, appeared before this very committee against many of the excessive industrial rates written into the Hawley-Smoot bill. I want that to go into the record. That does not make us turn our backs on our own people now.

Senator CLARK. You are consistent, I will say that.

Mr. TABER. That has nothing to do with the problem of unfair treatment, and a program that does injure agriculture. I noticed in your asking some questions about automobiles, and I want to tell you that I addressed the Detroit Economic Club not so long ago—

Senator CLARK (interposing). So did I.

Mr. TABER (continuing). And I sure faced a bunch of great fellows and I said to them that the financial boundary line of Detroit extended to every farmyard gate in America, and that Detroit was more interested in what farmers could get in America than in Cuba. It takes 111 tons of Cuban sugar to get a new automobile. It just takes 11 tons out in Colorado.

Senator CLARK. We had that brought up here the other day, too. Of course, you arrive at that figure by assuming that all of the revenue produced in the portion of Colorado which produces sugar goes into automobiles, and then to arrive at a figure in sugar, you take the total importation from Cuba of sugar and divide that into the number of automobiles sold in Cuba, don't you? It seems to me it would be an entirely untenable theory. I do not wish to take the time of the committee to go into that, because Senator Johnson and I had that out the other day.

Mr. TABER. It seems to me it is a very sound argument.

Senator CLARK. I do not think so. That is a matter of opinion.

Mr. TABER. We are talking about the American market for the American farmer, and we only produce 30 percent of our sugar. I put a statement in the record of the House hearings showing where we lost this \$133,000,000, according to the figures of the Tariff Commission, and I also put in the record the price of sugar per pound per month during the entire period, and while the Treasury was losing \$133,000,000 in revenue, the poor housewife did not save a nickel because sugar was higher than when the tariff was reduced. The figures are found on page 1649 of the House record.

The CHAIRMAN. Thank you, Mr. Taber.

STATEMENT OF ALFRED C. GAUNT, PRESIDENT, MERRIMAC MILLS, METHUEN, MASS.; CHAIRMAN, NATIONAL ADVISORY COUNCIL OF INDEPENDENT SMALL BUSINESS

Mr. GAUNT. To the members of the Senate Finance Committee: My appearance is in behalf of myself and my company, a small worsted mill, which with others large and small is being badly hurt by the working of the so-called reciprocity treaties.

As chairman, however, of the National Advisory Council of Independent Small Business, and vice president of Smaller Business of America, I am particularly and vitally interested in an angle that I think has not been presented to you—the ill effect that a renewal of these treaties will have on the country's small businesses and their employees.

It is for the preservation and promotion of small businesses and their employees that I must plead.

It would seem as if the woolen industry had been especially singled out for sacrifice, although it is an industry predominantly composed of small units, most of them proprietor operated. As a matter of fact, 94 percent of the country's 400 woolen textile plants are small and medium sized businesses. They are widely spread geographically from Maine to California, and are usually the substantial means of livelihood in the communities where they are located. They have had so hard a struggle now for many years that almost one-third of those in existence a decade ago have failed or gone out of business. And the further shock of a renewal of these low tariff treaties will put out of business many more.

Strangely enough it is, generally speaking, the small business industries that are hardest hit by these treaties—potteries, which are also the backbone of many small communities; paper mills, glove manufacturers; the lace industry; shoes and hat manufacturers; toys; kitchen utensils; buttons, shoes, and so forth. These are all highly competitive industries with no taint of monopolistic practices. Few of them are "absentee" owned.

The industries that the friends of the treaty allege will be helped fall in large measure into the category of big and concentrated industries, many of them indulging in practices which border on monopoly—business machines, electrical appliances, automobiles, typewriters, oil products, and so forth.

So you have here at stake more than a matter of industry versus industry—you must decide which type of business you wish to penalize and which type you wish to promote. A restoration of some measure of parity to small business as opposed to big business may be achieved by refusing to sacrifice those industries which within our borders are highly competitive and the essence of free enterprise for the sake of benefiting giant corporations which need no protection.

It has been argued regarding this measure that it will:

1. Promote the general welfare.
2. Promote world peace.

We can all agree, I feel sure, that one of the best measures or yardsticks of the contribution to the general welfare of this or any measure would be its effect on unemployment—our No. 1 problem.

A break-down of figures on exports and imports clearly shows that on balance this so-called reciprocity robs us of man-hours of employ-

ment because the treaties foster the import of products with a higher labor content than is contained in the exports that are promoted. Comparison in your own minds of the items just outlined will readily indicate this to you without the necessity of a mass of figures.

Moreover if we should obtain the proposed balance in dollars, and even if the products were equal in man-hour labor content, there is still a disparity to our disadvantage of 33 percent. This is because the price level here is substantially higher than abroad. This is a fact which is often lost sight of. When a million dollars' worth of certain foreign products arrive here, duty plus freight and handling charges make a landed cost of close to \$1,500,000; hence for the man-hours gained by the export of a million dollars' worth of automobiles, let us say, we lose the man-hours in \$1,500,000 of displaced American products. It is not reciprocal.

This "balanced dollar" exchange of products is not a balance of man-hours; and this brand of reciprocity adds to our problem of unemployment.

The imports of woven-wool piece goods last year of 7,000,000 pounds is greater by far than any year in this decade. It compares with an average for prior years of this decade of 3,000,000 pounds.

Strangely enough, in the paper just this morning, the New York Times, under the heading "Textile Industry Active in Britain" says that January's textile trade index is the highest level recorded in any January since the statistics were first compiled in 1934, and it is 26 points above the index for January 1939. And right along with that, in the Washington paper, Colonel Harrington says that the January recession is substantially greater than the seasonal increase in unemployment and more than a million persons added to the ranks of the unemployed during January.

This import represents the full-time employment of 8,000 to 10,000 workers, who with their families become candidates for relief and a burden on the taxpayer as their work is taken from them and diverted to workers in a foreign country.

Defenders of so-called reciprocity say frankly that they know that their treaties will deprive some people of their means of livelihood. The small units and their employees will be the first to be hurt.

Senator LODGE. What do you say about the possibility that workers displaced in textiles would get into a better paying industry?

Mr. GAUNT. That is a very fair question, Senator. It is unnecessary to tell the committee that we cannot uproot a man at once and move him from his small textile town to Detroit, and if you could—

Senator VANDENBERG (interposing). I hope you don't. We have so many unemployed there now that we don't know what to do with them.

Mr. GAUNT. Well, if you could, Senator, I think the textile industry has been somewhat maligned as to its level of wages. You know the level of wages in the textile industry is 59 cents an hour. That is before the recent increase just within the past few weeks of 10 percent. All right. Wages on automobiles may be at \$1 an hour. That is fine. They say "Why not encourage automobiles and give up textiles, because that is a better industry?" We cannot do that. Perhaps this discrepancy in hour rates does not tell the whole story. Automobiles are very highly seasonal. You might get \$1 an hour for a few months, but what is the yearly pay? Textiles, under normal

conditions, are not so highly seasonal, and the average yearly pay for the textile worker is not so far away from the average yearly pay of the automobile worker. Moreover, in textiles, most of the family can work. The family income, I venture to say, is just as large in Lawrence and Methuen as in Detroit. You cannot work as many women in automobiles. We have skilled menders that make excellent pay as a part of the family income. So I think that argument has been a little bit distorted.

Small businesses are 98 percent of all businesses; and far from being unimportant, the promotion and preservation of our small business is imperative if we are to retain our democratic form of government. You cannot have it if you put the small fellow out of business.

Under the present reciprocal trade agreements, the State Department is reducing the import duties on the very same commodities that the Department of Agriculture is distributing. In 1938 and 1939, the F. S. C. C. distributed 20 commodities with a total value of over \$30,000,000. Because import duties on these same commodities were reduced by the Hull Pacts, they were imported in the same period to the value of over \$92,000,000. Perhaps you can translate this into terms of man-hours lost and unemployment to our citizens. Included in the commodities were apples, beets, cabbages, carrots, cauliflower, celery, cheese, eggs, fish, grapefruit, grapes, milk, peas, potatoes, raisins, rice, tomatoes, and wheat cereals. The question is asked, How long should the Federal Treasury continue to purchase these commodities by direct appropriation and then encourage their import by trade treaties?

And now with regard to the promotion of world peace. This sounds strangely like our abortive attempt to "make the world safe for democracy" where our contribution of blood and treasure was rewarded with the ascription, "Uncle Shylock."

Let's beware this time of courting the ignominious title: "Uncle Sap." If we want to be soft-hearted, let's not be soft-headed.

Peace, like charity, must begin at home; and there can be no peace at home, industrial or social, if, because of our altruistic desire to see foreign industries running night and day, we deny to our own citizens in small industry and on small farms the work which rightfully belongs to them—especially in the small industries and small farms.

Our best contribution to world peace and world democracy is to show our sister nations our own house in order, naturally offering to sell them goods of which we have a surplus and which they lack, in exchange for materials of which they have a surplus and which we lack. That's true reciprocity. Let's not destroy any of our industries and markets or ask them to destroy any of their industries or markets. That is not true neighborliness but on the contrary leads to tension and irritation and unemployment within our borders and within their borders—and not to peace.

Here are some of the evils of this so-called reciprocity set-up:

1. It works havoc with our small industries and promotes the "big" at the expense of the "small."

2. It violates our traditional representative, democratic procedure and is of doubtful constitutionality.

3. It puts the fate of our citizens in the hands of appointed rather than elected representatives and tends toward regimentation and bureaucracy. That has been much better brought out by one of my

predecessors here. If we can appeal in an open hearing, that is one thing. But if the treaties are coopered up behind closed walls as our woolen treaty was, we feel as if we have been denied some of our American constitutional rights.

4. It freezes rates, destructive though they may be, and puts control of them out of reach for a stated period of years.

5. It increases unemployment.

6. It is not truly reciprocal.

7. It denies flexibility.

8. It is immoral.

9. It is productive of strife.

10. It aggravates the distressed condition of agriculture, of industry, and of labor.

11. Its alleged benefits are far outweighed by its certain detriments.

12. It overemphasizes the importance of foreign trade and underemphasizes the importance of our home or domestic trade.

The statement made by Mr. Taber was not significant, that if our domestic trade is increased only 10 percent—and it should not be difficult to promote a 10-percent increase—that that would outweigh the volume of all of our foreign trade, not that we do not want foreign trade, but are we not overemphasizing the necessity of it?

That these treaties are inadvertently but nevertheless definitely immoral and dishonest and will meet with the disapprobation of consumer groups, women's clubs, and social-minded organizations everywhere, when we realize what it is all about, is revealed by the fact that we are unwittingly becoming a party to the promotion of foreign industries which pay impoverishing wages and maintain sweatshop conditions. We cannot with any show of sincerity, having fought sweatshops in America and established minimum wage and maximum hours, be a party to the encouragement of these conditions abroad by admitting to our markets the products of conscripted or pauper labor.

Here is another thing, too, that I do not think that anybody has realized, and that is that the commendable efforts of various consumer organizations in restricting the use of substitutes and shoddy and maintaining sanitary standards of products and manufacture are badly upset by one important incidental angle that has developed under these treaties over the last few months. You perhaps did not realize that the import of rags—filthy, discarded rags from war-torn Europe—are up 1,000 percent, and don't forget they are going into somebody's suit—I hope it won't be yours. They are up, Senator, from \$70,000 to 5,000,000 pounds. That is going to go into a lot of suits.

Senator CLARK. Our export of rags vastly exceeded our import of rags, though, didn't it?

Mr. GAUNT. I could not tell you.

Senator CLARK. I put those figures into the record the other day. I do not have them here at the moment, but my recollection is that the export of rags exceeded the import by more than a million pounds.

Mr. GAUNT. Yes; but we don't want their rags. You don't want them in your suit, and I don't want them in mine.

Senator CLARK. I dare say some people don't want our rags over there either. It is unfortunate that rags have to be used.

Senator VANDENBERG. Do you relate this increased import of rags to the trade treaties?

Mr. GAUNT. Yes.

Senator VANDENBERG. Directly?

Mr. GAUNT. Directly; the duty on rags was dropped in one of the greatest drops of any of the items in the schedule, and it promotes and encourages and fosters the use of those rags, and we don't want them from a sanitary point of view.

The CHAIRMAN. Your business does not use those rags, does it?

Mr. GAUNT. My little business—I only employ about a hundred people, Senator—does not use anything but good virgin wool.

The CHAIRMAN. All right.

Mr. GAUNT. The attached table shows clearly the increase in imports of rags as well as other products of wool. It is to be noted that in rags the jump was from 500,000 pounds in 1938 to over 5,000,000 pounds in 1939.

Are we not in danger of overemphasizing the importance of our foreign trade?

Based on figures that I have just received from the Department of Commerce, but 4.5 percent of our national income is desired from exports—95½ percent of our income is the product of our own rich, productive, and trading area, within our own borders.

Can there be any question of it being of first importance that we should cultivate and preserve our domestic market? And half of the effort and consideration that you gentlemen are putting into this foreign proposition would outweigh it many times over.

Senator CLARK. Do you favor going back to the Smoot-Hawley system of rates?

Mr. GAUNT. No; I do not. I think that was overdone, but I certainly do not advocate getting down below our labor differential in this country. You might say that this woolen industry is only a little thing and we don't need it, and we can let the English goods come in, and suppose a few people are hurt. You know, Senator, this industry cannot be characterized as an unimportant industry. You know we felt that way about the old sailing ships. Do you remember?

Senator CLARK. That was before my day.

Mr. GAUNT. But when the World War came along, we found that we had neglected a very important cog in our national machine, and we had to feverishly rush around to get ships to carry our stuff. If we should have another war and you have no well-functioning textile industry, your boys are going to be without blankets or overcoats.

Senator CLARK. Don't you realize that having by our evil example set up a system of retaliation extended throughout the world, the other nations of the world having followed our bad example have probably created a situation that we could not ourselves control, and that we had no assurance that if we would reduce some of our rates that these other nations were going to reduce the prohibitive rates that they had set against us?

Mr. GAUNT. That is true, Senator. The pendulum seems to swing too far. You might swing it too far the other way. Two wrongs don't make a right.

The CHAIRMAN. What percentage of the woolens and worsteds under these two paragraphs have been reduced as compared with the whole production?

Mr. GAUNT. I have not got that right here.

The CHAIRMAN. I have it right here. It is 2 percent.

Mr. GAUNT. Well, they say we need a few vitamins and therefore that the 2 percent should be a good stimulus to the woolen industry. Someone has made that point. Yes; but we don't need a drop of poison; and as you know a drop of ink in a glass of water can foul the whole glass of water. That is what these imports are doing to us.

The CHAIRMAN. In 1923 the domestic production was about \$700,000,000, and declined regularly until in 1931 it was a little over half as large as 1923, and has risen to \$459,011,000 in 1937. That is a pretty good increase, isn't it?

Mr. GAUNT. We are a long way ahead of 1932, but we don't want a kick in the teeth now.

Senator DAVIS. Of the two ways, which would you rather have—to go back to the old way or making the Smoot-Hawley tariff, as Senator Clark says, or would you rather continued making them through the State Department in these reciprocal trade treaties?

Mr. GAUNT. Of the two evils, Senator, I should say that the protective tariff is much better for this country than in giving away our markets to foreigners. All right, if one says it is too high—lets assume that for a moment that it was. Supposing they built a dike in Holland 10 feet too high—they have thrown away 10 feet of earth work, but they are still keeping out the sea.

Senator DAVIS. And the same people that built the high dike can reduce it?

Mr. GAUNT. Yes.

Senator DAVIS. And those that made the Smoot-Hawley tariff could repeal that part of it which was not satisfactory to the great majority of the people in the country?

Mr. GAUNT. That is correct. Especially if it is kept in the hands of our elected representatives.

World tendencies are toward big companies becoming bigger, and small companies becoming subject to more red tape and discipline. This is particularly true under present conditions abroad, where in Britain, for instance, which has been a stronghold for small and medium-sized companies, war has placed each of the major industries under the control of a small board whose personnel is drawn almost exclusively from the big units. We had a taste of it here in America under National Recovery Administration, of ill-omened memory. These big units now have complete access to the trade secrets of the small independents, names of customers, former volume of business, amount of raw materials on hand, and so forth. The small firm is in a particularly difficult position in regard to any complaints he wishes to make, as he naturally is at the mercy of the control board.

Senator DAVIS. Did you appear before this committee on Reciprocity Information of the State Department?

Mr. GAUNT. This is my first appearance before any committee.

Senator DAVIS. You feel more at home coming before a committee like this than that State Department Committee of three or four men who were absolutely unknown to you?

Mr. GAUNT. You bet.

Far more important than the promotion or destruction of any particular industry is the interest of the whole Nation, which in its fight for the preservation of democratic methods should condemn any

such totalitarian or dictatorial program as the bureaucratic handling of this so-called reciprocity, and any such discrimination against smaller business.

The fate of so many should not be left in the hands of a few appointees; but rather in accord with our institutions and traditions—in the hands of our elected representatives.

If smaller business were to express its opinion, I believe it would be: (a) That the treaties be allowed to expire; or failing that, (b) if the present authority is to be continued, it should be subject to Congressional Approval of any pact before it becomes operative.

Senator, you were asking about shoddy, and qualities. A lot of people think that imported goods are better than American goods. We have just as good labor and just as high ingenuity as any place in the world, and it is a shame to cast aspersions of that sort on American goods. They used to say that we could not make dye-stuffs. A foreign car was supposed to be superior, and a foreign suit. It is all the bunk. You can get better and finer goods made right here in America than any made any place on the face of the earth. It is too bad that many merchants promote the sale of foreign products to the detriment of our American industry.

Senator CLARK. Before Mr. Gaunt leaves the stand, and with reference to what he said about the unimportance of foreign trade, I want to read into the record one paragraph of the testimony of R. W. Gifford, of Detroit Chamber of Commerce, which seems to me to be very pertinent on this point. It is at page 1557 of the House hearings:

Let me remind you of what happened 150 years ago. Every clipper ship that left this country went out loaded with material, and she never came back to the American shores until she brought a cargo with her. They were reciprocal traders, and then we got out of that business, and likewise our ships disappeared off the seas during that period, and gradually as we became more of a manufacturing country, that started to come back, and then we started to yell about export sales, and you must bear this in mind, that the importance of the export business, if 7 or 8 percent of your business means nothing, you might as well stop selling in Kansas or California. If that is so, let us cut out all of it, and we will not have to work at all. However, we have to keep after that and keep after it constantly, or the first thing you know you are out of it.

Mr. GAUNT. Well, Senator, don't you think that we ought to pull in their rubber and their tin that don't hurt us instead of pulling in their textiles? There is the right kind of reciprocity.

Senator CLARK. I do not think, as President McKinley said, that the United States can forever continue to sell everything and buy nothing.

Mr. GAUNT. Right you are, but what you and I both want is a balanced economy. We don't want it one-sided.

Senator HERRING. I want to direct your attention to the fact in the beginning of your statement you say that it would seem as though the woolen industry had been especially singled out for sacrifice. I want to direct your attention to the statement I put in the record the other day by the president of the American Woolen Manufacturers, saying that production activity of woolen textile mills in 1939 as indicated by the first 11 months was approximately 40 percent greater

than in 1938, was higher than in 1936 and higher than in 1937. Also that employment in textile mills was much better during the first 11 months of 1939 than in 1938, and that mills producing more than 50 percent of woolen goods of the country announce wage increases of 7½ to 10 percent effective February 1, 1940.

Mr. GAUNT. That is right.

Senator HERRING. So it does not seem that they were singled out for sacrifice.

Mr. GAUNT. I just came from Lawrence last night. We are about two-thirds shut down up there. There has been an increase in recent months in textiles, as there has been an increase in all business. But textiles are not back to normal; far from it, and they cannot be if we continue importing from abroad.

Do you think, Senator, that it is these pacts that caused the recent increase?

Senator HERRING. At least they are an increase while they are in effect.

Mr. GAUNT. I think if the country is generally better off, it is not because of the pacts.

Senator HERRING. That is a matter of opinion.

Mr. GAUNT. It is a rebound from that terrible depression of 1932. It has rebounded on its own momentum.

The CHAIRMAN. Under the reciprocal trade agreements, the lowest ad valorem rate is what?

Mr. GAUNT. You are talking about woollens?

The CHAIRMAN. Yes.

Mr. GAUNT. My memory, of course, does not serve me except on the highlights. There is a 34-cent protection on wool itself in a scoured state. The rest I cannot quote from memory.

The CHAIRMAN. I am told that, under this classification of which you speak, it is 55 percent at the very lowest and runs up to 101 percent.

Mr. GAUNT. You have the figures there, sir.

The CHAIRMAN. That is a pretty good protection.

Mr. GAUNT. It seems awfully high, but stop and think, Senator, that the labor content of a piece of goods is almost 100 percent. You start off and you have a whale of a lot of labor in there, and if you are paying double the wages, you have to have that protection unless you want to sacrifice your industry. Goodness knows we are not a profitable industry. Your records will show that we have all sorts of competition within our own borders here. That keeps the prices down.

The CHAIRMAN. Thank you very much.

Mr. GAUNT. I should like to have the tables which are attached to my statement made a part of the record.

The CHAIRMAN. That may be done.

(The same are as follows:)

APPENDIX A

The size of establishments and firms in the United States primarily weaving cloths wholly or in part of yarns spun on the woolen and worsted systems

Firms			Own number of broad looms	Located in number of establishments	Equipped with number of broad looms
Size	Number	Proportion			
		<i>Percent</i>			
Small.....	106	27	Less than 25.....	107	1,500
	96	24	25 to 49.....	96	3,600
	111	28	50 to 99.....	116	7,600
	58	16	100 to 199.....	67	7,300
	371	94		386	20,000
Medium.....	14	3	200 to 499.....	21	4,900
	7	2	500 to 999.....	19	4,900
Large.....	21	5		40	9,800
	5	1	1,000 or more.....	37	11,400
Total.....	397	100		463	41,200

In the above table the following will be noted:

1. About 94 percent of the firms own less than 200 broad looms.
2. About $\frac{1}{2}$ of the broad looms are owned by firms with less than 200 broad looms.
3. 99 percent of the firms and 75 percent of the equipment is in the small- and medium-scale category.
4. As a group the small- and medium-sized concerns furnish employment for 50,000 persons.

APPENDIX B

Index of quantity of merchandise exports and imports for consumption

[Average 1923-25 taken as 100]

Year	Exports	Imports	Year	Exports	Imports
1929.....	132	131	1935.....	78	106
1930.....	109	111	1936.....	82	118
1931.....	89	98	1937.....	105	131
1932.....	69	79	1938.....	105	94
1933.....	69	86	1939.....	107	94
1934.....	74	86			

¹ Actual figures for 11 months—1 month estimated.

Note that in 1937 the volume of imports equaled that for the boom year 1929. Yet Mr. Hull wants to make further reductions in tariff rates. We cannot accept imports in greater volume than 1929 without damage to domestic producers, and especially small units which are not so situated as to stand price cuts needed to meet competition successfully.

Source: Bureau of Foreign and Domestic Commerce, United States Department of Commerce.

APPENDIX C.—*Imports, woven piece goods, wholly or in chief value of wool and similar hair*

	Pounds		Pounds
1930.....	5,182,000	1935.....	3,148,000
1931.....	2,779,000	1936.....	4,532,000
1932.....	1,899,000	1937.....	5,729,000
1933.....	2,791,000	1938.....	3,86,000
1934.....	2,485,000	1939.....	6,891,000

The above figures give the total imports of woven piece goods in pounds from 1930 through 1939. It will be observed that the imports for 1939 are higher than any year since 1930. England is making every effort to increase her exports of woolsens in 1940.

APPENDIX D

(From letter of James W. Young, Director, Bureau of Foreign and Domestic Commerce, Department of Commerce, to Congressman George J. Bates, under date of March 1, 1940.)

Another measure that is sometimes used is the relation of exports to the total national income. The latter includes, of course, the value of all services produced as well as the value of goods produced. The following table shows these data for the years 1938 and 1939:

	Millions of dollars	
	1938	1939
National income (income payments).....	66, 271	69, 683
United States exports.....	3, 057	3, 124
Percent exports of income.....	4. 6	4. 5
General imports into United States.....	1, 680	2, 318

APPENDIX E

A comparison of imports of wool products first 8 months of 1838 and 1939 follows:

	1838	1938	Increase	Percent increase
Noils.....	<i>Pounds</i> 4, 266, 225	<i>Pounds</i> 1, 586, 998	<i>Pounds</i> 2, 679, 227	168. 82
Wastes.....	2, 375, 533	483, 532	1, 892, 001	391. 29
Rags.....	5, 481, 292	492, 125	4, 969, 167	1, 009. 74
Mohair yarn.....	6, 249	1, 065	5, 184	489. 70
	<i>Square yards</i>	<i>Square yards</i>		
Worsted under 4 ounces.....	498, 863	228, 381	270, 482	118. 43
Worsted over 4 ounces.....	2, 307, 348	656, 646	1, 650, 703	251. 38
Woolens over 4 ounces.....	5, 942, 970	3, 305, 579	2, 637, 397	79. 79

Every bit of the manufactured items of necessity deprived American industry and workman ready and anxious to work of just that much employment. Note also big increases in wastes and rags.

STATEMENT OF ALAN GOLDSMITH, NEW YORK CITY, REPRESENTING THE MEAD CORPORATION AND AMERICAN PAPER AND PULP ASSOCIATION

Mr. GOLDSMITH. I am vice president of the Mead Corporation, and vice president of the National Paper Board Association. I represent the National Paper Board Association as well as the American Paper & Pulp Association.

I did not wish, gentlemen, to get into a discussion on the economic factors in the reciprocal trade treaties as against the former method of treaty making, but I would like to have permission to give you some facts as to the effect on our particular industry of this change in tariff making policy.

We must say to begin with that the time has not been sufficient to get the economic effect of any such changes. In past history, it has taken some time for any move of this kind which has underlying economic effects, to make itself felt.

The paper and pulp industry of this country is in a rather peculiar position. The mechanization of our industry occurred 100 years ago. At that time, more advance was made in the pulp and paper industry

mechanically and chemically than other industries. Since that time, the machines, the chemical treatment, the equipment is available all over the world and is used all over the world. Foreign countries have as large and as fast-running paper machines as we have. They have access to and use the same chemical processes that we do. Our industry, in other words, differs, let us say, from the automobile industry where the mechanical and chemical progress in our country has given an edge to the industry to compensate for the great additional cost of labor. Similarly in the steel industry, in which I was active before the war; and our raw material, that is the richness of our ore, combined with our mechanical developments in which we were ahead of European countries, let us keep pace with that situation.

In the pulp and paper industry, the only developments made since the Civil War, those have been in the size and the speed of the machine capacity, of the equipment, which, as I say, is accessible and being used by other countries as well.

The only difference, in other words, between a paper mill in our country and a pulp and paper mill abroad is that we pay a higher labor rate; about $2\frac{1}{2}$ times that of the nearest competing country in Europe.

This affects, of course, our direct manufacturing cost and also affects the construction cost in the foreign mills, where of course labor in building the machinery as well as in production, is lower than ours.

For that reason our industry is perhaps more sensitive to the economic shifts than other industries are that have been reported to you.

As an example, we call ourselves a billion dollar industry. The volume of production is worth something in excess of a billion dollars a year. There are some 650 individual mills making this output in this country. No company has more than 10 percent of the total production. We have, perhaps, one of the largest capital investments per dollar of sales. On the other hand, we are the seventh industry in the value of output. We are No. 2 in the dollar investment per unit of output; in other words, we have \$1,000 per wage earner invested in this industry. The original investment is very, very heavy. As a matter of fact, we happen to be the fifteenth industry in the return on our investment. The industry only made $2\frac{1}{2}$ percent on its investment in 1938—2.6 to be accurate.

This mechanization was very early in contrast to other industries where it came later, and I will try to explain what I am driving at. In 1810, we had 179 mills, made 3,000 tons of products, with an average value per ton of \$563. In 1859 our mechanization in this industry was practically complete. We had 555 mills with about 127,000 tons of production, and the value of our product over-all had dropped to \$167 a ton. In 1937, the last year in which we have complete figures, we had 647 mills, making close to 13,000,000 tons, and the value of our product had dropped to \$69 a ton.

In other words, the mechanization, which was early in our industry, has brought with it a reduction of the cost overall of the product down to $\frac{1}{8}$ of what it was over a hundred years ago. This mechanization, as I say, was early, so that we have not the advantage of the mechanical jump which will give us an edge.

We have one big example of what occurred originally through reciprocal trade treaties in the past. That was the newsprint industry. You may know that in 1913, the newsprint went on the free list. The original Canadian treaty was, as I recollect, rejected by Canada at

that time, but after that, newsprint was on the free list. At that time Canada supplied about 25 percent of our newsprint. Today Canada supplies 75 percent of it. The interesting thing about that was that for the first 8 years or so after the newsprint went on the free list, the increase was not very noticeable. It averaged about a half of the Canadian production. Gradually, however, it picked up until after 8 years it began to get 4 times as high as it did the first 8 years, in spite of the fact that there was a war during the first 8-year period.

That is what we are afraid of at the present time. The over-all figures may not show thus far the effects that occurred in the past in such a situation as newsprint. I am not trying to criticize the past newsprint situation; I simply wish to indicate what occurred in one of our major branches of the industry in the past. The possibilities are there, the factors of the original cost today are there in other branches of our industry, so that recent developments are not strictly reflected in the present time statistics.

As I say, even with the war it took years for newsprint to assume the position which it has, and the underlying factors in other branches exist today just as they did in the newsprint situation at that time.

It is much too late now to talk about the effects or the rights or the wrongs of that situation. Today we have ample capacity in our country to take care of the normal increases in our consumption. Paperboard ran 71 percent in 1939, 71 percent of the production capacity, in spite of the fact that it was paperboard's biggest year. I believe paper ran about 80 percent in the same year.

There is plenty of capacity abroad to take care of this market of ours. We have the largest market, as you gentlemen know, in the entire world for pulp and paper products, and we consume about 60 percent of all the pulp and paper that is consumed.

Senator DAVIS. Do I understand you to say that there is enough capacity in foreign lands to supply all of the needs of the United States?

Mr. GOLDSMITH. No; I meant to say that there is excess capacity in foreign countries that is trying to get into our market, but we at the same time have excess capacity in ours to take care of increased demands. No; there is not a sufficient supply to take care of our entire requirements.

Senator DAVIS. Does your business continue through the 12 months?

Mr. GOLDSMITH. It is one of the steadiest businesses in the country. Although our wage rate, for example, is not the highest in the country, you will find, I think, that our annual wages are second highest in the country, which indicates that we run a very stable industry.

Senator DAVIS. Does this include the paper-box industry, too?

Mr. GOLDSMITH. We have not included the paper-box industry in our figures.

Senator DAVIS. What is the hourly rate in the paper-box industry today?

Mr. GOLDSMITH. We do not make paper boxes, Senator, but I think you will find that the minimum will run in excess of somewhere between 40 and 50 cents. In some localities, over 50.

Senator DAVIS. How many hours a day do they work?

Mr. GOLDSMITH. It varies in various industries. I think you will find that the 8-hour day is generally used in the paper box industry, although I found that certain of the box manufacturers who are our

customers, I think are operating on 6-hour days at the present time. Many of the paper mills are operating 6-hour days.

Senator DAVIS. They did work long hours in that industry?

Mr. GOLDSMITH. Yes; there has been a considerable change in the paper box industry in the last few years.

Senator DAVIS. I am glad to hear that there has been a change.

Mr. GOLDSMITH. I hope you will forgive my mentioning so many statistics, but I used to work for the Government and I know that you gentlemen want them.

The CHAIRMAN. In the Canadian agreement, which reduced the duty on pulpboard and rolls for wallboard from 10 percent to 5 percent was it not?

Mr. GOLDSMITH. Yes, sir.

The CHAIRMAN. How did that affect the importations?

Mr. GOLDSMITH. The pulpboard situation in Canada was affected primarily by the elimination of the countervailing duty. There used to be a countervailing duty on paperboard which was in a sense reciprocity in that I think the Canadian duty was in excess of 30 percent and we imposed the same duty. When the countervailing duty was removed, I think the Canadian duty was put at 22 percent ad valorem or amounted to that, and we found that actually we went on a 10 percent and 5 percent basis.

The CHAIRMAN. Did the importations from Canada increase?

Mr. GOLDSMITH. They increased to some extent; yes, sir. It had a secondary effect, however, Senator, and that was that American capital went over to Canada and the Canadian paperboard industry today has a very heavy United States investment.

The CHAIRMAN. The figures which I get of the importations from Canada are that starting, say, with 1934, which is a rather early date, they were 18,184,000 pounds. In 1937 they were 22,884,000 pounds. In 1938 they dropped to 14,734,000 pounds. In 1939 (11 months), to 10,572,000 pounds.

Mr. GOLDSMITH. I have not the figures with me. Unquestionably you have the correct figures. You mean the imports into the United States?

The CHAIRMAN. Yes.

Mr. GOLDSMITH. Yes, sir.

The CHAIRMAN. And then from Sweden, reciprocal agreement which dealt with this matter. Was the rate reduced at that time on paperboard in that agreement?

Mr. GOLDSMITH. I would like to check that.

The CHAIRMAN. Did we not just bind the 10 percent and not change it at all?

Mr. GOLDSMITH. What actually occurred was that the big situation in paperboard was purely the fact that the countervailing duties went off on paperboard. That was the thing that did the most.

The CHAIRMAN. And the 10 percent was bound?

Mr. GOLDSMITH. That is correct.

The CHAIRMAN. And the importations in 1938 from all countries were 9,462,000 pounds, and in 1939 it was 4,107,000 pounds.

Mr. GOLDSMITH. Yes; the Swedish importations of paperboard consisted primarily of special grades.

The CHAIRMAN. All right; you may proceed.

Mr. GOLDSMITH. The Reciprocal Trade Act and treaties were presumed of course to give benefits to other specific countries against

benefits derived by our own country, and it was supposed to be effected with the least repercussion on American industry.

The CHAIRMAN. Did your organization approve the Reciprocal Trade Agreement Act?

Mr. GOLDSMITH. No; we did not appear.

The CHAIRMAN. I am asking you now.

Mr. GOLDSMITH. I don't think we did.

The CHAIRMAN. You took no position at all?

Mr. GOLDSMITH. We did not take any position at the time. If you will permit me, I did not wish to get into a discussion—

The CHAIRMAN (interposing). I just wanted to find out the viewpoint of your organization.

Mr. GOLDSMITH. Our organization was not committed one way or the other as to the benefits or lack of benefits of the reciprocal trade-treaty program as against the old most-favored-nation and former mechanics of trade treaty making. Of course, the reciprocal trade treaty combined with the most-favored-nation clause in the act, combined with the fact that on the other hand your trade treaties—well, I will not call them treaties, but I will say agreements—were not subject to the consent of the Senate, hence took immediate effect.

The CHAIRMAN. Those who are opposed to this program call them treaties, and those who are for them call them agreements.

Mr. GOLDSMITH. I am not going into any definition, but I should like to show some examples of the effects of the combination of the most-favored-nation provision in the bill, combined with the trade agreement program, on certain branches of our industry, so that with the background of this industry of ours, you can get an idea of what is happening in the industry itself. We are not today criticizing the—I will put it this way—we are not making any criticism of the theory which you gentlemen in the Senate are deliberating upon. What we are trying to show is what the effect of the mechanics is and the way that it has worked out and the effect it has had upon our particular industry.

Senator DAVIS. Do you believe it will be for the good of the industry?

Mr. GOLDSMITH. I think I can show you in several cases that it has not worked out for the benefit of our industry.

Senator DAVIS. And therefore I presume you are opposed to these reciprocal trade agreements?

Mr. GOLDSMITH. At present; yes, sir. Under the mechanics, in the manner in which they have been carried out up to the present time. You see, what has actually occurred in our industry has been that 75 percent of the volume of our industry has been affected; that is, the tariffs in 75 percent of our total volume have been affected. It amounted to about 40 percent on an ad valorem basis. There have been 71 grades affected through 27 changes in the trade treaties. It is interesting to observe that some 22 items—and we can submit them sometime—are actually now on a lower basis than the Tariff Act of 1913.

Senator DAVIS. Will you insert them in the record?

Mr. GOLDSMITH. Yes; I shall send them on. There are 22 items on a lower basis actually than the Tariff Act of 1913, which was supposed to be, I think, certainly up to that time, the lowest tariff on record.

(Mr. Goldsmith did not furnish the information requested above prior to the time of the final print.)

Senator DAVIS. You are talking about the Underwood tariff for revenue law?

Mr. GOLDSMITH. Yes; the effect of this combination, if I may call it that, of the reciprocal trade agreement policy combined with the most-favored-nation clause in the original act, is interesting, and I have taken some examples, if you please, to show you just what has happened in certain branches of the industry. I am frank to state that the statistics, thus far, just as they did not prove out in the newsprint business, for several years, thus far the statistics would not have had enough chance to work, if I may say so.

Here we have one case that is rather interesting, in wrapping paper. At the time that the reciprocal trade treaties were in effect, there were antidumping complaints against Sweden and Finland because of their importations into the United States below our cost. Then the Netherlands treaty indicated that there should be no antidumping duty, and without prior notice, and that had a rather interesting effect. The imports of wrapping paper in our country rose from 5,000 to 24,000 tons the first year, and 13,000 tons of it were in the very best grade of wrapping paper, which we call our machine-glazed paper. It was not a large tonnage, because after all there were around a million tons being produced in this country, but that machine-glazed paper being the highest grade of paper was affected on the basis of—it amounted to some 27 percent of the machine-glazed, highest grade wrapping paper. It has been customary to have certain differentials between the machine-glazed and the machine-finished and other grades. The result is that this tonnage actually meant that the wrapping paper industry for a period of time was actually operating—it was one of the factors that meant that the wrapping paper industry was operating below cost.

In printing paper, the effect was interesting also. When the newsprint industry got a foothold in Canada, many newsprint factories in this country had to transfer to other grades. They naturally went to the ground wood papers and other printing papers which had the same basic pulp content as the other. When the Canadian treaty was put through, the imports did not amount to much. They amounted to enough to close down one mill, for example, but actually after the treaty came in, Norway, with which we did not have a treaty, began to participate. Canada was not benefited. Today the percentage of European paper coming in in the printing paper grades has increased proportionately and Canada has decreased; in other words, in this particular branch of the industry which took years to transfer from newsprint to the other printing paper grades, the country with which we made the original treaty benefited less than other countries which had been benefited by the most-favored-nation clause and therefore were able to get a larger proportion in. There was actually a case where adding machine paper—it is a small case—but adding machine paper came in from Denmark, a country which had never been heard of before. We have another grade—the vegetable parchment grade—a grade which is small but which has been developed in the last few years for various purposes. In the reciprocal treaty with Belgium, the duty was reduced by about 33½ percent. In 1885, there were 29 mills making this grade, and today there are only 4. The highest wage rate in Belgium in the manufacture of this grade is 18 cents an hour, and our highest rate is \$1.25, and our low is 50 cents. The treaty

was made with Belgium, and the next thing we knew Italy had got in on the high grade thinning trade, and in that trade—it is not a large volume of business, but to the few mills remaining in it, we actually find that Belgium and Italy—Italy never having been foreseen, at least not in our industry—are having the battleground here for this business, with our four little manufacturers more or less holding the bag between the country with which we had a treaty and the country which came in on it.

Cigarette paper is made by the same people. There is a case that I would like to bring out. Some years ago, possibly because we could not make a good enough cigarette paper—I am not willing to make that statement, but it may be true—American tobacco manufacturers bought heavily into French cigarette paper manufacturers. The treaty with France gave concessions to France. We only made one-quarter at that time of all of the cigarette paper that was made, so that it did not affect the imports of it to any degree, but from the dollars and cents point of view, this French concession actually turned the equivalent of \$600,000 from the public revenue over to the tobacco manufacturers, because the tobacco manufacturers controlled the leading French cigarette-paper manufacture. The tobacco industry, by the way, is No. 2 in the return on investment, so that it actually meant that a certain amount of public revenue was transferred to the hands of one of our domestic industries.

There was another interesting case that occurred with which I came in contact. In making carbonizing tissue—it is a small grade but it is quite vital to all of our business interests—the British treaty reduced that duty about one-third. It is interesting in checking up to find that only one British manufacturer makes that material, and it is handled through one United States importer; in other words, this treaty gave the benefit to one importer and to one manufacturer. It is also interesting to note that in 1930 somebody caught this situation in the hearings and actually the duty in that case had been increased. I don't know whether it was due to this very situation, but at that time the duty was increased from 6 cents and 15 percent to 6 cents and 20 percent, but at this particular time nobody apparently discovered that this particular grade was a monopoly of one foreign concern and one American importer.

Our interest in such a case is rather obvious.

These tariff changes show great repercussions, and we feel that they should not be undertaken without thorough consideration of the entire world picture and our industry in this country. The peculiar conditions in our industry, particularly in analyzing tariffs for our industry, should be given consideration. Normally congressional hearings usually air all of these various things that occur, and in the case of treaties of course being subjected to the scrutiny of the Senate, we had that particular protection.

Now, although we know that they are carefully considered, we question the ability without hearings and without having a chance to get definite information to our representatives, we feel that things will occur in treaties which do not give thorough-going consideration to these factors, and the incidents I have given are just mentioned to indicate what may occur if we do not get the opportunity as an industry to present the facts before our own representatives.

Senator HERRING. Mr. Goldsmith, you mentioned the fact that the cigarette manufacturers went to France and formed their own company?

Mr. GOLDSMITH. No; they did not. They bought into existing French companies.

Senator HERRING. Is it not the contention of the cigarette people that they could not obtain in this country the type of paper that was best adapted for their use? Is that true?

Mr. GOLDSMITH. They made that contention and I did not deny it.

Senator HERRING. What quality is there in the French paper that we do not have?

Mr. GOLDSMITH. The French paper is made from flax, and most of it seemed to be at that time—technically we have not made that grade—but I was informed that they complained about the fact that there were pinholes in the American paper.

Senator HERRING. Has that objection been met?

Mr. GOLDSMITH. At present it has been met. Tobacco interests have been building a mill in North Carolina which is supposed to be a wartime mill, that is, one which is supposed to take care of them if they cannot get their flax supply from France. The point I was making in this discussion was that the reduction in this case did not in any way affect the import situation or affect the American industry.

Senator HERRING. Nor would it affect the Senate ratification or reciprocal trade pact.

Mr. GOLDSMITH. I think that had it been known that this reduction of duty was simply transferring funds from the Treasury into an industry, because that is what it amounted to, they probably would have given the matter other consideration.

Senator HERRING. The whole question was to get a satisfactory paper, and the ratification of the reciprocal trade pact would not involve that.

Mr. GOLDSMITH. No; but was there any real reason for the Government sacrificing \$600,000 a year simply to benefit one particular industry? I don't think that was contemplated when the reduction was made. Those imports were bound to come here. The American interests control it.

Senator HERRING. Your objection was to the reduction?

Mr. GOLDSMITH. My objection was that here was a revenue for the Government of which the Government had deprived itself. The only people in this country that benefited were one particular industry which happened to control the manufacturing facilities abroad.

Senator HERRING. Was that the result of the reciprocal trade pact with France?

Mr. GOLDSMITH. Yes.

Senator HERRING. You think that if they had come before the Senate for ratification, it would have been stopped?

Mr. GOLDSMITH. I think the Senate would have considered the fact that those imports would have come in in any case, and would certainly have felt that just simply because the tobacco industry had—I suddenly realize that I am giving my opinion as to what you gentlemen in the Senate would have done—but I think in that case the Government would have felt that it was entitled to this revenue, just because American manufacturers controlled the French source of supply that there was no reason for, benefiting this particular

industry to the extent of \$600,000 a year. It is a very prosperous industry.

Senator HERRING. I have had very few complaints of the Treasury Department not looking for revenue.

Mr. GOLDSMITH. In this particular case I doubt—I think several of these cases were brought up in the discussion—but I doubt very much whether these various results were in any way foreseen by the group that made these agreements. I think that the very fact that in our past history every industry has had an opportunity, and labor and agriculture have had an opportunity to present their case fully, a lot of these inequalities and inequities have been caught and discovered. I am not questioning the sincerity and integrity of those who are making the treaties.

The CHAIRMAN. Has your industry ever appeared before this board that negotiates these trade agreements?

Mr. GOLDSMITH. Yes, sir; I appeared in another industry. One of our byproducts is tanning extract. We manufacture in the middle Southern States a board manufactured from chestnut wood in which we extract chestnut tanning extract and use the wood chips for the manufacture of board, and in connection with our extract I appeared before the committee on the Argentine trade treaty, in connection with the Argentina exports to the United States of bracho extract.

The CHAIRMAN. But you did not in the Swedish agreement or the Belgian or the Canadian agreements?

Mr. GOLDSMITH. I did not. The industry appeared.

The CHAIRMAN. Now, I understand that you are expressing your own viewpoint and not that of the industry; that there has been no resolution or anything like that.

Mr. GOLDSMITH. The industry has passed no resolution, no, sir, but I am expressing the point of view of the industry in this sense, that the matter never came to a resolution but it was discussed and I was instructed by the industry to present the facts and the effects of the working out of these treaties. They have not discussed and they have not questioned the theory of reciprocal trade treaties, the theory of the most-favored-nation treatment, and the theory of the former method. They have felt that the way these reciprocal trade treaties combined with, as I say, the most-favored-nation clause in the act itself, has worked out, has proved to be and is going to prove to be increasingly a very dangerous thing for our industry, because as I say the only difference between our industry and competitors in Europe is our wage scale. They have the same machinery and the same equipment and the same access to wood. Their wood costs them no more than ours, and as a matter of fact, the harvesting of wood costs them less, of course.

The CHAIRMAN. You received certain benefits, certain concessions, in these agreements favorable to the industry, didn't you?

Mr. GOLDSMITH. No, sir; our industry did not. The idea was that in the reciprocal treaties that certain industries in our country would receive concessions against other industries in other countries. I don't know of any cases where we received any valuable concessions in connection with these treaties in our particular industry.

The CHAIRMAN. There is a long list of concessions that were obtained in the trade agreements on paper and paper products.

Mr. GOLDSMITH. Some of our customers may have obtained concessions. The paper industry as a whole does not feel that any concessions have been granted.

Would you mind, Senator Harrison, letting me have that list? I should be glad to present a report on it or write it up in any way that you see fit.

The CHAIRMAN. It is in the hearings of the Committee on Ways and Means at page 380. It is cited there that certain concessions were made. And also at page 255.

Mr. GOLDSMITH. I will be glad with your permission to report on it.

The CHAIRMAN. You may do so. I hope you will do it very promptly, because we are going to have these hearings printed promptly.

(Information requested above, was furnished, and is as follows:)

THE MEAD CORPORATION,
Chillicothe, Ohio, March 5, 1940.

HON. PAT HARRISON,
United States, Senate, Washington, D. C.

MY DEAR SENATOR HARRISON: In accordance with your request, I am submitting herewith an analysis of the so-called concessions granted by foreign nations to the United States manufacturers of paper and paper board in the various reciprocal agreements as listed, beginning on pages 255 and 380 of the printed record of hearings before the Ways and Means Committee of Congress. Prefacing this analysis it should be understood that the American Paper and Pulp Association and the National Paperboard Association, for which I appeared on Monday, March 4, do not include in their field the manufacturers of paper, but merely the basic material.

Page 255. *United Kingdom agreement.*—No concession whatever was made on any form of basic paper. In view of the fact that the United Kingdom is second in importance to the exporters of United States paper, and that total paper exports are less than 3 percent of the total value of the American product, such concessions as were made on shipments to Newfoundland (itself an exporter of paper to this country) Jamaica, the Bahamas, etc., are infinitesimal.

Page 257. *Canadian agreement.*—The rates of duty fixed by the 1938 agreement constitute a reduction from the rates previously in effect. To call such reductions concessions is hardly a correct statement, inasmuch as Canada, with lower manufacturing costs than the United States, in practically no case reduced its duty rates to the figure fixed as the United States duty on comparable grades. The United States was given most-favored-nation benefits, a condition always extended to Canada by the United States.

Import and export statistics of the trade in paper between the United States and Canada show that from the time of the first agreement in 1935 Canadian exports to the United States increased at nearly double the rate of the increase in American shipments to Canada.

The Canadian agreement is a typical example of the conditions which lead the American paper industry to criticize the manner in which duty rates are reduced by the reciprocal trade-agreement policy. When the agreement negotiated in 1938 was under consideration, the official organizations of the Canadian pulp and paper industry and of the American paper, pulp, and paperboard industry went on record before the negotiators in requesting that no change be made in the rates of duty then in effect, by both countries. The United States industry

did not desire concessions from Canada, being satisfied with the status quo. The Canadian industry maintained the same attitude, not only as far as the United States duties were concerned, but realized that any reduction of duties in the Canadian tariff schedule would apply under the Dominion's most-favored-nation program to imports from the low-wage producers of Europe.

Despite the expressed desire of the industries in the two nations, the Canadian agreement reduced American rates to a point which gave privileges not only to Canada, but to countries with which the United States has no reciprocal agreements. The so-called concessions by Canada were nominal in that they were still higher than American duty rates on similar products.

Page 380. *Cuban agreement.*—This agreement made material concessions to American papers and paperboards. This agreement, however, is distinctly different from those negotiated with other nations in that it definitely recognized a bilateral procedure, by which the United States was given concessions which would be of real value, inasmuch as such concessions were not granted to competing nations. The Cuban agreement is considered by the American paper industry to be true reciprocity and not part of machinery which has as its effect the arbitrary revision of the entire American tariff schedule.

Page 383, etc. Most of the so-called concessions involve increased quotas for American paper. For instance, the Netherlands agreement permits the United States to ship to that country 170 tons of paper per year. When the American industry produces 13,000,000 tons per year, such a small quota means nothing to the American industry as an export outlet, and all such quotas combined are so small as to be meaningless.

Page 383. *Venezuelan agreement.*—The tabulation shows a reduction in duty on "writing paper." The State Department negotiators were apparently misled on this item. The Department's announcement of the conclusion of the agreement stated that American shipments of paper affected by this agreement were valued at \$171,000 in 1938. When American shippers tried to export writing paper under this supposed concession, they discovered that the duty classification on which the rate was reduced was not for writing paper, but was for stationery. No reduction was made on the grades of paper actually shipped.

The above summary indicates that the American paper industry was subjected to material and damaging reduction of a normal protection for its domestic markets, while the only concessions granted by foreign nations were illusory.

I wish to express at this time my appreciation for your consideration at the hearing and my regrets that we were so rushed for time that possibly I was not able to give you the complete reaction of our industry to your own satisfaction.

Very truly yours,

THE MEAD CORPORATION,
ALAN G. GOLDSMITH,
Vice President.

Mr. Chairman. Is there anything else you want to call attention to?
Mr. GOLDSMITH. Nothing else.

(The following tables submitted by Mr. Goldsmith are here printed in full:)

Comparison of wages in American and European paper mills

NORWAY

Position	Wage rates per hour			
	Norwegian mill, 146-inch ma- chine, 800 foot speed ¹	American mill, 146-inch ma- chine, 800-foot speed ²	American averages ³	
			Machines, 101-150-inch	Speeds, 701-800 feet
Machine tender.....	\$0.41	\$1.16	\$1.0495	\$1.1426
Back tender.....	.31½	.68	.8849	.9763
Third hand.....	.30½	.85	.7328	.8067
Fourth hand.....	.30	.64	.6237	.6460
Fifth hand.....	.29¾	.....	.6031	.6781
Oilers.....	.32	.66	.6518	.6518

	Same Norwe- gian mill, 219- inch machine, 1,000-foot speed	American mill, 219-inch ma- chine, 1,000-foot speed	American averages	
			Machines, 201-250-inch	Speeds, 800 feet and over
Machine tender.....	\$0.44	\$1.37-\$1.32	\$1.5603	\$1.4587
Back tender.....	.33½	1.16	1.4273	1.3028
Third hand.....	.32	.84	1.0686	1.0044
Fourth hand.....	.31	.68	.7209	.6870
Fifth hand.....	.30½	.64	.6513	.6204
Oilers.....	.32	.61	.6518	.6518
Beater Room No. 1: Head beatermen.....	.31½	.68	.7712	.7712
Boiler room:				
Head firemen.....	.36½	.58	.7107	.....
Helpers.....	.34½	.51-.48-.50	.6295	.....
Power plant: Shift electricians.....	.32½	.60	.7725	.....
Sulphite mill:				
Digester cook.....	.39	.85	.7482	.....
Digester cook's helper.....	.34½	.....	.....	.....
Acid maker.....	.36½	.55	.7300	.....
Wood room:				
Conveyor men.....	.31¾	.62-.60-.48	.5287	.....
Unloader.....	.31¾	.....	.5621	.....
Mechanical pulp mill:				
Grinder men.....	.33	.60-.50-.48	.5789	.....
Screen men.....	.31¾	.48	.6106	.....

Comparison of wages in American and European paper mills—Continued

SWEDEN

Position	Wage rates per hour			
	Swedish mill, 3 machines, 2 of 102 inches, 1 of 114 inches, 1,000-foot speed	American mill, speed 1,000 feet; width, 151-200-inch	American averages	
			Machines, 100-150- inch	Speeds, 801 feet and over
Machine tender.....	\$0.38½	\$1.365	\$1.3377	\$1.4587
Back tender.....	.33½	1.195	1.1701	1.3028
Third hand.....	.32½	.955	.9273	1.0044
Fourth hand.....	.30½	.675	.6819	.6970
Other.....	.31½	.725-.925		
Beater room:				
Beater foreman.....	.38½	1.015-.80		.7712
Beater man.....	.31½	.65		.6058
Grinder room: Grinder operator.....	.31½	.795		.5789
Laboratory:				
Tester at main laboratory.....	.31½			
Paper tester.....	.30½	.675	.6183	
Boiler house:				
First fireman.....	.35½	.835	.7107	
Second fireman.....	.32½	.775	.6295	
Sulphite mill:				
Digester cook.....	.37	.825-.71	.7482	
Acid maker.....	.35½	.825	.7300	
Electricians.....	.32½-.37	0.77½-1.125		
Outdoor workers: Unskilled labor (wood- yard).....	.30½	.62½-.70		.5078

¹ Source: Special committee of American members of International Brotherhood of Pulp Sulphite and Paper Mill Workers.

² Source: American Paper & Pulp Association. Averages include every mill reporting its wage rates.

NOTE.—The special committee of the International Brotherhood commenting on the relative cost of living in Scandinavia and North America states that it takes the worker in Norway and Sweden 100 hours of work to buy what the American worker can purchase with 6½ hours of work.

FINLAND

	Male	Female
Pulp and paper mills.....	\$0.10½	\$0.087
Wood pulp and cardboard mills.....	.16½	.084
Sulphite pulp mills.....	.10½	.088
Sulphate pulp mills.....	.18	.092
Paper mills.....	.10½	.085

The following are the average hourly earnings of basic groups of paper-mill employees as reported by the Bank of Finland Monthly, July 1939, the figures being the employment rates prevalent through 1938.

The following are available wage schedules in Belgian paper mills, as reported by William H. Beach, American consul at Antwerp, Belgium, as printed in the Monthly Labor Review of the Bureau of Labor Statistics, United States Department of Labor, November 1938, the figures given being the average wage rates per hour.

BELGIUM

	Male	Female
Winders, calenderers, and finishers.....	\$0.16	\$0.18
Cutters.....	.14½	.16
Dryers.....	.13½	.14½
Laborers, male.....	.13½	.14½

NOTE.—In the above statistics no effort has been made to weight the wage rates given to compensate for any depreciation of currencies which may have taken place during recent years.

Paper and board on which the rates in Tariff Act of 1930 were reduced by Trade Agreements below the rates in Tariff Act of 1913

Para-graph	Kind	Act 1922	Act 1930	Act 1913	Trade agreements	
					Rate	Equivalent ad valorem
1401	Printing paper.....	½ cent per pound and 10 percent.	½ cent per pound and 10 percent.	12 percent.....	½ cent per pound and 5 percent.	11¼ to 9 percent.
1404	Tissue, carbon, stereo, pottery (not over 6 pounds per ream valued over 15 cents per pound).	6 cents per pound and 15 percent.	6 cents per pound and 20 percent.	30 percent.....	4 cents per pound and 15 percent.	22½ percent.
1404	Tissue, carbon, stereo, pottery (6 to 10 pounds per ream valued over 15 cents per pound).	5 cents per pound and 15 percent.	5 cents per pound and 15 percent.	do.....	4 cents per pound and 10 percent.	18½ percent.
1505	Vegetable parchment.....	3 cents per pound and 15 percent.	3 cents per pound and 15 percent.	25 percent.....	2 cents per pound and 10 percent.	23½ to 14½ percent.
	Sensitized photo.....	30 percent.	30 percent.	do.....	22½ percent.	
1407	Bristol (cylinder) board not over 15 cents per pound.....	3 cents per pound and 15 percent.	3 cents per pound and 15 percent.	do.....	2 cents per pound and 10 percent.	23 percent.
1409	Hanging paper, not processed.....	10 percent.	10 percent.	do.....	7½ percent.	
	Hanging paper, processed.....	1½ cents per pound and 20 percent.	1½ cents per pound and 20 percent.	do.....	1 cent per pound and 10 percent.	14 percent.
	Wrapping kraft.....	30 percent.	30 percent.	do.....	20 percent.	
	Strawboard, 8 to 12 points.....	9 points and over 10 percent.	do.....	do.....	15 percent.	
		Under 9 points and 30 percent.	do.....	do.....	do.....	
	Blotting.....	30 percent.	do.....	30 percent.	do.....	
	Filtering 75 cents per pound or more.....	5 cents and 15 percent.	5 cents and 15 percent.	do.....	2½ cents per pound and 7½ percent.	11 percent.
	Boards processed.....	30 percent.	30 percent.	25 percent.	\$14.50 per ton (not more than 30 percent, not less than 15 percent).	24 to 15 percent.
	Pulpboard rolls for wallboard, processed.....	5 percent.	do.....	do.....	15 percent.	
	Stereotype matrix board value more than ¼ cent per square inch.....	35 percent.	35 percent.	do.....	20 percent.	
	Cigarette paper.....	60 percent.	60 percent.	50 percent.	45 percent.	

**STATEMENT OF MILLARD D. BROWN, PHILADELPHIA, PA.,
CONTINENTAL MILLS, INC.**

The CHAIRMAN. I understand that you testified at page 2536 of volume 3 of the House Ways and Means Committee?

Mr. BROWN. Yes, sir.

This statement which I am making before the Finance Committee is an endeavor to present my views, as a citizen and the head of a small industry, and in the interest of our employees, in opposition to the renewal of the trade-agreements program.

Those who have seriously studied our foreign trade realize that comparison of such trade from year to year in dollar value does not give a true picture of results. For instance, the dollar value of our foreign trade from 1929 to 1932 shows a tremendous decline, but a glance at the chart which has been supplied to the committee will show that the world volume of trade declined from an index figure of 172 to 67, or about 60 percent, and the international price index on a uniform gold basis declined nearly 50 percent, indicating that the collapse of world trade was due more to price declines than to a decline in physical volume. Our collapse in foreign trade is, therefore in proportion to the decline in world trade, and is the result of world conditions, rather than to the Smoot-Hawley Tariff Act.

Our recovery period of 1934 to 1937 likewise synchronizes with world recovery, and was in no way due to reciprocal trade treaties. We must bear in mind that only four trade treaties were effective before 1936, and the majority of them did not become effective until during 1936 and 1937. Only when we use unit measurements of volume, or index numbers, or percentages, do we get the true test of the results.

Officials in high positions in the present administration have gone so far as to blame the world collapse of 1929 on the Tariff Act of 1930, and one even went so far as to blame the present European war on this same act. Such absurd statements show the absence of ability to analyze properly the reasons underlying economic conditions, or a woeful ignorance of economics. These same officials insist that our trade treaties will prevent war.

The CHAIRMAN. You are familiar with the fact that while that tariff act was being considered, that 1,032 of the most prominent economists of the country pointed out to the Congress what would happen if it passed?

Mr. BROWN. Which act?

The CHAIRMAN. The Smoot-Hawley tariff law which was passed in 1930.

Mr. BROWN. I am not familiar with that. Of course, there are a lot of economists in the world.

The CHAIRMAN. You probably would not have made that statement if you knew that that number of leading economists had protested against it and predicted against the dire effects of it.

Mr. BROWN. Yes; I think I would; because there is a lot of difference between theory and practice in these things. In theory, a lot of things are very desirable but they don't always work out in practice.

The CHAIRMAN. Do you approve of the Smoot-Hawley tariff law?

Mr. BROWN. In general; yes, sir.

If the Tariff Act of 1930 can be blamed for the present wars, should we not ask why the reciprocal trade program, after being in operation for 6 years, has not prevented these wars? Jerome Frank, in his book *Save America First*, states the real truth very plainly when he says that the belief that "world trade and world peace are related is a seductive belief. Men believe it because they have been brought up in that belief, because they want to believe it. A survey of the nineteenth and twentieth century history surely discloses that this is a mischievous delusion."

Unrestricted trade between countries with different labor costs transfers activities from the higher wage country to the lower. Under such circumstances, protection of industries is protection of labor. High wages and high prices are better than no wages and low prices.

A scramble for raw materials and markets between independent nations leads to war, such as we see in Europe today.

The more we are dependent on other nations for markets and supplies the greater must be our Army and Navy to protect our foreign trade. In all ages the flag and the army have followed the international peddlers. No one has ever had a fight or a lawsuit with a person he never contacted in business, or in any other way.

There is a historical instance which proves that foreign wars can only be avoided by complete isolation. Japan, for 250 years, in which it withdrew from contact with the whole world, lived in peace, and there is no instance in history that can be quoted to prove the contention that trade insures peace.

Much has been said before this committee about the increase in exports from 1934 to 1937. A study has been made of the increase in quantity of exports during this period. Our total exports increased 59.9 percent, but when this is divided between trade-agreement countries and non-trade-agreement countries, we find that exports to trade-agreement countries increased 60.8 percent, while exports to non-trade-agreement countries increased 59.1 percent. This certainly does not prove that American agriculture, industry, or labor has benefited by our trade treaties.

It is also interesting to note that while imports have been expanding over the period since trade agreements have been in force, our exports for 1938 were lower than in 1937; that for the first 9 months of 1939 they were lower than in the same months of 1938.

The Department of Commerce report of foreign trade for the year 1939 shows that in spite of our large shipments of war materials abroad, our exports increased only 3 percent from 1938, but our imports were 18 percent more than in 1938.

Surely the Congress of the United States did not contemplate that the power it granted in 1934 would be used to employ low-paid foreign labor in providing such competition for the jobs of our farm and industrial employees.

This amendment to the Tariff Act of 1930 authorized the President to enter into foreign trade agreements and cut existing duties to a limit of 50 percent, "as a means of assisting in the present emergency, in restoring American standards of living, and overcoming domestic unemployment, and the present economic depression," and so forth. That the amendment has failed in its purpose is evident, for we still have 10,000,000 unemployed in the United States.

Why the term "reciprocal" was applied cannot be explained, because they are not reciprocal in any sense. Reciprocity in international trade means "that relation or policy as to trade between two countries under which special advantages are granted by each to the other." Because of our previous favored-nation treaties, concessions to one country now apply to all countries, excepting Germany. Our trade agreements, controlled by this clause, are not, and cannot possibly be reciprocal, for whatever we concede to one nation on a basis of so-called reciprocity, we immediately and automatically concede to every other nation, without even asking for reciprocity. It is interesting to note that over one-third of our 1938 imports which entered at reduced agreement rates came from countries other than those to which the respective concessions had been granted under our policy.

Our internationally minded advocates of the so-called reciprocal trade program have endeavored to deceive the public into believing that the United States is a high-tariff country, when such is not the case. In fact, over 60 percent of all our imports are entirely free of duty. England, with less than one-third of our population, collects in 1 year over twice the amount of import duties that we do. We have the largest free market in the world, and only competing articles are dutiable. The average ad valorem duty collected on all our imports (free and dutiable) in 1938 was only 15 percent, as compared with 23 percent for the United Kingdom.

The Congress seems never to have considered the inconsistency of the Trade Agreements Act with the whole range of laws enacted to improve our economic condition and solve the unemployment problems. We cannot open our markets to competing imports from countries with lower living standards, where labor costs range from 50 percent to less than 10 percent of ours, and increase employment in the face of the wage-hour law, imposition of social security taxes, agricultural parity prices, and regulation of the manufacture of food by our health laws.

Why should we legislate the worker in Mississippi or Alabama out of a job by prohibiting the shipping of the goods he makes in interstate commerce, because he is paid less than 30 cents per hour, when goods produced by 10-cent-a-day labor in the Orient is encouraged to enter our markets at reduced duties?

Why do we encourage the importation of canned crab or lobster meat from Japan, or sugar from the Tropics, where the work is performed at starvation wages and under very unsanitary conditions, as against the strict sanitary regulations imposed on domestic foods manufactured at high wages?

The reason we still have so many unemployed is that we have not coordinated our laws and efforts. Too many constructive efforts have been nullified by other destructive measures. We will never reach our former level of prosperity until our legislation is planned to coordinate all our activities toward the one end.

Much has been made by the proponents of the trade-agreements program of the need of reestablishing many of our duties at the 1922 rates. Over 1,000 items, or nearly two-thirds of our dutiable classifications, have been reduced by trade treaties. Three-fourths of these rates are now below 1922. Over half the items reduced had not been increased in the act of 1930. Another 56 are equal to 1922 rates, and

only 96 are higher than the rates of the 1922 act as passed. Many imports in 1938 increased many times more than those of 1934 as a result of these treaties.

The effect on agriculture of competing imports, as shown by the raw materials national council, for the years 1936, 1937, and 1938, is very impressive, and indicates the tremendous cost of our ill-conceived trade program to the farmer:

IMPORTS

	Foreign value in dollars	United States displacement in dollars	United States acres to produce
1936.....	\$869,785,000	\$2,209,285,000	75,746,570
1937.....	1,130,802,000	3,410,403,000	87,234,280
1939.....	721,437,774	1,954,074,927	43,982,410

The reduction of duties on all-wool fabrics in the treaty with the United Kingdom averages over 20 percent lower than those of the Tariff Act of 1922. Increases in imports in 1939 over 1938 were as follows:

Worsted fabrics, under 4 ounces per square yard:

1938, 352,000 square yards.

1939, 736,000 square yards (up 209 percent).

Worsted fabrics, over 4 ounces per square yard:

1938, 955,000 square yards.

1939, 3,055,000 square yards (up 220 percent).

Woolen fabrics:

1938, 4,847,000 square yards.

1939, 8,190,000 square yards (up 161 percent).

A study of these figures shows that imports of worsted fabrics increased tremendously in percentage, 209 percent and 320 percent, respectively, but are still relatively small in comparison with the output of that branch of the wool textile industry. I estimate that the production of worsteds embraces two-thirds of our industry's production, and woolens one-third of our production. A comparison of quantities imported shows that woolens, with one-third of the production of the country, suffer the most severe foreign competition because of the fact that, over a period of years, from 66 percent to 80 percent of all imports are woolen fabrics.

The total value of 1939 fabric imports at the point of origin was \$8,685,000, replacing over \$16,500,000 worth of American production, which would have given work to over 5,000 American workmen and would have paid them over \$5,000,000 in wages. Woolen fabric manufacturing, the smaller part of the wool textile industry, has to combat the greatest foreign competition, and yet our country cannot sustain a successful army or navy without woolen clothing. The Army uniform, overcoat and cap are made of woolens—only the shirt is made of worsted. Practically all of the Navy uniform is made of woolen fabric. In the interest of national defense, we cannot afford to lose this branch of the textile industry.

That Great Britain has made very positive plans in relation to the American market on wool textiles is evidenced by the following quotations from the Wool Record and Textile World of Bradford, England, dated February 1, 1940:

With the passing of time, it is possible for manufacturers to get a somewhat closer idea of the demands that are likely to be made on them in regard to Gov-

ernment work, and it is now quite evident that machinery will have to find employment, first on Government contracts, and, secondly, on export business. The home market will get what is left, and that, of course, is as it should be in times like the present.

Great Britain must develop her export trade, and since purchases in America seem likely to increase as the war continues, every opportunity should be taken of selling to that country the greatest quantity of wool and wool textiles compatible with our military requirements.

* * * It might have far-reaching effects on the wool textile industry of America and on exports from this country to the United States when the war is over.

In spite of all the difficulties connected with the length of making time required by manufacturers and the steadily increasing prices, the flow of orders from the American market continues. It is probable that there has already been a greater amount of business placed in this country by American houses than last season. In spite of the business which has had to be either refused or withheld, therefore, exports to America should show substantial increases during the next few months.

The expansion of our exports to this market in particular is, of course, highly important. The world price of wool will, of course, force up the prices of fabrics made in American mills, and it is contended that in this respect we in England have some advantage.

While we have been expecting that exports from England would be retarded during the war, it is very evident that they are planning to take advantage of the reduced duties and their low rate of exchange to capture our markets during the war period, and be well entrenched to take advantage of the conditions that will exist when the war is over.

After the last war, the British pound reached as low as \$3, or nearly 40 percent discount. There is every reason to believe that after the present war it will again reach that low, and perhaps go lower.

Our reciprocal trade program is based upon world conditions as they existed prior to the World War, and the authors of it have not taken into consideration the changes which have occurred since then. The present plan, subject to most-favored-nation treatment, belongs to the Ford model T days, and is in no way adaptable to the present situation.

The last World War was financed by inflation. While this method was able to support war efforts and war costs that formerly seemed impossible, it placed such a load on the credit and monetary mechanisms that there was an inevitable collapse. The greatest single economic effect of the World War was the break-down of these many overloaded monetary systems, which in turn disrupted the entire international money system.

National self-sufficiency became the rule, and in order to achieve it extra-tariff devices, such as controlled exchange, embargoes, quotas, and export subsidies were used by many countries. Those countries whose monetary systems still functioned we have termed the "haves" and those nations whose systems collapsed have been termed the "have nots."

It was the conflict of these forces that led to the collapse of world trade and paved the way for the present European war. Our so-called reciprocal trade treaties are wholly inadequate to overcome the present world trade difficulties, even in times of peace.

The truth of the matter is that tariffs have been a relatively minor obstacle to trade. It is the exchange restrictions, quota regulations, export subsidies, and import prohibitions, and so forth, which have done the greater damage, and, it should be added, it is the persistency of such measures which offers the greatest obstacle to foreign trade.

The existence of a tariff is not inimical to the achievement of trade equilibrium.

As long as there are differences in standards of living in various countries there will be import duties on competing products. We can all be brought down to the level of the lowest very quickly.

A continuation of our present policy will do it, but it takes a long time to build a standard up again to bring comfort and conveniences to the average man.

To illustrate that the control and the effect of depreciation in foreign exchange bear a greater influence on the flow of merchandise than do tariff rates, there is offered below a schedule of imports from Japan in 1932 and 1936:

Selected imports from Japan¹ 1932 and 1936

[In every case, the value of imports from Japan exceeded \$50,000 in 1936]

Bleached cotton cloth:		
1932	sq. yds.	58,000
1936	sq. yds.	65,697,000
Colored cotton cloth:		
1932	sq. yds.	734,000
1936	sq. yds.	11,252,000
Cotton velveteens:		
1932		None
1936	sq. yds.	5,145,000
Cotton hosiery:		
1932	pairs	369,000
1936	pairs	25,733,000
Woolen and worsted cloth:		
1932	pounds	9,000
1936	pounds	95,000
Wool knit gloves:		
1932	pairs	180
1936	pairs	6,876,000
Wool felt hat bodies:		
1932		None
1936	bodies	6,524,000
Rayon waste:		
1932	pounds	41,000
1936	pounds	7,826,000
Glass table and kitchen articles:		
1932		\$2,000
1936		\$116,000
Field glasses and binoculars:		
1932	articles	3
1936	do.	528,000
Mechanical toys:		
1932		\$17,000
1936		\$409,000
Pearl buttons:		
1932	gross	143,000
1936	do.	610,000
Earthen household ware:		
1932	dozen	1,237,000
1936	do.	3,476,000
Sodium ferrocyanide:		
1932		None
1936	pounds	1,645,000
Wire rope:		
1932	do.	610
1936	do.	1,091,000
Rayon staple fiber:		
1932		None
1936	pounds	6,218,000

¹ Figures compiled by the American Tariff League from reports of the U. S. Treasury Department

Selected imports from Japan 1932 and 1936—Continued

Rayon woven fabrics:		
1932.....	pounds..	8, 000
1936.....	do.....	265, 000
Slide fasteners:		
1932.....	(Not available)	
1936.....	fasteners..	29, 977, 000
Thermostatic bottles:		
1932.....	bottles..	39, 000
1936.....	do.....	756, 000

The cause of this great increase in imports from Japan was a decline of 37 percent in the value of the yen, from 46 cents in 1929 to under 29 cents in 1936. With this depreciation in exchange, and due to the fact that Japan's wages are less than one-tenth of ours, the so-called high rates of the Hawley-Smooth tariff of 1930 were not able to stem the flood of goods that came in, according to this list.

At the time the French reciprocal trade agreement was put into effect, the franc had a value of 6.68 cents. Today the franc is valued at somewhere around 2.21 cents. This decline of the French exchange in relation to the dollar has rendered ineffective the low duties resulting from the French treaty. When the treaty with Great Britain was signed, the pound was worth about \$4.90. At present it has been reduced to about \$3.90.

Comparative American and English costs under varying duties and exchange conditions are extremely enlightening. A certain top-coating weighing 19 ounces per yard costs my firm \$2.99 without shipping charges or selling expense. In American money, at normal exchange, that fabric can be made in England or Scotland, not including shipping charges and selling expenses, to cost \$1.52.

Under the Tariff Act of 1930, that fabric, made abroad, would cost, plus duty, as follows:

Foreign cost.....	\$1. 52
Compensatory duty (to protect the wool grower).....	. 60
Ad valorem duty—55 percent (to protect American labor).....	. 83
Total.....	2. 95

This is 4 cents less than our factory cost, and competitive conditions are equal, which is all we ask.

Under reciprocal trade treaty rates, at normal exchange, the cost would be as follows:

Foreign cost.....	\$1. 52
Compensatory duty.....	. 60
Ad valorem duty, 40 percent.....	. 61
Total.....	2. 73

At 26 cents per yard less than American cost, cheap English labor is replacing our American workers.

Now, with the pound at a discount of about 20 percent in relation to the dollar, what is the Englishman's advantage?

English cost at 20 percent discount.....	\$1. 22
Compensatory duty.....	. 60
Ad valorem duty, 40 percent.....	. 49
Total.....	2. 31

We find that a 20-percent cut in exchange rates is a far more serious matter than a 28-percent cut in duties. A 28-percent cut in duty

from 55 percent to 40 percent brings foreign costs, plus duty, down 22 cents per yard, which is indeed very serious. But, however, a 20-percent reduction in exchange rates increases that differential in favor of the foreigner by 42 cents more, making a total of 64 cents per yard, or a ruinously competitive basis.

Many Washington officials seem to think that a 20-percent reduction in foreign exchange means only a slight reduction in foreign landed costs. If they really have a desire to preserve American industry, they should stop theorizing and do a little figuring.

History had demonstrated very clearly the effect of war on imports. After the War of 1812, with low protective duties, we were flooded with quantities of foreign-made merchandise. Similarly, in 1920, again with low protective duties, we were flooded with foreign consumer's merchandise, which led to an emergency tariff and later to the act of 1922.

The present war is being fought on a basis of price controls, by control of individual money income; by attempting to stabilize prices through elaborate price-fixing mechanisms; by concentrating war purchases within the area of this price control; by coordinated effort to reduce civil consumption, thus forcing savings; then, by complete control of the capital market, ensnaring these savings into war loans and other issues necessary to the conduct of the war.

These autocratic controls will continue and make the next peace nothing but an armed truce, unless the major countries of the world agree to these terms:

First. They must agree to the revaluation of currencies, the abandonment of controlled exchanges, and some practical method of financing world trade.

Second. They must agree to eliminate all extra-tariff devices which are the real obstacles to trade.

Each nation must be allowed tariffs sufficient to protect its economy from competition from countries with low living standards, but must agree to treat all nations alike, without fear or favor, and thus encourage multiangular trade. No other program will restore world trade and help toward the maintenance of peace.

It is estimated that twenty to twenty-five million men and women are today in the service of warring countries, either on the battlefield or in other services connected with the war. When we again have peace on earth, and Europe and Asia have exhausted themselves; when they have added greatly to their already burdensome debts; when their currencies are greatly depreciated; when their returning armies are willing or are conscripted to work for a mere pittance to keep from starvation, the influx of imported farm and industrial products will be a more serious threat to our economy than ever before in our history.

It is time that we were putting our house in order to withstand the shock. The first step in that direction is for Congress to take back its authority for tariff making, by refusing to extend the act of 1934 beyond next June 12. The second step is to abrogate those trade treaties already in effect.

There are plenty of grounds for such procedure, not only because of depreciation in foreign exchange, but also because of other violations of different character which have made it undesirable for some of these treaties to continue. Unless we start soon to put our house

in order, the beautiful daydream of reciprocity will turn into the most hideous nightmare the country has ever been through. The awakening may find us no longer a government of free people. When peace is declared, it will be too late to make the necessary adjustments.

One excuse offered by the State Department in asking the extension of the Trade Treaty Act is expressed as the need to have flexibility of action after the present wars are over. There is no flexibility in the present program. It is just as inflexible as the man who has it in charge. Duties are always reduced. None have ever been raised, nor will the State Department ever raise any. A return to the rates in the Tariff Act of 1930 will place us on a much better basis of protection of our living standards and we have in addition the old provision allowing the Tariff Commission to raise or lower rates 50 percent. That Commission in the past has on occasions raised some rates. Unfortunately, it is the bitter truth that the masses of our people have had to pay through their suffering for the education of their leaders in economics, in spite of which, too often, no education seems to result. Experiences of the past are forgotten, and our leaders again force us through needless hardships because of their ignorance.

Out State Department, in its desire to sell the reciprocal trade treaty idea to other nations and increase the number of countries covered by them, has paid too dearly for the concessions which it has obtained in return.

Will Rogers once said that we have never lost a war not won a conference. This is equally true of our trade agreement conferences. Sir John Simon, British Chancellor of the Exchequer, expressed the view of Great Britain and other foreign nations when he said: "The British Government will not set its hand to a trade agreement with the United States that is detrimental to our trade." He certainly knew what he was talking about. France raised her duties on the eve of negotiations for a trade treaty, and although the Secretary of State made a public announcement that he would not deal with any nation under such conditions, he nevertheless did deal with France.

Cases of changes, in the reclassification of imports, of adding excise taxes after the treaties were negotiated, as well as the reduction of foreign exchange values, have gone unnoticed by our State Department. The Department is open to severe criticism because of the methods used in negotiating these treaties. Formal negotiations on the British agreement began 3 weeks before the public hearings opened. The trade advisers and economists of the United Kingdom were in Washington when these hearings began. What they had to say and the arguments advanced by them were not made available to the American interests concerned. Our interested parties were not invited to attend the preliminary mapping out of the concessions to be discussed. British advisers attended the public hearings, and, of course, were well prepared to combat in private the contentions that our American interests made in public.

Hearings given over to our farm, industrial, and labor leaders were so perfunctory and apparently so boring to our officials in charge that everyone in attendance felt that the stage was already set, and that their efforts were futile. Announcement of the final agreement only confirmed our worst fears.

The only appeal from the harm that might be done by the State Department in the reciprocal trade treaty program is to Congress,

and we are appealing to Congress now. It is true that the State Department has formed a Committee for Reciprocity Information, to which any industry which has been hurt is entitled to appeal. Those who have taken this course have not been given any satisfaction. The most notable case was that of the lace manufacturers of the United States. When they appealed for relief because of the tremendous imports of lace from France, the Committee for Reciprocity Information considered the case apparently for over a year and then informed them that the increase in imports of lace was the result of style changes, and that the new styles in vogue could not be produced by American manufacturers. It so happens that the machinery used in France and America is identical, and anything made in one country can be made in the other. It is very evident that no real investigation was made, or else the person delegated to make the study had no idea of the manufacture of lace or was grossly unfitted for his job.

Americans have no confidence in one-man legislation. No one man should have the power to decree the death of any industry and the unemployment of its workers. There is safety in numbers, and tariff-making and treaty confirmation should be vested in Congress, where it belongs, according to the Constitution of the United States. Of course, the proponents of the trade treaty program contend that lobbying and political logrolling make it impossible for Congress to do justice to the Nation. Recent events prove conclusively that one man also may be influenced by political logrolling.

The unprecedented action by the State Department in withdrawing from consideration in the Chilean agreement proposed concessions on copper and copper products, at least casts a suspicion that the Department was influenced by the threat of representatives of the copper States that they would oppose the extension of the reciprocal trade program.

The sudden ending of the trade parley with the Argentine and Uruguay is suspiciously of the same nature. This is indicated by an article which appeared in the New York Times of January 6, wherein they state as follows: "Opposition to the trade agreements program in this country, an opposition that is being reflected in the impending Congress over extension of the program, has made it less easy for the American negotiators to grant concessions." This is surely an admission in print by a newspaper friendly to the trade-agreements program that the State Department is influenced by political considerations.

Our exports in 1939 were only about 4 percent of our total national income. We are placing too much emphasis on foreign trade as a cure-all for our ills. Our foreign trade alone can never bring prosperity to this country. All trade, foreign and domestic, depends on the purchasing power of our people. Our foreign trade will only expand when we increase production of goods and services for domestic purposes.

It seems sort of nonsensical when mature statesmen stand before this intelligent body and insist that the 4 percent is more important than the 96 percent. Can the tail wag the dog? The State Department says it should, even if it is impossible.

A wise domestic policy is the only sort of foreign trade policy we should pursue, for we must first look inward if we are to look outward. Under the present policy of the State Department we are computing against the world for our own markets, as well as for world trade.

The only way we can successfully accomplish this is to reduce our standards of living to those of the rest of the world. When that is done, we will find that we have ruined the biggest consumer market we have ever had. All of the rest of the world's markets put together will not reimburse us for that loss.

I should like to have a table showing the value of international merchandise transactions on 40 international basic commodities, reduced to a uniform gold basis, the wholesale-price index, included as a part of my testimony.

The CHAIRMAN. That will appear at the conclusion of your testimony.

You have taken quite an interest against the continuation of the trade agreements, have you not?

Mr. BROWN. Yes, sir.

The CHAIRMAN. And in criticism of them?

Mr. BROWN. Yes, sir.

The CHAIRMAN. And to the extent that you have even paid money for advertisements in some of the newspapers against them?

Mr. BROWN. In the trade newspapers; yes, sir.

The CHAIRMAN. The Daily News Record is one of them?

Mr. BROWN. Yes, sir.

The CHAIRMAN. In answer to one of those advertising letters, the letters that you have written attacking the trade-agreement policy, you received a letter from Secretary Hull, didn't you?

Mr. BROWN. Yes; I did.

The CHAIRMAN. In which letter he stated as to one of your arguments about the Smoot-Hawley tariff rates:

How, actually, did the wool manufacturing industry fare in this situation? Did the workmen in the industry obtain, as a result of this tariff legislation, that addition "\$4 a month," or "\$48 a year" which, in your very misleading advertisement, you now claim is being taken away from each workman on account of the tariff concessions on wool manufactures in the United Kingdom agreement?

Of course they did not. The result was not satisfactory to American workers in general or to textile craftsmen or, indeed, to anybody. In 1929, at a time when 14,307,000 square yards of woolen and worsted piece goods, valued at \$17,681,000, were being imported, there were 147,000 workers employed in the woolen and worsted industry, and their weekly pay roll averaged \$3,157,000. In 1932, when imports of woolens and worsteds had declined to 3,437,000 square yards, valued at \$2,530,000, there were 101,000 workers employed in your industry and their weekly pay roll averaged \$1,533,000. In other words, the number employed had fallen by nearly a third, and the total pay roll by more than half.

That was following the Smoot-Hawley Tariff Act?

Mr. BROWN. Correct.

The CHAIRMAN. You received that letter from Mr. Hull?

Mr. BROWN. I did. I have the original right here in front of me.

The CHAIRMAN. I would like to put it in the record following your remarks.

(The same is as follows:)

MAY 15, 1939.

Mr. MILLARD D. BROWN,
President, Continental Mills, Inc., Philadelphia, Pa.

MY DEAR MR. BROWN: I have received your letters of March 15, March 22, and March 29, 1939, attacking the trade-agreements program, and enclosing reprints of advertisements which your company inserted in the Daily News Record, New York, of the same dates, in which you attacked the trade-agreements program, with particular reference to the agreement with the United Kingdom, effective January 1, 1939, under which the duties on certain woolen and worsted textiles were reduced. Since it appeared that these attacks were taking a serial

form, acknowledgment of your letters has been deferred pending completion of the series.

These widely publicized advertisements evidently seek to foster the belief among workers in the wool-manufacturing industry, and on the part of the general public, that the trade-agreements program is contrary to the interests of the workers and of the Nation. In the interests of fairness and truth I cannot allow such statements to pass unchallenged.

The truth is that the trade-agreements program is not opposed to the real interests of American labor, or of workers in the wool-manufacturing industry. Moreover, it most certainly is not, as alleged in these statements, an "altruistic" program under which business is taken away from Americans and handed over to foreigners.

The essential facts are:

First, that despite your inferences to the contrary, actual conditions in the wool manufacturing industry are not worse than they were before the trade agreement with the United Kingdom went into effect, but instead are decidedly better than they were last year.

Second, that the trade agreement with the United Kingdom has not resulted in such an increase in imports of wool products as could be seriously felt by the wool manufacturing industry or by workers in the industry; whereas, on the other hand, the trade-agreements program as a whole is operating to the definite advantage of the industry and of those who gain their livelihood from it.

Third, that the trade-agreements program does not destroy, but on the contrary promotes, economic activity and employment in this country, to the benefit of all important economic groups, including the wool-manufacturing industry.

As to the first proposition—the inference that conditions in the industry have been worse since the trade agreement with the United Kingdom went into effect on January 1, 1939—permit me first of all to call your attention to your own advertisement in the Daily News Record, under date of March 8, 1939. This advertisement—which was not included among those which you forwarded to me—stated, among other things, that:

"The general economic situation shows signs of marked improvement. More people are being employed; more money is being disbursed in private pay rolls; more impetus is being given to consumer purchasing power. * * * There is a real dearth of quality clothing in the marts of trade. A latent demand for merchandise of established character will be manifest in the new season. It behooves us to take steps to stimulate and supply it."

The fact is that the important indexes of conditions in the industry reveal a decided improvement during the first quarter of 1939 as compared with the same period a year ago. The average number of persons employed increased by 28 percent. Average weekly pay rolls increased by 40 percent. Machinery activity increased by 68 percent. Consumption of raw apparel wool increased by 108 percent. While, for reasons with which you are doubtless familiar, these percentages vary rather widely, they tell the same general story, namely that the situation is much better than it was last year. Whatever the explanation may be, it is certainly a fact that conditions in the industry have not worsened, but rather have definitely improved, since the trade agreement with the United Kingdom went into effect.

The second point noted above—relating to the effects of the trade agreement with the United Kingdom, and of the trade-agreements program as a whole, upon the wool manufacturing industry—calls for more extended discussion.

It is, of course, a fact that duties were reduced on various items in the wool schedule in that agreement. Naturally, it should be expected that imports will be larger than would be the case if the duties had not been reduced. Only on that assumption could we expect to obtain from the United Kingdom worthwhile concessions on behalf of our agricultural and industrial exports. But these duty reductions on wool manufactures were carefully devised, from the standpoint both of types of goods selected and of magnitude of the reductions, with a view to giving reasonable assurance that any adverse direct effects upon the domestic industry on account of increased imports would not be serious and would be at least counterbalanced (in actual fact probably more than counterbalanced) by the favorable effects of the British agreement and the trade-agreements program as a whole upon domestic prosperity and hence upon the capacity of American consumers to buy the products of the wool manufacturing industry.

Nothing has happened since the British agreement went into effect which would indicate that these calculations were erroneous. The figures you give as to imports in January, 1939 and 1938 are not good evidence to support the alarmist conclusion which you seek to convey concerning the effects of recent imports of

wool manufactures upon the domestic industry. To say that imports of wool fabrics, for example, amounted to 1,602,000 square yards in January 1939, as compared with 811,000 square yards in January 1938, may seem alarming to some. But an uncritical acceptance of such figures as representing a flood of imports fails to take into account not only that these increased imports are still only a very small percentage of our domestic consumption but also that imports immediately after the tariff reductions went into effect included considerable quantities which had been previously withheld from entry in anticipation of the reductions.

That this withholding of entries did in fact take place is quite evident from the figures. In November and December 1938, imports of woolen and worsted fabrics were smaller, even, than in the same months of 1937—and this, too, in spite of the fact that the domestic demand was stronger and consumption greater than in the preceding year. For the last 2 months of 1938, imports amounted to 905,000 square yards, valued at \$643,000; whereas, a year earlier, they had amounted to 1,281,000 square yards, valued at \$1,118,000. It is perhaps noteworthy also in this connection that imports since January of the present year have been receding rather than increasing, having declined from 1,602,000 square yards in January to 1,081,000 square yards in February, and 974,000 square yards in March.

In your statements you allege that these imports are a serious burden to the industry and to the workers in the industry. There are no real grounds, however, for such a conclusion; and the manner in which it is arrived at furnishes an excellent illustration of a basic weakness in your approach to the whole problem which is common to most of the attacks that are made on the trade-agreements program by industries on whose products tariffs have been reduced.

Your conclusion assumes that only a certain quantity of woolens and worsteds can be sold in the United States and that the sole question is whether the domestic industry shall supply all of the demand, or whether some part of the demand—however small—shall be supplied by imports. What this completely overlooks, apart from differences in type and quality of the imported products on which duties were reduced as compared with the vast bulk of the domestic production, is the fact that the trade-agreements program as a whole has a definite bearing upon the capacity of the American people to buy woolens and worsteds. Yet the facts are: (1) That the general prosperity of this country is profoundly important to your industry, as to others; (2) that the rebuilding of our foreign trade is an essential phase of any program for establishment of stable conditions of prosperity; and (3) that the trade-agreements program, by removing excessive and unreasonable barriers to trade and reopening foreign markets for products of American agriculture and industry, is a major contribution to that end.

In this connection our recent tariff history is highly instructive. For it shows all too clearly what happens when tariffs are forced up to embargo levels and the foreign trade of this country is decimated in consequence of such extremism.

In 1930 the Hawley-Smoot Act was adopted, shutting out of our markets practically everything that could be produced in this country at costs not utterly prohibitive. In that act the duties on wool manufactures were still further increased, notwithstanding that they were already high enough so that imports comprised but a small part of our total consumption, and in substantial part were composed of high-priced specialties. In order to obtain these further increases, wool manufacturers acquiesced in the imposition of embargo tariffs on the products of other industries as well. The result was a most untimely contribution to the general economic collapse at home and abroad which brought severe depression not only to our great export industries, both agricultural and manufacturing, but to all branches of our economic life, including the wool manufacturing industry.

How, actually, did the wool manufacturing industry fare in this situation? Did the workmen in the industry obtain, as a result of this tariff legislation, that additional "\$4 a month," or "\$48 a year" which, in your very misleading advertisement, you now claim is being taken away from each workman on account of the tariff concessions on wool manufactures in the United Kingdom agreement?

Of course they did not. The result was not satisfactory to American workers in general or to textile craftsmen, or, indeed, to anybody. In 1929, at a time when 14,307,000 square yards of woolen and worsted piece goods, valued at \$17,081,000, were being imported, there were 147,000 workers employed in the woolen and worsted industry, and their weekly pay roll averaged \$3,157,000. In 1932, when imports of woolens and worsteds had declined to 3,437,000 square yards, valued at \$2,530,000, there were 101,000 workers employed in your industry and their weekly pay roll averaged \$1,533,000. In other words, the number employed had fallen by nearly a third, and the total pay roll by more than half.

Keeping out of the domestic market almost every trace of imports of woolen goods, as part of a general tariff policy which destroyed a large part of our foreign trade and contributed greatly to the general economic maladjustment both in this country and abroad, did not prove to be a paying proposition for your industry or the workers in your industry. That imports of wool fabrics amounted on the average to only about 1 percent of our domestic consumption—as they did after 1930—was surely poor consolation for the 46,000 employees who were out of work and for the decline of more than half in the pay roll of your industry. As a matter of fact a study of the trends of national income and of domestic exports and imports over the past 15 years shows that all three tend to fluctuate in unison. For example, in 1929, when national income reached 81 billion dollars, our exports amounted to 5.2 billions and our imports to 4.3 billions. By 1932 national income had fallen to 40 billions, exports to 1.6 billions, and imports to 1.3 billions. Are not these figures sufficient evidence to any reasonable person that there is something radically wrong with the idea, which seems to be the underlying assumption of your statements, that a slight change in the small share of the domestic market supplied by imports is what makes the difference between good and bad times for the American industry?

It is idle to say that other factors besides the Hawley-Smoot Act contributed to the depression. That there were other important factors, no informed person would deny. But neither would he deny that the rapid rise of trade barriers throughout the world—a development in which our own tariff policy after the World War, reaching its ultimate extreme in the Hawley-Smoot Act, played a sinister part—was an important factor in contributing to and greatly aggravating the general depression.

The third point which I set forth at the beginning of this letter was that the trade-agreements program tends to promote economic activity and employment generally in this country. What I have just said concerning our experience under the Hawley-Smoot Act shows clearly enough what happens when the opposite policy, the policy of embargo protectionism, is followed. I desire, however, to comment further with reference to the attempt in your statements to induce workers in your industry and the public generally to believe that the trade agreements program is merely an altruistic policy which aims to engender good will abroad at the expense of American industry and the American standard of living.

The fact is that the trade-agreements program has been remarkably successful in restoring foreign-market opportunities for many products of our farms and factories. In the agreement with the United Kingdom alone—the main object of your unfair attacks—we obtained specific concessions on American products exports of which to the United Kingdom, Newfoundland, and British colonies in 1936 amounted to \$326,000,000. It is obviously too early to judge the value of these particular concessions in terms of actual trade increases. However, it is significant that exports to agreement countries in the 2-year period 1937-38 were greater in value by 61.2 percent than the average for the preagreement period 1934-35, while exports to all other countries increased by only 37.9 percent. Agreements are now in operation with countries which in 1938 accounted for nearly 60 percent of our total foreign trade.

These are some of the facts you fail to mention which are vitally significant to the vast number of American producers of farm and factory products who must export, or shut down or operate at a loss. When these American producers lose export markets as a result of embargo tariffs here and abroad or for any other reason, then the wool manufacturing industry and other "protected" industries lose part of their domestic market, and we have what we had in 1930, 1931, and 1932.

Neither do you mention that the powers vested in the President by the Trade Agreements Act have been exercised with the utmost scrupulousness. The President has had the assistance of all the facilities of information and expert judgment available to the Government of the United States from official and private sources, and every detail of the agreements has been scrutinized by expert advisers with a degree of thoroughness such as has never before characterized the determination of tariff rates in this country.

In view of all the facts and circumstances, it seems to me that the misleading claims and inferences which are set forth in your advertised assertions cannot possibly serve any useful purpose either from the standpoint of the public generally or from that of the workers in the wool manufacturing industry.

Without questioning the honesty of your motives and convictions in connection with these matters, I am convinced that you have not taken all of the facts into

account. It is to be regretted that no opportunity was sought, before your statements were published, to discuss the whole subject with us. We would have been very happy to discuss it with you, and we are still ready to do so at any time.

Sincerely yours,

(Signed) CORDELL HULL.

(The table submitted by Mr. Brown entitled "Value of International Merchandise Transactions," etc., is as follows:)

Value of international merchandise transactions wholesale price index, 40 international basic commodities reduced to uniform gold basis—The World (109 countries)

	Imports (million dollars)	Exports (million dollars)	Total trade (million dollars)	Volume index 1911-13=100	Inter- national price index 1910-14=100
1911-13.....	20,485	18,962	39,447	100	100
1922.....	24,161	22,643	46,804	118	146
1923.....	26,599	24,729	51,328	129	154
1924.....	29,552	28,293	57,845	140	149
1925.....	33,056	31,762	64,818	165	155
1926.....	32,567	30,073	62,640	159	144
1927.....	33,709	31,294	65,003	164	140
1928.....	34,613	32,534	67,147	170	139
1929.....	35,443	32,710	68,153	172	137
1930.....	28,793	26,154	54,947	138	117
1931.....	20,748	18,715	39,463	100	90
1932.....	13,932	12,615	26,547	67	72
1933.....	12,431	11,413	23,844	60	66
1934.....	11,639	11,050	22,689	58	62
1935.....	12,192	11,322	23,514	59	62
1936.....	13,053	12,192	25,245	63	66
1937.....	16,170	14,933	31,103	78	76

The CHAIRMAN. We will recess until 10 o'clock tomorrow morning. (Whereupon, at 1:05 p. m., a recess was taken until Tuesday, March 5, 1940, at 10 a. m.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS

TUESDAY, MARCH 5, 1940

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, in the Finance Committee room, at 10 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will come to order.

The first witness is Mr. Russell B. Brown, of Washington, D. C., representing Independent Petroleum Association of America.

STATEMENT OF RUSSELL B. BROWN, WASHINGTON, D. C., REPRESENTING INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

Mr. BROWN. I am appearing here in behalf of the Independent Petroleum Association of America, a national organization of independent units in the petroleum industry. I present a resolution from that association for the record.

(The resolution is as follows:)

RESOLUTION ADOPTED AT ANNUAL MEETING OF THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA, FORT WORTH, TEX., OCTOBER 20, 1939

The conservation programs of the oil-producing States are related to a policy of balancing supply with demand in order to avoid waste. One feature of supply, imports, is not within the power of the States. Because the amount of these imports which may enter our markets at any time is unpredictable, the careful planning of State conservation bodies may be, and has often been, defeated by unexpectedly large quantities of these imports, which have demoralized our markets and adversely affected the economics of the industry. Since the domestic producers of petroleum are making their contributions to the public revenues through the taxes they pay and are accepting production limitation as a necessary part of a sound conservation program, we believe that importers of cheaply produced foreign oil should be willing to pay a proper excise tax and to accept an equivalent limitation on the amount of foreign oil they bring into our markets: Therefore be it

Resolved by the Independent Petroleum Association of America at its annual meeting held at Fort Worth, Tex., this 20th day of October 1939, That Congress is hereby petitioned to impose an adequate tariff on imports of petroleum and its products, and that until such time as this tariff may be adopted the present excise taxes on imports of crude oil and fuel and gas oil be increased from one-half cent to 1 cent per gallon, and that new excise taxes of \$2 per ton be levied upon imports of asphalt, natural or otherwise; be it further

Resolved, That Congress is hereby petitioned to adopt legislation restricting the imports of crude petroleum and its products to an amount not in excess of 4.5 percent of the consumptive demand in this country as estimated by the United States Bureau of Mines; be it further

Resolved, That Congress is hereby petitioned to repeal that section of the Revenue Act of 1932 which exempts from excise taxes importations of crude petroleum and its products used for the supplies of vessels.

I am also authorized to represent the following petroleum organizations: Central Pennsylvania Oil Producers Association, Oil and Gas Association of Michigan, West Central Texas Oil and Gas Association, Ohio Pennsylvania Grade Oil Producers Association, Panhandle Producers and Royalty Owners Association, Independent Oil Producers Association of Illinois, Western Pennsylvania Oil Men's Association, Rocky Mountain Oil and Gas Association, Lima Crude Oil Improvement Association, San Joaquin Valley Oil Producers Association, Illinois-Indiana Petroleum Association, Southern Oklahoma Oil and Gas Association, Oklahoma Stripper Well Association, North Texas Oil and Gas Association, Oil Producers Agency of California, New Mexico Oil and Gas Association, California Oil and Gas Association, National Stripper Well Association, Creek County Stripper Well Association, and Kansas Independent Oil and Gas Association.

I have also received resolutions from the following associations in opposition to use of the excise taxes, adopted in 1932, in trade-agreement bargaining: Oil and Gas Association of Michigan, Rocky Mountain Oil and Gas Association, San Joaquin Valley Oil Producers Association, Oklahoma Stripper Well Association, North Texas Oil and Gas Association, Oil Producers Agency of California, and Kansas Independent Oil and Gas Association.

The original authorizations and resolutions from these organizations, as well as other phases of the argument which we will not repeat here, are filed with the House Committee on Ways and Means and appear in the report of the recent hearing held by that committee on this bill. The associations named request that your committee consider some amendment to House Joint Resolution 407, which would insert in the present act a section so clarifying the law that the excise tax on oil, adopted in 1932, may not be included in any trade agreement. They join in a protest against the inclusion of the petroleum excise taxes in the Venezuelan trade agreement as unauthorized by the Trade Agreement Act, as against the expressed intent of Congress, as not in accord with the purposes of the act, as damaging to a national petroleum conservation program, and as granting rebates in taxes to a few great corporations instead of concessions made to Venezuela.

The Venezuelan agreement assumes that these excise taxes, which are a part of the internal-revenue law, are a part of the tariff law. They are not tariffs. When the Smoot-Hawley tariff bill was before the Senate, the domestic petroleum industry sought a tariff on petroleum imports. A tariff was denied them.

The domestic petroleum industry is not listed as one of those industries receiving favorable treatment under the tariff laws of the United States. This is not because we did not want it. It is not because we did not seek such favorable legislation. We not only desired such legislation but used all reasonable methods of impressing that desire on Congress. Congress refused our request. That refusal was understandable at the time of the passage of the tariff bill. There was a great deal of opposition to placing a tariff on the importation of oil. That opposition came from a powerful source. A group well versed in legislative matters wanted to keep the channels for importation open. Through their efforts much confusion of the real issues resulted. They had already convinced many in Government that our domestic supply was in danger of immediate exhaustion, that the tariff would be passed on to the consumer, that the imported oil

was not competitive with our oil, and that we, in fact, needed this foreign oil to supplement our own supply. As a result of this confusion, Congress was reluctant to grant our request.

The argument presented by the domestic petroleum industry was that a tariff would be an aid to prevention of monopoly—that was new; that there was no immediate danger of exhaustion of our petroleum resources—that was contrary to the charges of many large groups and difficult to prove; that the tariff differential would not be passed on to the consumer, because it would keep alive the independent producer in America whose competition would keep down the price of petroleum products—that was new and a matter which time alone could establish.

Time passed, and the independent producers continued to insist that they were fighting for their lives. Finally, in 1932, a sufficient number in Congress realized the seriousness of the arguments of the independents that they were willing to hear them further and, if possible, give them a chance to establish their case. Congress, after learning the facts, recognized the need for assistance to this important group and suggested the excise taxes. This offered immediate revenue. It would give also an opportunity to test out the arguments for a limitation on imports subject to the constant supervision by Congress that is the characteristic function of legislation involving revenue.

These excise taxes on petroleum and its products adopted by Congress in 1932 were the first step taken by Congress in what became an important part of the national program for the conservation of this natural resource. This program was accelerated by a general oil conference held in Washington, beginning March 26, 1933, at the call of the Secretary of the Interior. That conference was attended by Governors of oil-producing States or their representatives, by representatives of the major oil companies, and by representatives of associations of independent producers. The joint meeting of these three groups adopted a program which set forth those things which the Federal Government might do, those things which the oil-producing States might do, and those things which the industry could do to provide a basis for the conservation of oil and gas resources. Prior to the vote upon this national program, Secretary of the Interior Harold L. Ickes addressed the general meeting Monday afternoon, March 27, at 2 o'clock, in the auditorium of the Interior Department, on the problems of the industry. In the course of that address he said:

The public is concerned with the necessity for bringing production of crude into balance with the market demand for petroleum products. If this balance can be attained, stabilization will follow, with protection to royalty owners, landowners, the consuming public, and manufacturing and marketing agencies.

At the close of Mr. Ickes' address the general meeting adopted a general program which would aid in bringing about a balance of supply with demand, which was in accordance with the statement made by Mr. Ickes about the necessity for such action. As parts of the Federal aid in effectuating that program were "an adequate competitive tariff on crude petroleum and the products thereof" and "limiting imports to the average of the last 6 months of 1932" and—

the adoption of a law prohibiting the transportation in interstate and foreign commerce of any oil or the products thereof produced or manufactured in any State in violation of the laws thereof, and providing adequate penalties for violations of the said law.

The States were to pass and enforce proper conservation laws for prevention of waste, restricting production to consumptive demand. The industry was to observe these laws and cooperate in conservation programs.

The Federal Government, the oil-producing States, and the industry in general have accepted responsibility for those portions of that program over which they have control. In accordance with this policy, Congress has passed the Connally "hot oil" law, authorized the interstate oil compact and through the Bureau of Mines, provided monthly estimates of demand for motor fuel. These excise taxes are an integral part of this threefold program. Without these forms of support by the Federal Government, the tasks of the oil-conservation bodies in the various oil States would have been made quite difficult, if not impossible.

It is noteworthy that all of these measures are temporary. With the exception of the Bureau of Mines estimates, they have a time limitation. This enables each successive Congress to review the operation of these measures and their effect, their part in the national conservation program and the desirability of continuing, discontinuing, or modifying them. This is not done with general legislation. This biennial review of the condition of the petroleum industry made necessary by the time limitation, made Federal participation in the national conservation program much more effective than inclusion in permanent legislation or, in the case of the excise taxes, in a long-term tariff bill, could have done.

It is not the 50 percent reduction in these excise taxes on imports not in excess of 5 percent of our refinery runs of which we are complaining, but the fact that this agreement attempts to destroy the power of Congress to increase these taxes or to establish a limitation on imports should a flood of foreign oil enter our markets, and thus continue effective participation in the national conservation program. The agreement, therefore, encourages the importers by declaring that they are safe from any interference by Congress during the life of the agreement which may be continued for an indefinite period if the State Department so desires.

When the Senate Finance Committee favorably reported the original bill levying these excise taxes, assurances were given to the committee by those in the industry who favored this legislation that no harm but much good would result if Congress should take this action. Those assurances were well founded. The current situation of the industry demonstrates that. The number of independents in the industry has increased. The domestic producers have been able to furnish such competition to the major importing companies that the price of petroleum products to the consumer, comparing the 7-year period prior to the excise taxes with the 7-year period since then, has decreased. May I insert at this point a table showing this in detail.

The CHAIRMAN. Yes; that may be done.

(The same is as follows:)

Average annual prices—All commodities and petroleum and its products

Year	Index of wholesale prices		Crude oil price (per barrel) ²	Service station gasoline price (per gallon) ³	Kerosene prices		Light fuel oil price, Oklahoma (per gallon) ⁵	Lubricating oil price			Bunker C fuel oil price		Petroleum asphalt, value per short ton ¹¹
	Petroleum and products (1925=100) ¹	All commodities (1925=100) ¹			New York (per gallon) ⁴	Chicago (per gallon) ⁴		Oklahoma (per gallon) ⁶	Pennsylvania (per gallon) ⁷	Gulf coast (per gallon) ⁸	Gulf coast (per barrel) ⁹	New York (per barrel) ¹⁰	
1925.....	95.0	103.5	\$1.68	\$0.2009	\$0.1320	\$0.1150	\$0.0369	\$0.1164	\$0.1867	\$0.1726	\$1.5497	\$1.7280	\$13.75
1926.....	100.0	100.0	1.88	.2097	.1690	.1380	.0485	.1152	.1469	.1510	1.5960	1.7410	13.56
1927.....	72.7	95.4	1.30	.1829	.1560	.1240	.0362	.1058	.1031	.1331	1.3140	1.6200	14.14
1928.....	72.0	96.7	1.17	.1790	.1500	.1190	.0320	.1019	.1267	.1299	.8043	1.1854	12.95
1929.....	71.3	95.3	1.27	.1792	.1500	.1280	.0376	.1012	.1270	.1212	.7367	1.0500	11.29
1930.....	61.5	86.4	1.19	.1617	.1220	.1250	.0315	.1114	.1614	.1170	.7448	1.0948	10.76
1931.....	39.5	73.0	.65	.1300	.1130	.0930	.0201	.0931	.1031	.9066	.5494	.8396	8.65
1932.....	45.4	64.8	.87	.1330	.0920	.0970	.0253	.0848	.1246	.0741	.4775	.0227	7.72
1933.....	41.0	65.9	.67	.1241	.0850	.0910	.0248	.0861	.1285	.0748	.6438	.8889	9.71
1934.....	50.5	74.9	1.00	.1364	.0840	.0890	.0287	.1102	.1488	.0901	.9032	1.2396	10.96
1935.....	51.3	80.0	.97	.1355	.0750	.0940	.0314	.1175	.0915	.0850	.7639	1.0658	9.98
1936.....	57.3	80.8	1.09	.1410	.0710	.0980	.0331	.1123	.1251	.0845	.8484	1.0817	10.10
1937.....	60.5	86.3	1.18	.1458	.0850	.1000	.0383	.1046	.1396	.0888	.9151	1.2746	10.66
1938.....	55.9	78.6	1.13	.1407	.0820	.1030	.0388	.1044	.0849	.0792	.7054	1.0438	9.24
1939.....	52.2	77.1	.98	.1331	.0740	.1000	.0342	.1113	.1084	.0799	.8110	1.0418	.....
Average 7 years prior to excise taxes (1925-31).....	73.2	92.9	1.31	.1776	.1420	.1200	.0347	.1064	.1577	.1316	1.0421	1.3227	12.16
Average 7 years after excise taxes (1933-39).....	52.7	77.7	1.00	.1367	.0790	.0960	.0328	.1066	.1172	.0832	.7967	1.0909	¹² 10.11
Percent change.....	-28	-16	-24	-23	-44	-20	-6	+0.2	-26	-37	-23	-18	-17

¹ From U. S. Bureau of Labor Statistics.

² Average value at the well from U. S. Bureau of Mines. Data for 1939 estimated from prices at well.

³ Price exclusive of State and Federal gasoline taxes in 50 cities. Data from American Petroleum Institute.

⁴ Tank-wagon price.

⁵ Tank-car price of No. 1 straw distillate fuel.

⁶ Tank-car price of 200-viscosity No. 3 oil in Mid-Continent.

⁷ Tank-car price of 600 steam-refined, filterable oil.

⁸ Tank-car price of 500-viscosity No. 2½-3½ oil in south Texas.

⁹ Price in cargoes for domestic shipment and export.

¹⁰ Price in cargoes in New York Harbor.

¹¹ Data from U. S. Bureau of Mines.

¹² Average value 6 years after excise tax (1933-38). Value for 1939 not available.

NOTE.—Data in references 4-10 from National Petroleum News and American Petroleum Institute.

Mr. BROWN. This takes the average annual prices of all commodities, and petroleum and its products, and it shows, taking 1926 as 100, for 1939, the index of wholesale prices of petroleum and products was 52.2; on all commodities, 77.1; the average value at the well of crude oil in 1939, 0.98 per barrel; the service station gasoline price per gallon, exclusive of State and Federal gasoline taxes, 0.1331 per gallon. This table also gives the average prices for the 7 years prior to the excise taxes (1925-31) and the average for the 7 years after the excise taxes (1933-39), and it shows that the argument made against them, that they would be passed to the consumer was not realized because, as we contend, competition forced the prices down.

The employing and purchasing power of the domestic industry has increased. Exploratory work has been encouraged by the improved condition of the industry. New discoveries have been made and the known reserves are the highest in our history. Development work begun in States such as Missouri, Nebraska, and Mississippi, which had not hitherto been seriously considered. In many ways these taxes have had a beneficent effect upon the financial and industrial life of the oil States of the Nation, and, ultimately, upon the financial and industrial life of the entire Nation.

No opportunity was given the domestic industry during the negotiation of the Venezuelan agreement to present to the negotiators the facts about these excise taxes, their importance to the domestic industry and the necessity for continuing the biennial supervision of Congress over them. We were referred to a committee to which we might address any statements we might care to make. That committee was unwilling even to give us information as to whether petroleum was to be considered in the formulation of the agreement. We could obtain no light whatever upon the possible plans of the State Department. We were not even told the names of those who were engaged in the actual negotiations. We could not learn whether anyone was supporting such inclusion of these taxes. We were completely in the dark in a matter of highest importance to every domestic producer of petroleum. We could not bring ourselves to believe that the State Department would actually assume the power to include these taxes in any agreement since Congress had so definitely made clear its intent that the authority to reduce tariffs should not apply to these excise taxes. We were definitely denied the right to argue this question of authority by the committee and further denied it by the very manner in which the hearings were conducted, since we could not learn what arguments were being used against us, or by whom those arguments were being offered.

It was only when the conclusion of the Venezuelan agreement was announced that we learned that, disregarding the expressions of the intention of Congress, the State Department had granted the 50 percent reduction in these taxes on an amount of imports not more than 5 percent of the domestic refinery runs in the preceding year. We then requested the President, before making any proclamation which would make the agreement effective, to grant us an opportunity to be heard on this matter. We did this because there was no other avenue of effective review open to us. We were not given that opportunity.

That Congress intended to reserve to itself authority over these excise taxes was expressed in the records of congressional action on the

original Trade Agreements Act. This committee, as then constituted, in its report upon the proposed act in 1934 used the identical language of the report of the House Ways and Means Committee, which said:

In order that the necessary reciprocity may be accorded, the President is empowered to promise that existing duties which affect imported goods will not be increased during the term of any particular agreement. It should be carefully noted, however, that the President is given no right to reduce or increase any excise duty. His power of reduction of duties is limited to those which are in fact customs duties.

The present chairman of this committee, explaining the bill to the Senate, repeatedly called attention to this limitation of power in the bill and stated in the clearest language that "it was the intention of those who framed the legislation, and of the House in passing the bill, that they (these excise taxes) would be frozen; in other words, they might not be modified." Members of the Senate and of the House who voted for the bill have publicly stated that the bill was passed because of such positive and definite assurances given to them by those who were in charge of the measure.

Senators Henry F. Ashurst and Carl Hayden of Arizona, protesting against a proposal to affect the excise tax on copper through a trade agreement with Chile, have stated that a reduction in these excise taxes would constitute a breach of faith with the Congress and that it was plain that Congress had never evidenced any intention of relinquishing control of these temporary excise taxes.

Senator VANDENBERG. I don't think there can be any doubt about the record on that score.

Mr. BROWN. We followed it through Congress, and I think that the record was very clear. Senator Hayden, and Senator Ashurst, I think, joined Senator Hayden in making a statement to the State Department or to Dr. Henry F. Grady, Chairman of the Committee on Reciprocity Information, in which he sets out fully those proceedings. I have it here in case any of you would like to look it over. I hesitate to offer it for the record, but I have it available, because it is a very important document.

Senator VANDENBERG. Didn't Senator Hatch flatly assert that it would be a breach of faith?

Mr. BROWN. He raised the question and said it was a breach of faith with Congress. Congressman Disney, who is a member of the Ways and Means Committee, wrote to Secretary Hull calling his attention to this very situation. I have a copy of that letter here in which he states that it was a breach of faith with Congress, and I offer a copy of that letter for the record, and ask that it appear at the end of my statement.

The CHAIRMAN. That may be done.

Senator CLARK. That may be the view of some Congressmen and Senators, but I, as one Senator that voted for it, did not share that view nor place any such construction upon it.

Mr. BROWN. I have no means of telling the individual views of the various Senators.

Senator CLARK. That is what you are doing. You are arguing about the individual views of some Senators, and I am giving the individual view of another Senator.

Mr. BROWN. That is correct.

Senator KING. If the proponents of it entertained those views and they have not been adhered to, probably it would have changed their vote.

Mr. BROWN. That is quite true.

Senator KING. They might have taken a different attitude.

Senator CLARK. It is a speculation as to the views of the members of the Senate.

Senator VANDENBERG. I have great faith in the assertions of the chairman of this committee under those circumstances.

Senator DAVIS. When this reduction in excise taxes took place under the reciprocal-trade agreements, did the Venezuelan Government itself impose an export tax on oil coming into the country after we had cut down the tariff on that which came in—on the imports, rather?

Mr. BROWN. I don't think they in fact imposed it. It was discussed very considerably and we thought that it had been imposed, but on calling upon the officials here we learned that it had not been announced yet and that they would let us know when it was announced, and so far we have heard nothing from it. So I presume it has not been done.

Senator DAVIS. If that tax were imposed, it would take the revenue from the United States Government and put it into the Venezuelan Government, would it not?

Mr. BROWN. It would take the money that this gives to the importing companies and give it to the Venezuelan Government.

By this cut in taxes, we took the money from the United States Treasury and gave it to three or four importing companies and if Venezuela should impose that tax, it would take that money from those companies and give it to Venezuela, so finally it would get to them.

The State Department has not, to my knowledge, satisfactorily given its interpretation of these portions of the reports of the two committees or of the statement made on the floor of the Senate by the chairman of this finance committee who was in charge of the bill at that time. The State Department has made what constitutes a technical legal defense of its action but has made no frank statement to justify an administrative agency in what appears to be a breach of good faith with the Congress from which it receives its power.

That portion of the Venezuelan trade agreement which deals with the petroleum excise taxes is not in harmony with the intent and purposes of the act. The theory underlying the Trade Agreements Act, as was often expressed, was to promote the interchange of products, the produce or manufacture of the nationals of the contracting countries. The nationals of Venezuela do not produce petroleum except in the capacity of labor employed by foreign companies. The dictator Gomez, for an unnamed consideration, gave the great oil reserves of Venezuela to those foreign companies. The benefits flowing from this excise tax reduction in the Venezuelan trade agreement do not go to Venezuela or to Venezuelans but go, therefore, to those European or American companies which hold Venezuela's oil and which export it from Venezuela, some of them importing it into this country.

The agreement, therefore, so far as this portion is concerned, is an agreement between the State Department acting for the Nation on the one side and the big importing oil companies on the other. If the

State Department knew this and notwithstanding that knowledge made this agreement, then it would appear that the State Department ignored the true purposes of the Trade Agreements Act. If the State Department did not know this when it made the Venezuelan agreement, then its claim to full knowledge of all material facts was incorrect.

The reduction in the excise taxes, therefore, is little more than a rebate on taxes granted these companies at the expense of the Federal Treasury. The companies which benefit from this reduction in the excise taxes and from the effort to limit the power of Congress over those taxes are among the companies whose conduct in regard to imports caused Congress to pass these excise taxes in 1932.

The State Department has consistently declined to recognize some of the fundamental elements in the petroleum situation. It was admitted by State Department witnesses at the hearing held by the House Committee on Ways and Means when this resolution was under consideration in January of the present year that it did not take into consideration who were the importers of Venezuelan petroleum. It is also quite evident that the State Department did not take into consideration who were the exports of petroleum products. Repeatedly, in violation of all reason and of practical economics, the State Department has sought to justify this excise-tax reduction on the ground that we export more petroleum products than we import. It does not give consideration to the fact that the exporters, for the greater part, are the importers; that these exporters are a part of the group who control the world petroleum markets and determine world prices; that these importers-exporters who are bringing in large and unexpected quantities of foreign petroleum can depress the price of the domestic product to a point where they may purchase our oil at their price for their own export trade. By being both the largest purchasers of domestic petroleum and the importers of the foreign petroleum, they can regulate the flow of exports as effectively as though they had official authority to fix prices. The import-export situation, therefore, is one which is entirely within the control of the same group.

The question arises as to the value of our petroleum export market, which we have shown may be so directly affected by the power of the importers to fix the price they pay for the domestic oil for export purposes. There are many angles to this question. Undoubtedly some persons sincerely believe that to prohibit exports would be in the best interests of conservation, but it would appear that they overlook some of the fundamental facts concerning the place of exports in our national economy. In the first place, to prohibit exports would be equivalent to adopting the old theory of reservation, as contrasted with conservation. This reservation theory had some popularity in former years but is now generally condemned by the industry and the policies of State and Federal Governments. With our steadily increasing known supply of oil and with the countless needs for petroleum, there is a general and widespread agreement that we are living in an "oil age," and "conservation" should mean primarily production for use with a minimum of waste. The success of a national conservation program, therefore, should be measured by the progress made in avoiding waste and not by the uses to which the petroleum is put. It is not a very long step from prohibiting exports to regulating uses. The next step might be prohibiting the use of oil for heating where another product might be used or prohibiting the

use of automobiles by high-school students out for a good time. In the last analysis, exports are merely one of the many market outlets which support the petroleum industry as a private enterprise. The benefits supplied by these exports flow back through the industry to the refiner, the transportation agencies, to the producer—including the small stripper well operator and to the American public. The receipts from exports represent a part of the enormous sum expended each year by the industry in searching for, finding, and developing new reserves of oil so that the public may be assured of an adequate supply. Shut off market outlets and you stifle the very force that makes such progress possible. It is not good sense to expect to get better work from a horse by cutting down his feed.

Another important fact which is overlooked by those who are willing to impair the value of our export trade is the large part played by these exports in our total foreign trade. Many people do not realize that this one industry accounts for more than one-tenth of the total value of our export trade. During the 15-year period from 1925 through 1939, exports of petroleum and its products amounted to over \$5,800,000,000, or about 11.3 percent of our total exports of all merchandise. During the first 11 months of the last year exports of petroleum accounted for 12.6 percent of our total exports. Detailed figures for the period 1925-39 are shown in the following table. The taking away of such a large portion of our trade would result in serious dislocation of our foreign exchange, and the effects would extend to many other industries in this country. The Secretary of State might be among the first to point out the dangers of such a policy. It is interesting to note, in this connection, that the large volume of petroleum exports and the important place that they hold in our total foreign trade has been accomplished with a minimum of assistance from the reciprocal trade agreement program. Reduction in duties and increased quotas for petroleum and its products granted by other countries in these agreements affect only 4 percent of our petroleum export trade.

United States export trade—All commodities and petroleum and products, 1925-39.

	Value of exports of all United States merchandise	Value of exports of petroleum and products	Percent of total value of exports represented by petroleum and products
			<i>Percent</i>
1925.....	\$4,818,722,000	\$172,952,000	9.8
1926.....	4,711,721,000	554,534,000	11.8
1927.....	4,758,864,000	485,903,000	10.2
1928.....	5,030,099,000	525,853,000	10.5
1929.....	5,157,043,000	561,191,000	10.9
1930.....	3,781,172,000	494,330,000	13.1
1931.....	2,377,982,000	270,500,000	11.4
1932.....	1,576,151,000	208,381,000	13.2
1933.....	1,647,220,000	200,016,000	12.1
1934.....	2,100,136,000	227,537,000	10.8
1935.....	2,243,081,000	250,327,000	11.2
1936.....	2,418,969,000	263,149,000	10.9
1937.....	3,288,929,000	376,239,000	11.4
1938.....	3,057,169,000	388,626,000	12.7
1939 (11 months).....	2,760,468,000	348,237,000	12.6
Total, 15 years ¹	40,743,785,000	5,627,784,000	11.3

¹ Exclusive of December 1939, which is not available.

Source: Prepared by the Independent Petroleum Association of America from data from U. S. Department of Commerce.

Furthermore, aside from the fact just mentioned, the inclusion of these excise taxes in any trade agreement violates another principle involved in the Trade Agreement Act, which was passed on the assumption of many that articles which we had in marketable surplus were not to be compelled to compete with imports of the same kind and quality. To assert that imports could do no damage to the domestic industry because we export so large a quantity is to do violence to logic. If our surplus is so great that we can export so large a quantity of petroleum products, then there is no necessity apparent for bringing still more petroleum into a market oversupplied.

One of the principal contentions of the State Department, advanced in support of the trade agreement with Venezuela, is that the imports of foreign petroleum are supplementary to our domestic oil and serve a desirable economic purpose by balancing the supply of certain products more closely with demand. The Department maintains that by supplying seventeen to eighteen million barrels of heavy fuel oil to the Atlantic-coast markets, foreign oil is helpful by avoiding large and undesirable additions to gasoline stocks which would take place—according to the Department—if domestic oil were used. This argument reveals a lack of knowledge regarding the industry's operations.

As a matter of practical fact, the domestic industry could easily supply the additional seventeen to eighteen million barrels of heavy fuel per year and could do so without the serious economic disruptions to which the State Department refers. It is likely, moreover that this could be done more efficiently if the industry was not faced with the problem of adjusting its operations so as to provide for an unpredictable quantity of foreign oil. The Department completely ignores the possibility of adjusting refinery yields so as to produce more or less of a given product. Evidently the Department is unaware of the fact that these yields vary widely from month to month. For example, during the last 3 years the yield of heavy fuel oil has varied from a high of 27.5 percent to a low of 23.5 percent—a difference of 4 percent. What does this difference mean? It means, of course, that the production of heavy fuel oil can be—and has been—varied by 4 percent of the total quantity of crude oil processed in refineries. Based on the quantity of crude oil processed during 1939, this 4-percent variation would mean an annual volume of about 50,000,000 barrels of residual fuel that might or might not be produced, depending on whether it was needed. The seventeen to eighteen million barrels of foreign oil does not seem so necessary when we realize that we can vary our production of residual fuel up or down by 50,000,000 barrels a year. To illustrate this point further, let it be assumed that no residual fuel oil from foreign crude entered our markets during 1937 and 1938 and that the industry had to provide 18,000,000 additional barrels of heavy fuel per year from domestic crude oil. By processing the same quantity of domestic crude oil as was used in those 2 years and by adjusting the yield by four-tenths of 1 percent so as to produce correspondingly more fuel oil and less gasoline, the results over the 2-year period would have been: (1) The satisfying of the demand for heavy fuel oil, (2) the avoiding of the addition of approximately 27,000,000 barrels of heavy fuel to storage, and (3) the adding of less than one and a half million—instead of 10,000,000—barrels of gasoline to storage.

In short, the domestic petroleum industry can very easily absorb all of the requirements for petroleum products from our domestic oil and leave it in better condition than by supplementing it with foreign oil, and there is no necessity for those importations on that basis.

Senator DAVIS. Could we develop in our own country sufficient oil to furnish gasoline for all of our needs here?

Mr. BROWN. We are not, but we can very easily do it. As a matter of fact, in practically all of the oil-producing States, production of oil is limited to such an extent that wells that are capable of producing as high as 5,000 to 20,000 barrels a day are forced to produce only 20 barrels a day. There are two reasons for that——

Senator GUFFEY (interposing). Where are those located? In east Texas?

Mr. BROWN. Texas, California.

Senator GUFFEY. Do you think there is any well in east Texas that would still produce 20,000 barrels a day?

Mr. BROWN. In east Texas?

Senator GUFFEY. The reduction is in east Texas, isn't it?

Mr. BROWN. The average production is above that, but there are many wells in east Texas that can produce more than they are producing.

Senator CONNALLY. There is another question involved there, which is the matter of conservation and the prevention of waste. It is not a matter of seeing how much money we can make out of the oil and how quickly we can make it.

Mr. BROWN. The primary question involved is to produce no more oil than can be produced economically without waste. That is the primary question.

Senator CONNALLY. There was testimony before the Senate committee 2 years ago on the extension of the bill which I introduced limiting the production that if the limitation, amounting to some two million barrels, had not been put on, that it would have blown the oil back into recesses and it never would have been recovered.

Mr. BROWN. The primary purpose is conservation.

Evidently the State Department has also overlooked other benefits which would result if this heavy fuel market was opened to the domestic producers. These additional benefits would come from increased utilization of the heavier types of crude oil produced in this country which have experienced difficulty in finding markets due to the importations of cheap foreign oil.

The State of California could from wells or fields now limited or closed down for lack of market supply all or any part of this market now supplied by foreign oil.

One of the chronic ailments of the domestic petroleum industry—as charged by some—has been overproduction. Let us examine the facts. The true situation as revealed by official Government figures is that the industry has suffered during certain periods from oversupply and not overproduction. Proof of this is seen in the record of the 15-year period from 1925 through 1939 during which time total demand exceeded domestic production by over 1,000,000,000 barrels. In other words, since 1925 we have produced 1,000,000,000 barrels less than was used and we did not produce as much as was consumed in any year during that time. The oversupply in certain years (1927,

1928, and 1933 and 1937) which caused large additions to above-ground storage, was caused by imports of foreign oil which competed with—and displaced—domestic oil. The "overproduction," therefore, was nothing but the natural resistance on the part of the domestic producers to being shut out of markets by cheap foreign supplies. Take away the imports and there would have been no oversupply.

The following table compares the domestic production with the total demand for each of the years from 1925 through 1939.

Comparison of total demand for petroleum and products and domestic production, 1925-39

Year	Total demand ¹	Total domestic production ²	Excess of demand over domestic production ³
	<i>19200 barrels</i>	<i>1,000 barrels</i>	<i>1,000 barrels</i>
1925	840,816	791,907	48,909
1926	913,030	805,201	107,739
1927	943,981	942,348	1,633
1928	1,015,384	946,609	68,775
1929	1,103,203	1,062,649	40,554
1930	1,082,040	953,331	129,618
1931	1,027,600	806,524	131,076
1932	938,757	822,471	116,286
1933	975,215	940,834	34,331
1934	1,034,671	946,320	88,342
1935	1,112,673	1,037,800	74,873
1936	1,224,748	1,144,959	79,789
1937	1,342,516	1,331,127	11,389
1938	1,330,851	1,267,466	63,385
1939	1,417,051	1,316,592	100,459
Total 15 years	16,303,445	15,206,237	1,097,208

¹ Exports and domestic consumption of all oils.

² Domestic production of crude petroleum, natural gasoline, and benzol.

(Prepared by the Independent Petroleum Association of America from data from U. S. Bureau of Mines.)

In Texas, California, and many other States we could very easily increase our production were it not for the fact that it would cause production in excess of what is known as consumptive or market demand, and that results in waste, and when we run into the foreign oil in competition with us, since it can be produced and brought in much more cheaply, it forces that oil back and resists production. We could produce all that we require.

Senator DAVIS. If foreign oil were excluded from the country, how long could you continue to supply the present demand with the oil that we now have?

Mr. BROWN. The known oil would probably run 17 or 18 years, but here is the way that that works out. Any one year during the past 25 years if you had asked the question, it would have been limited progressively from 5 years more supply in sight to 8 or 9 or 10 or 12 years. That is explainable in this way, Senator—that the reserves are built up when evidence of required supply become apparent. They go out then and search for more reserves. In other words, 2 years ago we had in sight approximately 15,000,000,000 barrels of oil. Today we have in sight more than 20,000,000,000 barrels of oil, although we have used a lot in the meantime. We progressively develop our reserves so that demands are not only satisfied but increasing reserves are built up.

Much has been made of the fact that the Venezuelan agreement contains an escape clause which is supposed to be more liberal than

the usual escape clauses. The domestic petroleum industry, however, cannot invoke that clause. Nobody can make it effective except the State Department. While Secretary of State Hull, in a letter addressed to the House Ways and Means Committee, has stated that he would take action if the domestic petroleum industry should be damaged by imports, the determination of damage is not provided by any rule or regulation known to us. The fact that the Government has not aided any industry by using the escape clause in any of the existing 22 trade agreements does not suggest that this is a practical mode of dealing with the problem.

Importers are already taking advantage of the situation. Imports are steadily increasing.

The trade agreement with Venezuela became effective on December 16, 1939, and sufficient time has not elapsed to determine just what effect the agreement may have during the coming year. It is logical to expect that the importing companies will hesitate to take immediate advantage of the power granted by this agreement. Some important trends, however, are already apparent.

It is significant that taxable imports of petroleum and its products during January 1940, as shown by figures from the Department of Commerce, were 77 percent larger than during January of 1939. Final figures for February are not available but the preliminary figures, based on the weekly data published by the American Petroleum Institute, indicate an increase in imports of about 25 percent over January. On this basis, taxable imports during February were approximately twice the quantity brought in during the same month of 1939. The argument has been advanced that this foreign oil is necessary because stocks of fuel oil are at low levels in the area east of California. During the first 3 weeks in February, however, stocks of heavy fuel oil have increased 1,000,000 barrels, whereas these stocks were reduced almost 2,000,000 barrels during the same period of last year.

I would like to call to the committee's attention, and also for the record, a quotation from the Chicago Journal of Commerce of March 1, 1940, with the headline "February oil imports run at high level," and that "Early indications are that petroleum imports in February will run at the highest daily rate of any month in years."

The CHAIRMAN. Without objection, it will be incorporated.
(Same is as follows:)

[Chicago Journal of Commerce, Friday, Mar. 1, 1940]

PETROLEUM

FEBRUARY OIL IMPORTS RUN AT HIGH LEVEL

Early indications are that petroleum imports in February will run at the highest daily rate of any month in years.

For the 4 weeks ended February 24 imports averaged 204,143 barrels, including several days late in January in which the rate was rather low. Depending on what the current week's figures will be, it seems likely that the daily rate for the month will be substantially above 200,000 barrels.

The January daily average rate of 154,323 barrels was highest in months and February is showing a material increase over January. Largest import month in recent years prior to February was June, 1939, with a daily average of 202,400 barrels.

Following are import figures for recent periods:

At Atlantic-coast ports	Week ended--	
	Feb. 24	Feb. 17
Baltimore.....	225,000	110,000
Boston.....	170,000	160,000
New York.....	559,000	759,000
Philadelphia.....	297,000	452,000
Others.....	67,000	145,000
Total.....	1,318,000	1,626,000
Total at Gulf coast ports.....	147,000	166,000
At all United States ports:		
Total.....	1,465,000	1,792,000
Daily average.....	209,280	256,000
Daily average 4 weeks ended.....	204,143	184,750
Daily average receipts in bond ²	62,900	62,900
Daily average imports ¹	98,000	98,000
Distribution of total imports:		
Crude oil.....	808,000	530,000
Fuel oil.....	599,000	1,138,000
Kerosene.....		71,000
Gas oil.....	68,000	

¹ Crude oil: Houston.

² Crude oil: Houston, 91,000 barrels; Port Arthur, 75,000 barrels.

³ As reported by the U. S. Bureau of Mines, partly for reexport and partly as supplies to ships' bunkers, for the 6 months ended December 1939.

⁴ For domestic demand last 6 months of 1932.

Another significant trend since the Venezuelan agreement became effective has been the decline in the prices of crude oil and fuel oil in California which is the largest domestic source of oil of a type similar to that from Venezuela. On the first of the year, 2 weeks after the agreement became effective, the price of heavy fuel oil in California was reduced 15 cents per barrel. A month later on February 1, the price of crude oil to California producers was reduced 4 to 15 cents per barrel depending on the fuel oil content of the crude oil, the larger reductions applying to the heavier types of oil. This was the first downward revision of crude oil prices in this area in 4 years. This represents a penalty of \$1,500,000 a month on California producers although, Mr. Hull himself has stated, the agreement has been in existence too short a time to tell its full effect. At the same time, the price of heavy fuel oil at Los Angeles declined another 10 cents per barrel. They use the same principle there as the Government contribution to public highways. If we are going to contribute to the importers, the Government is contributing only a few million dollars a year, but the producers must contribute 1½ million a month. I think that is an unfair contribution for the producers to pay to the importers.

Senator GUFFEY. What is the potential production in California now?

Mr. BROWN. It varies out there. I would say the potential is a million barrels daily, and they are producing around about 600,000.

Senator DAVIS. How much gasoline do you get from this very heavy crude imported oil?

Mr. BROWN. The type that is usually imported here, you would not get more than probably 8 gallons to the barrel. Probably less than that in some of it.

Senator DAVIS. What is it used for mostly?

Mr. BROWN. Most of that is used for fuel and for asphalt, but the larger part of it is for fuel. You do not get so much gasoline from

that. However, they do have a higher grade of oil that is just coming into production in Columbia and other parts of Venezuela that compares with our high grade oils here.

Senator KING. Most of that is used in Boston and along there?

Mr. BROWN. Mostly on the Atlantic seaboard.

The Atlantic seaboard market is the most important market for petroleum products in the world. Most of the imports of foreign oil enter this market and it is here that the effects of such imports should first be observed. Those who may have felt that the reduction in the petroleum excise taxes would benefit the consumer must be disappointed by the actual facts. While the price has been reduced to domestic producers of oil similar to that from Venezuela, the price of heavy fuel oil to consumers on the Atlantic coast has increased 30 percent since the agreement became effective.

Senator GUFFEY. What is the lesson to be learned from that?

Mr. BROWN. The natural presumption is that the increased demand for fuel oil has caused an increase in the price.

Senator GUFFEY. And that brought about an increased demand for bunk coal?

Mr. BROWN. Yes.

Senator GUFFEY. And also there has been a demand for war purposes.

Mr. BROWN. Why the territory controlled by the importer should increase their price while the territory not controlled decrease, I don't know. But I do know that the importers control the Atlantic-seaboard market and they have increased their price, and the Gulf coast and the Pacific coast that is not controlled by them has reduced theirs. Why, I don't know.

Senator GUFFEY. Don't you think some of it is due to the law of supply and demand? Has not the demand increased enormously on the Atlantic coast?

Mr. BROWN. Yes; but we are running to storage.

Senator GUFFEY. How much?

Mr. BROWN. As I have just pointed out, we have increased a million barrels during February. I don't know how much more will come this month; I don't know; I cannot tell. But they are bringing in too much of it.

Senator GUFFEY. Then the market up there is charging all that the trade will bear.

Mr. BROWN. Apparently that is what happened.

Senator KING. With the increased production of this heavy fuel oil, there is a corresponding reduction in the use of coal from Pennsylvania and elsewhere?

Mr. BROWN. That is natural, of course. The cheaper the oil gets, it becomes more nearly competitive with other fuels.

Senator DAVIS. It does have this effect, as the Senator says, on Pennsylvania coal.

Mr. BROWN. The coal people say so. I am not familiar with those facts and I cannot tell. I have no reason to doubt their word, however.

Senator GUFFEY. The anthracite consumption increased 13 percent in 1939 over 1938. That largely went to New England and Canada.

Senator DAVIS. The conditions of the country have increased a little bit, too.

Mr. BROWN. As these imports increase, each barrel of foreign oil displaces a barrel of domestic oil. The domestic petroleum producer has seen his production quota dwindle as his markets have been invaded. He is subject to very definite production limitations imposed by regulatory bodies whose purpose is to prevent waste. Production of our domestic petroleum in excess of the market demand constitutes actual waste. Storage above ground is costly and wasteful. That petroleum which is supplanted by the imported product must either go into wasteful storage or remain in the ground. In neither case does the domestic producer receive anything for it although his costs go on.

Very important to the well-being of this country are the stripper wells whose daily production is small but which comes from reserves which constitute the backlog of the industry. There are over 300,000 of these wells. Because they must pump the oil from the ground instead of producing by open flow, their costs are higher than other wells. They are much higher than the production costs of the foreign petroleum. The cost of labor here, as compared with the cost of labor in Venezuela, makes much of this difference. The stripper wells and their production are also subject to the many taxes here from which the foreign petroleum is exempt. Even under present circumstances many stripper wells already find it difficult to compete in markets where the influence of the foreign product has held prices below a proper level. Just what will happen as these imports increase cannot be positively foreseen but experience in the past suggests that it may mean the loss of very important oil reserves now being produced by stripper wells.

It is possible that this unfortunate inclusion of the excise taxes in the Venezuelan agreement would not have occurred if the industry had been permitted access to the negotiators of that agreement. If some agency had been created through which information might have been obtained in regard to the State Department's proposals for any trade agreement, or if there had been a provision for review, then both the State Department and the industry concerned would have been able to act with fuller knowledge and better judgment. Under the present set-up, an unknown group of men, with no responsibility toward the electorate, who have not been chosen by the vote of the citizens to the positions of power which they now hold, can determine issues which may involve the life or death of any industrial group. There is no appeal from their sentences. There is no provision for review of their actions. They occupy a position of power such as has never previously been conferred on any person, any class or any group in the history of the Republic. Even the Congress of the United States is held to be powerless to remedy any damage which might result from their acts. They are able, as in the case of the Venezuelan trade agreement, to confer upon great and powerful corporations favors worth millions of dollars without the rest of the industry knowing what influences were at work to bring this about.

I am urging that you give this matter your careful study and that you do take such action as you find proper and necessary to undo the wrong which has been done to the domestic petroleum industry and to discontinue the valuable special privileges which the Venezuelan trade agreement has granted to a few powerful importing companies. These excise taxes have never been partisan issues. They involve

economic and not political questions. So, too, this present argument does not concern the trade-agreement program but only the impropriety of including these taxes in such a program. Since the petroleum industry was denied the benefits of a tariff, it seems inappropriate that it should suffer from a tariff-reduction program. It would be unfortunate, however, if the Venezuelan agreement, of which these taxes seem to be the most important part, was negotiated to make just one more in the list of agreements in force.

Senator LA FOLLETTE. For the record, will you state which companies are the beneficiaries under this arrangement?

Mr. BROWN. The principal companies are the Standard Oil of New Jersey, the Gulf Oil Co., the Shell Petroleum Co. I think they handle practically better than 80 percent of the total imports. I will be glad to refer to a table here that I think will give you that exactly.

Senator LA FOLLETTE. If you will, insert the table in your statement.

Mr. BROWN. If I may, I would like to do that.

(The following table was filed by Mr. Brown:)

Importers of foreign petroleum

Company ¹	Percent of total imports		Company ¹	Percent of total imports	
	1938	8 months of 1939		1938	8 months of 1939
Standard Oil Co. (New Jersey).....	58.4	55.2	Socony-Vacuum Oil Co.....	1.9	0.4
Gulf Oil Corporation.....	22.6	23.7	Texas Co.....	.2	.2
Royal Dutch Shell interests.....	4.6	6.8	Unspecified ²	5.1	7.0
Cities Service Co.....	2.7	3.3			
Atlantic Refining Co.....	3.2	2.6		100.0	100.0
Standard Oil Co. (Indiana).....	1.4	.8			

¹ Including subsidiary companies.

² Largely Mexican oil brought in to Houston, Tex.

The CHAIRMAN. Mr. Brown, you are familiar with the fact that the Venezuelan agreement has the most liberal and broadest escape clause of any of the agreements that we have entered into.

Mr. BROWN. I am familiar with its escape clause, and it is more liberal than any I have seen, but I have not read all of them.

The CHAIRMAN. The Secretary of State and others testified—I think Dr. Grady did too—that the escape clause in the Venezuelan agreement because of this peculiar situation was broader and more liberal than in the escape clause in any other agreement.

Mr. BROWN. That is right. From my observation that is true.

The CHAIRMAN. Is there something else?

Senator DAVIS. I wonder if that part of the agreement could be placed into the record.

The CHAIRMAN. I will ask the State Department to provide it and put it in under Mr. Brown's testimony.

(The escape clause referred to follows:)

The escape clause referred to by the chairman is contained in article VI of the reciprocal trade agreement between the United States of America and the United States of Venezuela, signed at Caracas, November 6, 1939.

Article VI of that agreement reads as follows:

"Articles the growth, produce or manufacture of the United States of America enumerated and described in Schedule I and articles the growth, produce or manufacture of the United States of Venezuela enumerated and described in Schedule

It shall be permitted to be imported into the territory of the other country without quantitative restrictions. Nevertheless, should the Government of one of the Contracting Parties find it necessary because of special circumstances to establish a quantitative restriction on any such article, it shall notify the other Government. If agreement between the two Governments regarding the restriction is not reached, such other Government may terminate this Agreement on thirty days' written notice. No quantitative restriction established under this Article by the Government of either of the Contracting Parties shall be applicable for a period of thirty days after the public notice of such restriction to imports the invoices for which have been certified prior to the date of such public notice by a consular officer of the Government establishing the restriction."

The text of a letter on this subject addressed by the Secretary of State to the Honorable Robert L. Doughton, Chairman of the House Ways and Means Committee, appears in the Congressional Record, February 19, 1940, page 2522. The text of this letter follows:

FEBRUARY 8, 1940.

The Honorable ROBERT L. DOUGHTON,
Chairman, Ways and Means Committee,
House of Representatives.

MY DEAR MR. DOUGHTON: Replying to your inquiry relative to the escape or safeguarding clauses included in trade agreements and the policy of the Executive branch of the Government in putting them into operation, with special reference to the trade agreement with Venezuela, I would say that, in accordance with the general policy of providing flexibility in order to safeguard the interests of our domestic producers, an escape or safeguarding clause in unusually broad terms was included in the trade agreement with Venezuela. This clause permits remedial action whenever—to use the language of the agreement—"special circumstances" render it necessary or advisable to do so. The clause would permit such action with respect to petroleum or any other product included in the agreement.

I scarcely need to assure you that the operation of the trade agreements is given constant and careful supervision in order that remedial action may be taken whenever it appears that the producer of any product might be materially injured. Nor is it necessary to add that this statement applies to the concessions granted on petroleum and other products included in the Venezuelan agreement.

Sincerely yours,

CORDELL HULL.

SENATOR KING. Has our Government availed itself of any of the benefits, if there be benefits, of the escape clause?

MR. BROWN. So far, no escape clause has been introduced, and that is why we have some hesitancy as to whether we will benefit by this or not.

Now I would like to suggest this type of amendment to House Joint Resolution 407:

Strike out the final period and substitute a comma and the following words: "with the proviso that the authority conferred in the said Act does not embrace authority to include in any trade agreement negotiations imposed under the provisions of paragraph (4), (5), (6), and (7) of subsection (c) of section 601 of the Revenue Act of 1932, as amended, which are now a part of the Internal Revenue Code, subtitle (c), chapter 29, subchapter (b), part 1, sections 3420, 3422, 3423, 3424, 3425."

The CHAIRMAN. Thank you very much.

(By direction of the chairman the following letter referred to in Mr. Brown's statement is inserted in the record.)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., November 13, 1939.

HON. CORDELL HULL,
Secretary of State, Washington, D. C.

DEAR MR. SECRETARY: I am advised of the signing of a provisional trade agreement with Venezuela, which agreement orders a reduction of excise taxes imposed by Congress upon imported petroleum and petroleum products. The petroleum industry in the United States, particularly its independent branches

and its representatives in Congress, are astonished at this agreement. Venezuelan oil is a government monopoly, and its licensees, one or two large companies, have a monopoly in the petroleum industry there. This reduction in taxes on imports of crude oil and fuel oil will give these companies a still greater advantage over American producers of petroleum and coal. Since these same companies are among the largest purchasers of domestic crude oil, it will enable them to still further affect to their own interest the price of domestic crude oil in the United States. Their dominance of the price situation will be nearly perfected through this action.

It is respectfully suggested that this action was not within the powers granted or intended to be granted by the Congress, or implied by the Reciprocal Trade Agreements Act as passed by the Congress.

I have been one of the advocates of the continuation of these taxes from time to time when their renewal has been before Congress. While I was not a member of the Ways and Means Committee in 1934, I, like other Representatives who supported these taxes from time to time, was greatly concerned with the question whether the Reciprocal Trade Agreements Act might be interpreted as giving the President the right to effect such a reduction as you have proposed in this present agreement. Therefore, the question was discussed when this proposed act was before the Committee.

During the hearings before the committee on the question of approval of this bill, you appeared as a witness and set forth your views as to the scope of the bill and the authority it conferred, and were asked by Mr. Treadway to present a list of the trade barriers, other than tariffs, which you referred to, which list was filed with the committee, and these excise taxes were not mentioned therein.

After careful study of your argument and after reviewing the testimony offered and analyzing the purpose and possible effect of such legislation, the committee adopted Report No. 1000, Seventy-third Congress, Second Session, which contained on page 15 the following explanatory statements:

"In order that the necessary reciprocity may be accorded, the President is empowered to promise that existing excise duties which affect imported goods will not be increased during the term of any particular agreement. It should be carefully noted, however, that the President is given no right to reduce or increase any excise duty. His power of reduction of duties is limited to those which are in fact customs duties."

With this provision in the report and the explanation before the House, many of us who were of like mind supported the reciprocal trade agreement bill and voted for it in the House. From the House the bill was sent to the Senate where it was referred to the Senate Finance Committee. After a discussion in the Senate committee, participated in by the members of that committee, who were also advocates of these excise taxes, the Senate Finance Committee, in Report No. 871, Seventy-third Congress, second session, adopted the report which had been submitted by the House committee and in their own report on page 18 appears the same language contained in the House committee report.

Senator Harrison, chairman of the Senate Finance Committee, in his statement to the Senate when the bill was presented to him on May 17, 1934, as is shown in the Congressional Record of that date (pp. 9247 and 9248 green bound Record; pp. 8987-8989 in permanently bound Record), presented as a part of his statement an analysis of the bill which contained the following statement:

"In addition to permitting the modification of duties or restrictions, the bill permits the President to enter into commitments whereby the existing customs or excise treatment of specified articles will be maintained; that is, the excise taxes upon oil, coal, lumber, and so forth. Unless it were possible to provide in such trade agreements, against the increase of excise taxes, the advantages derived through a lowering of customs duties guaranteed in such trade agreements might be entirely lost through the imposition of duties such as consumption taxes and the like; so these agreements will provide for inhibitions upon such a policy."

Senator Harrison as chairman of the Senate Finance Committee had charge of the bill on the floor. During the last few moments in the discussion of the bill before the time at which the Senate had agreed to vote arrived the Senator stated:

"Mr. President, I have another amendment to propose, of which I desire to make some explanation. The Senate can do with reference to the amendment whatever it pleases. It is with reference to a clarification of excise duties.

"It will be noted that, so far as tariff rates are concerned, the President has the power to increase or lower them by 50 percent, but as to the excise taxes, they may be continued. It was the intention of those who framed the legislation, and of the House in passing the bill, that they would be frozen; in other words, they might not be modified.

"They were adopted in 1923 (sic), I believe it was, what were termed 'excise taxes'; or were carried into the law as excise taxes, but some question has been raised as to whether or not they are excise taxes or import taxes. The four items concerned were lumber, coal, oil, and copper. So as to remove any doubt as to what the intention was, I have an amendment to offer which will clarify the matter, and if the amendment shall be adopted, it will freeze those four items. In other words, the duties cannot be increased and the duties cannot be lowered. It will recall that as to those four items the provision of law will expire in June of next year * * *

"All excise taxes are frozen by this bill * * *.

"Coal, oil, lumber, and copper. Those four are carried in the law as bearing excise taxes, and some question has been raised as to whether or not they are in fact excise taxes. In order to remove any doubt and to clarify the matter, I have offered this amendment.

"(The amendment later offered read as follows: On page 4, line 12, after the word 'imports,' it is proposed to insert a semicolon and the following: 'except that the term does not include excise taxes imposed under the provisions of paragraph (4), (5), (6), and (7) of subsection (c) of section 601 of the Revenue Act of 1932, as amended).'

"They cannot be increased and they cannot be lowered * * *.

"The reason was that all excise taxes are frozen in this bill. We do not propose to disturb excise taxes at all. The President is given the power with reference to import duties, and it was because the impression prevailed that on these items there were excise taxes, that I offered the amendment. They are carried in the law as being subject to excise taxes. * * *

"The kind of taxes styled excise taxes were not to be affected. They were not to be increased or lowered. They were frozen, in other words."

Following a request of Senator Harry F. Ashurst, of Arizona, who was in favor of these excise taxes, Senator Harrison withdrew the amendment. Assuming that his was the last word before the Senate voted, there could be no possible question of the interpretation the Senate placed upon the provisions of this bill and that the excise taxes were, as stated by Chairman Harrison, of the Finance Committee, frozen.

I have observed that this question has been discussed somewhat on the floor of the Senate during the present session and there seems to have been an official answer stating the position of the administration as filed by Senator Barkley, the Senate majority leader. This statement appears in the Congressional Record for Friday, November 3, 1939, at page 2117. In this statement Senator Barkley calls attention to the fact that during the debates in the Senate June 4, 1934, heretofore referred to, an amendment was proposed to the trade-agreements bill which would have excepted from the authority to proclaim modifications these particular taxes and calls attention to the fact that this proposed amendment was defeated by vote of 57 to 29.

May I call your attention to the fact that the amendment mentioned by Senator Barkley was the same amendment which has been suggested by Senator Harrison and was withdrawn by him because he had stated to the Senate that these taxes could not be altered under this bill. This so sufficiently satisfied those friends of the tax that they no longer urged action. The amendment was finally presented by Senator Huey Long within the last few minutes allowed for debate. In fact, less than 10 minutes remained. No discussion was had except by Senator Long. The record vote taken disclosed that those who were concerned about the taxes and who were particularly anxious to be certain that this reciprocal trade agreement could not affect them except as stated by Senator Harrison joined with him in voting down the unnecessary amendment obviously on the theory expressed by Senator Ashurst and confirmed by Senator Harrison when he made the statement that the excise taxes were "frozen."

Assuming that the vote on this amendment had any significance at all as the purpose of the bill, the only significance would be to emphatically endorse the interpretation placed on it by Senator Harrison. In other words, if there could be any credit given to this vote on an interpretation of the bill, it would be that the President would have authority to agree that the taxes should be frozen.

In his brief filed with the Committee for Reciprocity Information, Senator Hayden says, after discussing the doubtful legal justification for including excise taxes in the terms of the Trade Agreement Act:

"* * * It is respectfully submitted that such reduction would still be undesirable because it would constitute a breach of faith with the Congress." Further quoting him, "For the executive branch of the Government to reduce

them (the excise taxes) by regulation with the foreign government would constitute a serious and substantial breach of faith with the Congress."

I believe this reflects the opinion of those Members of Congress who have studied the problem and that regardless of any technical construction of the exact language of the Reciprocal Trade Agreements Act, Congress, as is shown by the Record, did not intend to have these excise taxes used for bargaining purposes. In other words, Congress gave the President no power, either expressly or by implication, over this particular subject matter.

If the action is not, as Senator Hayden says, a "breach of faith" with the Congress, the most favorable light that could be placed on it would be to call it a misinterpretation of the language and intent of the Congress. More expressly is this true since the excise taxes have expired (although renewed) after the passage of the act.

It is respectfully suggested that had this action been contemplated or foreseen, specific language would have been inserted in the act, or it likely would not have passed. Nowhere does the record evidence any intention on the part of the Congress to turn this tax item over to the executive department.

My understanding is that the vast volume of imports from Venezuela is petroleum and petroleum products. The present Temporary National Economic Committee has been making a survey of present conditions with a view of determining whether or not we are moving toward monopoly, and if so, in what branches of business. The oil industry was thoroughly investigated by the Economic Committee, with a view to the elimination, as far as possible, of practices existing or leading to monopoly. So we have this anomalous situation, that one arm of the Government is attempting to forestall and eliminate monopoly, and another Department, by the reduction of these excise taxes, gives the largest oil organization in the world a more powerful grip on the domestic situation by permitting it to more easily affect its domestic competitors by the terms of this agreement.

My official duty constrains me to call your attention to these features.

Cordially and sincerely yours,

WESLEY E. DISNEY.

The CHAIRMAN. Without objection, I wish to insert in the record a statement submitted by Mr. Thomas J. Keefe, general manager, American Motorists Association, Washington, D. C.

STATEMENT OF THOMAS J. KEEFE, GENERAL MANAGER, AMERICAN MOTORISTS ASSOCIATION, WASHINGTON, D. C., MARCH 5, 1940

Mr. Chairman and members of the committee, I particularly want to rebut testimony which has heretofore been offered. I refer to the pleas of special interests seeking to amend the Trade Agreements Act in a manner to afford a means of perpetuating a burden which was placed upon consumers, both private and public, back in 1932.

Until June 1932, imports of crude oil were admitted to the United States free of duty. The only exception to this policy was in the Tariff Act of 1897, in which a countervailing duty on mineral oils was imposed on imports from any country which imposed a duty on similar products exported from the United States to that country—exactly the principle the present Democratic administration is attempting in the form of reciprocal trade agreements. This countervailing duty was removed in the act of 1909, and petroleum crude or refined products remained on the free list until 1932.

In the record of hearings before the Committee on Finance of the Senate in 1932 we find Mr. Wirt Franklin, his association (the independent petroleum Association of America), and other special interests very active before the committee advocating his "high tariff" principles. It was then that excise taxes in lieu of a tariff were used.

Senator Tydings at that time stated:

"This tariff was injected into the revenue bill in the House by tariff proponents. It had been excluded from the bill on its merits by the committee after full hearings, when the proponents were heard twice, to one hearing for the opposition.

"* * * Those 1931 imports will naturally go to European countries where there is no discriminating tax * * * but it is not the producer in the Midwest who would benefit * * * this tariff in a revenue bill * * * it will burden the public—conceded to do so by those who advocate the measure; it will enrich * * * companies that need no help * * *."

Senator Hull:

"We told the wheat grower that some time ago, and put 42 cents a bushel on his wheat.

"* * * but it failed to increase the price of wheat * * *."

"This application has brought about one new term in tariff nomenclature. We are now calling a tariff a tax for the first time."

Mr. Hull further:

"I notice that since 1925, of petroleum and petroleum products we have exported and sold to other countries something over two and a quarter billion dollars more than had been brought into this country. In that situation on what sort of theory do you predicate a proposal to ask the Government to vote authority to impose a subsidy * * *."

"I am just as sympathetic with one industry in this country as another, and just as anxious in every practical way to cooperate, but I cannot possibly see where we would get to if we just boldly and brazenly authorized the levy * * * in the way of a subsidy, off of the general public * * *."

It is only reasonable that the matter be considered broadly, with a view of aiding the people of the United States as a whole. It would be shortsighted, indeed, for the country to depend exclusively for its crude-oil requirements upon our own irreplaceable reserves which have been heavily drawn upon for 60 years or more.

In tariff matters of this kind it is well to observe the status of the special interests seeking "protection" and to compare their proposals with the interest and welfare of consumers—in this instance approximately 30,000,000 automotive vehicle owners and operators who will be called upon to finally pay for the supposed "protection."

The same group almost annually since 1930 have advocated directly, or indirectly (by high excise taxes), an embargo of all imports of petroleum, which imports, normally supplying some 18 or more refineries, are essential for the manufacture of asphalt used by States, cities, counties, and the Federal Government for road and street construction.

In May 1936 hearings were held by the Ways and Means Committee on a bill, H. R. 10483, having for its real purpose the embargo of crude oil. To dispel some of the fog that was created by the special interests—the proponents of that bill and proponents today—there was introduced a fact-finding report showing the true situation. The facts reported at that time have not materially changed, as will appear from reading the copy which I submit at this point for purposes of this record.

REPORT OF FACT-FINDING COMMITTEE TO THE PLANNING AND COORDINATION COMMITTEE

WASHINGTON, D. C., June 4, 1934.

Creation of the committee.—Acting under the motion by Mr. Kenneth R. Kingsbury, the planning and coordination committee adopted, February 12, 1934, the following resolution:

"That a fact-finding committee of five be appointed by this committee to determine the facts as to whether American-produced crude oil is available in sufficient quantities and at reasonable cost to produce sufficient asphalt of a satisfactory quality to meet the domestic demand for asphaltic products; each side to the controversy to make nominations, two to be selected by this committee from the nominations by each side and those four to nominate a fifth, which nomination is subject to the approval of this committee."

On Thursday, March 15, 1934, Col. T. H. Barton, I. V. Nicholas, J. I. Quinn, and A. E. Watts, the four members chosen by the planning and coordination committee, met in the conference room of the planning and coordination committee in the Investment Building. Mr. E. B. Swanson of the Bureau of Mines, Department of the Interior, was nominated and unanimously elected as the fifth member of the committee. Mr. Swanson's name was submitted to the planning and coordination committee and was accepted. The committee recessed until 2 p. m., and reconvened at that hour with Mr. Swanson being present. On motion, Mr. I. V. Nicholas was elected chairman of the fact-finding committee.

Subsequent meetings of the committee were held and on Wednesday, March 21, 1934, after a full discussion, a questionnaire was agreed upon to be sent to all interested parties; to the various regional committees, the Asphalt Institute, and trade associations, with the request that they distribute same to their interested members, it being the consensus that the fullest possible broadcasting of this

inquiry was essential to the development of the factual data. It was further unanimously agreed that the interpretation of the planning and coordination committee's resolution of February 12, 1934, should be as follows:

"The resolution of the planning and coordination committee dated February 12, 1934, is interpreted to mean that the fact-finding committee of five shall determine the facts as to whether crude oil produced in the United States is available to the eastern seaboard and Gulf coast terminals in sufficient quantities and without an unreasonable increase in the cost to the consumer of asphaltic products, to be substituted for the foreign crude oil now being imported into the United States for the purpose of manufacturing asphaltic products, including facts as to the comparative quality of asphaltic products manufactured from the respective crude oils, existing specifications for asphaltic products, and the effect of such substitution on the present operating and marketing conditions."

On Tuesday, April 17, 1934, the fact-finding committee held a meeting in room 1047, Investment Building, the members present being L. V. Nicholas, chairman; E. B. Swanson; J. I. Quinn; and A. E. Watts. The chairman presided.

The committee studied throughout the day the returns expressed by those companies receiving and answering the asphalt questionnaire as sent out by the committee and from the study concluded as follows, and by formal resolution resolved:

"That it is the sense of the committee that its definition of availability shall include the assurance, through firm tender or other equally satisfactory manner, of a supply of asphaltic crude of definite specifications, delivered into tank ships of buyer at California ports, at definite price per barrel for prescribed periods of time, or delivered at Atlantic seaboard points of discharge. Tenders of such crude shall be equal in barrels of asphaltic content to the total foreign crudes now being imported into the United States for the purpose of supplying the requirements of asphalt sold in the Atlantic seaboard markets, or elsewhere. In the event tenders are made f. o. b. California, then the committee shall investigate transportation facilities for the movement of the crude offered for its movement from California to ports of discharge on the Atlantic seaboard. In the event there are domestic crudes, elsewhere than in California, of suitable asphaltic content that can be offered under this definition of availability, the committee shall receive such tenders when offered; and

"Resolved further, That the committee must await the receipt of such tenders as may be given under the foregoing definition."

Three members of the committee felt that statistical data relative to the production of stocks of crude oil and technical publications containing analyses of representative crude oils are of interest in indicating possible sources of supply but do not in themselves give any assurance of availability. It was felt that, although there may be production of suitable asphaltic crudes in certain sections, the present demands for that crude might equal the present limits of its production or that the companies producing or holding such oil might have other plans under consideration for its use. These members felt that if facts were to be offered which might result in a recommendation to require the complete substitution of domestic for foreign crudes by plants now equipped for the utilization of foreign crudes, such facts should be of such practical character as to render certain that the substitution could be effected in an equitable manner and that the companies hitherto importing would not, by the required substitution, be faced with uncertainties and unforeseen difficulties. It should be noted that the companies were not limited to the submission of "firm tenders" but could have given assurance in any other equally satisfactory manner. It was felt that there must be assurance as to the willingness of companies to sell and the price and condition under which such sales could be expected. It was felt of particular importance that the assurance should relate to oils of comparable quality with those now being imported.

The opinion of the one member voting "no" on the resolution was that the definition of availability should be restricted to "physical availability in the United States in storage, under production, or capable of being produced." One member of the committee was absent.

The full minutes of the meeting of April 17, 1934, were circularized through the same channels as the questionnaire in order that the fullest publicity might be given to the resolution as adopted.

On May 17, 1934, at 10 a. m., the committee met in room 1047, Investment Building, Washington, D. C. A study of the replies from interested parties was made but no conclusions were effected, owing to the objection of Mr. J. I. Quinn to the interpretation of the word "availability." Inasmuch as Mr. Quinn desired an expression from Judge Amos L. Beaty, chairman of the planning and coordination committee, on definition of availability as determined by the fact-finding committee, Mr. Quinn addressed a letter to the chairman of the planning

and coordination committee, under date of May 17, calling attention to the resolution of the fact-finding committee of April 17, and presenting his arguments relative to the definition as to what constitutes availability as originally intended in the resolution at the time the committee was created. A copy of the letter from Mr. Quinn to Judge Beaty is attached hereto and made a part of this report.

On Friday, May 18, Judge Beaty discussed before a quorum of the planning and coordination committee the communication from Mr. Quinn. The planning and coordination committee determined that the fact-finding committee should make its report as of Monday, May 28.

On Thursday, May 24, Mr. L. V. Nicholas, Mr. E. B. Swanson, and Mr. A. E. Watts met in Washington and discussed the request of the planning and coordination committee for a report to be submitted as of Monday, May 28. Inasmuch as neither Mr. Quinn nor Colonel Barton could be present, the three members of the committee decided it would be impossible to complete the committee's report by May 28, and the chairman requested the planning and coordination committee, through Judge Beaty, to postpone the date of the report until Monday, June 4, in order that all members of the fact-finding committee might meet and fully discuss the subject matter and data available to it and endeavor to agree upon a report to be presented to the planning and coordination committee.

On Monday, May 28, the personnel of the committee, with the exception of Colonel Barton, met in the offices of the planning and coordination committee in the Investment Building, and discussed the probable conclusions of the report and arrangements were made at that time whereby each of the members present would be prepared for final consideration of the report on Friday, June 1. The same four members of the committee met in the offices of the planning and coordination committee on June 1, and as a result of that meeting submit the present report.

In its consideration of the facts submitted through the questionnaires received, the committee divided the United States into four sections. These are: (1) The east coast and Gulf coast districts, in which are located the refineries which for many years have utilized imported crude petroleum for the manufacture of asphaltic products; (2) the crude-oil-producing areas included in the States of Texas, Louisiana, New Mexico, Oklahoma, Kansas, Arkansas, Kentucky, Illinois, and Michigan; (3) the Rocky Mountain district; and (4) California. The facts submitted to the committee show that the asphaltic content of crude oils in Texas, Louisiana, Kentucky, Illinois, and Arkansas does not, with the exception of the Nevada County-Arkansas field, exceed 28 percent. The questionnaires returned recorded the following asphaltic content: Hendrick and Yates Field, west Texas, 17 percent; Ector and Pesos County fields, 0.81 percent; Lea County, N. Mex., 0.63 percent; Illinois crudes, 20 percent; Kentucky, 16 percent; heavy El Dorado, Ark., 23 to 28 percent; White Castle, La., 28 percent; Hackberry, La., 5 percent; Caddo and Choctaw, 15 percent; and Nevada County, Ark., 49 percent.

The asphaltic content of Venezuelan crude was reported as ranging between 43 and 48 percent, while the asphaltic content of Mexican oils was reported as ranging between 66 and 69 percent. The comparison is made because the substitution of oils with lower asphaltic content will require the processing of more crude oil for the manufacture of an equal quantity of asphalt, and much substitution may require the alteration of the plant, the construction of additional storage, etc. The principal reason for the comparison, however, is that the processing for asphalt of any crude with an asphaltic content appreciably lower than that now being utilized will result in the production of an additional supply of distillates. Consequently, unless the asphaltic content of the respective crudes is approximately equal, the balance between crude-oil supply, refinery operations, and demand for petroleum products will be disturbed. It is conceivable that if domestic crude oils with an appreciably lower asphaltic content are substituted for foreign crudes, the running of the extra quantities of domestic crude oil for asphalt manufacture may correspondingly reduce the running of other crudes for the manufacture of petroleum distillates.

It is evident from the statements contained in the questionnaires received that the logical markets for the asphaltic base crudes produced in Oklahoma, Kansas, Arkansas, and northern Louisiana is the group of Middle Western States, and that freight rates on asphaltic crude from the Mid-Continent area to the Atlantic seaboard would prohibit any commitment for such shipment.¹ Information from Arkansas reveals that the present production and stocks of Smackover crude are required for refining operations within the State and that there is no surplus above present market requirements which could be offered for shipment.²

¹ Letter from Wirt Franklin Petroleum Corporation, May 1, 1934, and the Ohio Oil Co., April 25, 1934.

² Letter from Simms Oil Co., May 12, 1934.

This appears equally true of the northern Louisiana fields, as it is indicated that none of the northern Louisiana fields is being prorated. East Texas produces no asphaltic crude. No returns were received from Texas Gulf coast producers, but it is the understanding of the committee that Texas Gulf coast crude, if available, would find a ready market for lubricants manufacture.

A review of questionnaires returned from Kentucky, Illinois, Arkansas, Oklahoma, Kansas, Texas, Louisiana, and New Mexico, led the committee to the conclusion that producing areas in these States cannot be regarded as a possible source of asphaltic crude oils to be substituted for the foreign asphaltic crudes now being imported into the United States and utilized at plants on the eastern seaboard. This conclusion was based upon the following reasons:

1. The asphaltic content of the crude oil produced in this area generally is not comparable sufficiently with foreign crude oils now utilized, and their substitution, consequently, would result in the production of surplus distillates which would cause a corresponding reduction in the use of other domestic crudes from this same area for the production of such distillates.

2. The areas within the region from which the crudes with asphaltic content of 28 percent are produced have present markets for their output and are not in a position to undertake additional commitments.

3. The normal market for asphaltic crudes from this area is the Middle Western States and freight rates would prevent its movement to the eastern seaboard.

It was reported that residual oils with asphaltic content as high as 70 percent could be manufactured from Michigan crude, but it is the opinion of the committee that such residual oils could not economically be shipped by rail to the eastern seaboard.

The production of heavy crudes with relatively high asphaltic content was reported in Wyoming, such as Grass Creek, 32 percent; Oregon Basin, 57 percent; Garland, 59 percent; and Mule Creek, 50 percent. It is the feeling of the committee, however, that the distance between Wyoming and the eastern seaboard would prevent the movement of such heavy crude oil economically to the east-coast plants.

As a result of its review of facts, submitted from crude-oil producers east of California, as abstracted above, the committee has reached the conclusion that the possibility of substitution of domestic crudes for foreign crudes now being imported for the manufacture of asphalt products is limited to certain California crude oils.

The Standard Oil Co. of California stated, in a letter of May 11, 1934, that, subject to the Petroleum Code, proration of production, and subject to satisfactory arrangements with buyers, it estimates that it can supply in fairly even monthly quantities, 6,250,000 barrels of asphaltic crudes over the balance of 1934, 4,250,000 barrels to be taken from storage and 2,000,000 barrels from current receipts, and 11,000,000 barrels during 1935, to be taken half from storage and half from current receipts. The asphaltic content of this oil is stated to be 50 percent. The company stated further that, if permission to withdraw oil from storage is not obtainable, its potential production is more than sufficient to take the place of the stored oil. The company stated its willingness to sell this crude oil at posted price at time and place of delivery, and reports the present price for 14 gravity Kern crude is 75 cents per 42-gallon barrel delivered at ship's rail, Richmond, Calif.

The asphalt content of the potential crude-oil production reported by the Standard Oil Co. of California in reply to the questionnaire varies from 24 percent from Montebello crude to 52 percent for Kern River crude. Of the 134,000 barrels daily of potential crude-oil production reported by the company, 11,400 barrels is of crude, with an asphalt content of 24 to 25 percent; 93,900 barrels of crude, with an asphalt content of 20 to 23 percent; and 28,700 barrels of crude, with an asphalt content of 40 to 52 percent. The 28,700 barrels daily of crude oil, with an asphalt content of 40 to 52 percent, would equal 10,475,500 barrels annually.

The asphaltic crude oil held in storage by the company totals 14,693,000 barrels, with an average asphaltic content of 46.4 percent. This storage consists of 68,000 barrels of crude oil, with an asphaltic content of 25 percent; 4,529,000 barrels of crude, with an asphaltic content of 30 to 38 percent; and 10,096,000 barrels of crude oil, with an asphaltic content of 40 to 52 percent.

The Union Oil Co. of California reported a potential production of non-gasoline-bearing crude, with an asphaltic residual of 54 percent, from its own properties and properties from which the company is purchasing 18,970 barrels daily. Present allowable production totals 1,500 barrels daily, leaving a balance of 17,370 barrels daily as additional production which could be developed. In the Santa Maria district, potential production of 12,500 barrels daily of gasoline-bearing

crude, with an asphaltic residual of 40 percent, was reported. Allowable production was reported as 3,130 barrels daily, leaving a balance of 9,370 barrels daily as additional production which could be developed. The company also reported holding in storage 5,572,000 barrels of non-gasoline-bearing crude and 634,000 barrels of gasoline-bearing crude, with asphaltic residual of 54 and 40 percent, respectively. The company quoted a present price of 75 cents per barrel of 42 gallons delivered to tankers at port San Luis.

The Associated Oil Co. reported potential production of heavy crude, with asphaltic content of 35 percent, from wells now producing and wells now shut in, amounting to 14,400 barrels daily. Present production totals 6,600 barrels daily, leaving 7,800 barrels daily as the additional production which might be developed. The stocks of heavy crude oil held by the company, amounting to 3,300,000 barrels, is reported as not being held in storage for asphalt manufacture but is considered as stocks for charging to cracking plants and for the manufacture of lubricating oils.

The Gilmore Oil Co. reported a potential production of 400 barrels daily from shut-in wells in the Santa Maria district. It is stated that this type of oil contains an asphalt residue of 70 to 75 percent.

The Santa Maria district in California, according to a letter from the Casmite Co., dated May 8, 1934, is capable of producing 1,500,000 barrels of asphaltic crude annually. The asphalt content of such crude is stated to be: Casmalia, 85 percent; East Cat Canyon, 70 percent; West Cat Canyon, 78 percent; and Gate Ridge, 60 percent.

The Shell Oil Co. of California reported that it holds 1,000,000 barrels of San Joaquin crude in storage and that the company is receiving a daily average of 3,000 barrels of asphalt-bearing crude by exchange arrangement. In a subsequent letter the company reported that it had no asphaltic crude by exchange arrangement. In a subsequent letter the company reported that it had no asphaltic crude oil for sale.

The General Petroleum Corporation of California reported a daily average production of 7,244 barrels of asphalt-bearing petroleum, with an asphaltic residual of 58 percent. The potential production of such oil was reported at 16,256 barrels daily, or 9,012 barrels daily over present production. Stocks of such oil held in storage are reported at 362,000 barrels.

With reference to crude-oil stocks as a possible source of domestic crude oil in substitution for foreign crude oils, the employment involved in the production of such oil already has been performed, and the committee feels that the taking of such oil from storage without replacement from current production creates no present or future labor and that, in this respect, there is no essential difference between net stock withdrawals and imports. The committee feels, consequently, that the consideration of possible sources of domestic crude for use in substitution for imported crudes should be limited to currently produced crude oil or crude oil which may currently be produced.

It is the feeling of some members of the committee, although the opinion on this point is not unanimous, that the present price of 75 cents per barrel on tankers delivered at Richmond or port San Luis does not cover the present cost of production in the fields wherein the heavy crude oil originates, plus transportation costs to landing points, and that, as a consequence, an upward price movement may be expected in the event that substantial additional outlets for the crude are developed.

The protest on the part of domestic producers appears from the record to be in opposition against any increase in the allowable importation of asphalt-bearing crudes. This view is supported by the following extracts from letters:

"We desire at this time to earnestly protest against any increase in the allowable importation of asphalt-bearing crudes."-- Letter from Gilmore Oil Co., May 11, 1934.

"Pending formal action by our board of directors, please note that the briefs filed by this agency with your committee are not to be construed as a definite protest against present importations under the provisions of the Petroleum Code and the regulations of the Oil Administrator. We do protest against any increase in the allowable importations of heavy asphalt-bearing crudes."-- Letter of Oil Producers Sales Agency of California, May 9, 1934.

"We have not protested and are not now protesting against the importations of crude presently allowable under administrative orders now in force. We have protested against an increase in the allowable importations of asphalt-bearing crudes."-- Letter of Standard Oil Co. of California, May 11, 1934.

The record fails to reveal any requests for an increase in the total allowable importation of asphaltic or other oils. Some companies have protested that their

share of the allowable is not in accord with the present operations of the companies, but there is no indication that any of these companies are advocating an increase in the total allowable. Their claim is that an allocation of quotas on the basis of 1932 business does not justly take into consideration developments with respect to their own operations and their present possible share of the market.

It should be noted that present orders with respect to importations do not establish a separate import limit for asphaltic crudes. Present orders merely limit the total imports of crude petroleum and petroleum products for domestic consumption to an amount which will not exceed the daily average of such imports during the last half of 1932. Inasmuch as there is no separate limitation on imports of asphaltic crude, the committee endeavored to reach a conclusion relative to the limit on such crudes which might be recommended on the basis of probable demand and the trends in the use of domestic and foreign crudes for asphalt manufacture.

Companies importing foreign crude for asphalt manufacture were requested to report their annual requirements, dividing the quantities by countries of origin and as to whether or not such oil would be received from owned or affiliated companies, purchased under present contracts, or purchased on the open market. The reports received in response to this request indicated a total requirement annually of 15,624,000 barrels. This quantity was divided as to countries of origin, as follows: Mexico, 7,425,000 barrels; Venezuela, 5,680,000 barrels; Colombia, 2,336,000 barrels, and Trinidad, 183,000 barrels. Divided as to basis of purchase, the following was reported: To be received from owned or affiliated companies, 7,504,000 barrels; to be received under present contracts, 5,414,000 barrels; to be purchased on open market, 2,706,000 barrels.

Estimates available to the committee indicate that the demand for asphalt during 1934 will approximate 2,400,000 net tons, or approximately the same as during 1932. The trend of asphalt manufacture in the United States indicates that the production will be divided evenly between foreign and domestic crudes.

	Relative portions of asphalt produced from—	
	Domestic crudes	Foreign crudes
	Percent	Percent
1925.....	35.70	64.30
1926.....	31.80	68.20
1927.....	34.20	65.80
1928.....	38.00	62.00
1929.....	41.30	58.70
1930.....	43.50	56.50
1931.....	42.80	57.20
1932.....	45.10	54.90
1933.....	50.36	49.64

Source: U. S. Bureau of Mines Annual Reports.

On this basis one-half of the estimated total, or 1,200,000 net tons, will be made from foreign crude. Such manufacture on a daily average basis will be slightly less than the daily average manufactured from foreign crude during the last half of 1932. The ratio of asphalt to crude varies with the asphaltic content of the crude oil utilized and such variations exist in foreign as well as domestic crudes. It is not possible to compute exactly the amount of foreign crude necessary for the manufacture of 1,200,000 net tons of asphalt, but the record indicates it will not exceed 14,000,000 barrels. This is about 10 percent less than the requirements of 15,624,000 barrels reported to the committee by the importing companies.

If quotas are to be established separately for asphaltic crudes and residual, in order that such imports may be distinguished from total imports, it is the recommendation of the committee that the total imports of asphaltic crude and/or residuum for asphalt manufacture shall not exceed 14,000,000 barrels and that all crude oil and/or residuum included in such quotas shall be of an asphaltic content of not less than 40 percent. It is recommended further that such imports be divided into company quotas in an equitable manner which will allow for the present prospective needs of the companies.

Although the question of reducing present import limitations has not been raised by domestic producers, and, although none of the importers have advocated an increase in the total allowable imports, some members of the Committee support the view that further restrictions of imports will endanger and disturb the

operation of American companies in foreign countries and that such disturbance may prove detrimental to the interest of consumers in this country after the present emergency has passed. Others on the committee agree that this viewpoint is reasonable, but desire to express their opinion against any increase in the import allowable which in any manner might result in the displacement of present domestic markets for products manufactured from domestic crudes.

The above suggestion is in line with the thought of some members of the committee that transactions which are essentially commercial in nature and which depend primarily upon price for their successful conclusion, must be negotiated directly by the parties concerned. Considering this point in line with the fact that no protest against present allowable imports has been made and that there has been no request for an increase in total allowables, the general opinion of the fact-finding committee is that such substitution of comparable domestic crude oils which can or may be made available for asphaltic crudes now being imported primarily is a matter for commercial negotiation between those who are capable of selling those who are capable of purchasing. It is felt that the extent to which such substitution could be made would depend upon the ability of the buying companies to purchase the quality of asphaltic crude oil necessary to meet the plant operating and marketing conditions; their contractual and other obligations to produce or purchase foreign crude oil; and the long view obligation of such companies with respect to the security of their foreign investments and the necessity of guaranteeing future supplies of oil for their own operations.

In view of the foregoing, your committee has not endeavored to ascertain any facts relative to the existence and probable availability of tanker fleets, capable of engaging in intercoastal trade for the transportation of additional oils from California to the east coast, nor with respect to the probable influence of increased tanker traffic on tanker rates. For the same reason, the fact-finding committee did not deem it essential to investigate costs, quality, or specifications.

The committee desire to thank the Planning and Coordination Committee and its executive and clerical staff for their complete and thorough cooperation, and wish to express its particular appreciation of the efficient services rendered by Miss Estelle M. Houchins, who was designated to act as secretary of the fact-finding committee.

The committee respectfully recommend the acceptance of this report and that, upon its formal submission, the committee be discharged.

Respectfully submitted.

(T. H. Barton),

(J. L. Quinn),

(E. B. Swanson),

(A. E. Watts),

(L. V. Nicholas), *Chairman*.

THE FALLACIOUS POSITION OF MR. BROWN OF THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

It is contended by those advocates of high tariff legislation that the imports of petroleum and its products are a source of supply over which the States have no control.³ It will be recalled that State-controlled bodies combine to increase the price of crude oil. In some States orders were issued completely shutting down production of this essential commodity. The danger to the consumers of our Nation is apparent.

Such danger to practically 30,000,000 automotive vehicle owners and operators was pointed out during the hearings on the Connolly bill (H. R. 4547) in April last year. The Connolly Act was being criticized as being a price stabilization law rather than a conservation act; contentions were made that it restrained trade; that it was a form of price control and enabled public combinations to be formed in the interests of the enhancement of prices. It was pointed out in the evidence offered at that time that the States through interstate compacts might combine to unduly affect prices of oil products to the consumer. The President of the United States has on occasions recognized this danger and has pointed out a safeguard, namely the unrestricted safety valve of imports.

³ Majority report, H. J. Res. 407, p. 53.

In evidence offered before the Ways and Means Committee, it was conclusively shown by reference to official reports and documents of our Government that imports were normally noncompetitive with petroleum produced east of California; that these imports were complementary to our domestic production of petroleum and therefore prevented supplies from being wasted or used in an uneconomic manner.

At the present time statistics show that the stock of gasoline in the United States is at the highest level at any time in the history of our country. Statistics show that this accumulation of unneeded and wasteful stocks of gasoline have been brought about in an attempt to supply a materially increased demand for fuel oil.

It was shown by evidence offered in hearings before the committee (p. 2657) that American petroleum products east of California do not yield sufficient heavy fuel oil to supply a normal demand. Therefore by attempting to restrict imports a wasteful condition is created for which the consumer of gasoline in later years must pay. The problem of maintaining our valuable reserves of gasoline producing crude oil is inseparable from the national welfare of our country. If these valuable stocks of gasoline producing oil are forced to be used in an uneconomic manner, namely for fuel oil, our Nation as a whole in later years will suffer.

As far back as 1920, when President Roosevelt was a candidate for Vice President of the United States, the Democratic platform of that year contained a plank (9) as follows:

"The Democratic Party recognizes the importance of the acquisition by Americans of additional sources of supply of petroleum and other minerals and declares that such acquisition both at home and abroad should be fostered and encouraged. We urge such action, legislative and executive, as may secure to American citizens the same rights in the acquirement of mining rights in foreign countries as are enjoyed by the citizens or subjects of any other nation."⁴

ENERGY RESOURCES AND NATIONAL POLICY

All proposals to place restrictions on the importation of raw materials which are produced in insufficient quantities in this country, or the supply of which is exhaustible should be critically examined. In the public interest the burden of proof should, rest with those who propose such restrictions to supply conclusive evidence that there is a necessity for such action. In response to requests from congressional committees for comments upon bills dealing with this subject, all departments of our Government through successive administrations since 1912 have taken the position that "wise national policy would tend to avoid rather than to seek the imposition of any obstacles to the importation of petroleum, since such action would have the effect of hastening exhaustion of a limited and irreplaceable natural resource."

"The petroleum products normally imported into this country are, generally speaking, complementary to American petroleum products, yielding a high proportion of heavy fuel oil and asphalt, both of which are in demand in this country and unobtainable, at least in like quantity and quality, except from California fields.

"It is apparent from reference to the statistics of trade in petroleum that imports of even these relatively noncompetitive products have not been large in comparison with domestic production and have been exceeded, in both volume and value, in every year since 1922 by exports of crude and refined oil."⁵

"In 1926 the Federal Oil Conservation Board recommended that American companies acquire and explore fields in Mexico and South America with the view to protecting the domestic supply of crude oil."⁶

Crude petroleum and fuel oil derived from petroleum, including topped crude and gas oil, have been free of duty under the last three tariff acts--the Underwood Tariff Act of 1913, the Fordney-McCumber Tariff Act of 1922, and the Hawley-Smoot Tariff Act of 1930. By the Revenue Act of 1932 an import excise tax of one-half cent per gallon, equivalent to 21 cents per barrel, was levied on imports of these commodities, except for imports used for supplies of ships in foreign trade or entered in bond for refining and reexport.

The centers of crude petroleum production in the United States are located chiefly in the midcontinent, Gulf-coast areas, and the State of California. The average grade of domestic crude petroleum ranges between 30° and 35° in gravity. Imported crude petroleum, on the other hand, is generally below 20° in gravity.

⁴ Hearings on H. J. Res. 407, p. 2661.

⁵ Message from the President of the United States, Feb. 16, 1930, p. 23.

⁶ Report to the President (1926), p. 12; also Pettengill, *Hot Oil*, pp. 60-61.

Imports of crude petroleum from Venezuela, which is much heavier than the average domestic crude, yields chiefly heavy fuel oil and asphalt. Domestic crude petroleum yields relatively larger percentages of the more valuable products—gasoline, kerosene, and lubricating oils. As a result, the use of imported crude petroleum for the manufacture of the heavier grades of fuel oil reserves the lighter domestic crude for the manufacture of the more valuable products.

The domestic petroleum industry has been on an export basis since its beginning, and in crude petroleum since 1933.

Exports of crude petroleum are substantially comparable in quality with the average grade of domestic production, but lighter than imports. The rising trend in exports of crude petroleum from the United States is due in part to two important factors: First, the increased demand in some foreign countries for military purposes, including storage, and second, the establishment in other countries of a domestic refining industry as a national policy. Japan increased its imports of crude petroleum from the United States from 2,500,000 barrels in 1929 to 16,086,000 in 1939. Exports of crude petroleum to Italy increased from none in 1929 to 5,000,000 barrels in 1939. During the same period exports of crude petroleum to France increased from 4,000 barrels to 16,700,000 barrels. Exports of crude petroleum to Canada, the most important foreign market, increased from 22,400,000 barrels to 28,100,000 barrels. Total United States exports of crude petroleum increased from 26,400,000 barrels in 1929 to 72,100,000 barrels in 1939.

Imports serve a desirable economic purpose.—Analysis of the imports of crude petroleum, topped crude, and fuel oil indicates that these imports, small in comparison with our domestic production and greatly exceeded by our exports, serve a desirable economic purpose of balancing the supply of certain petroleum products in our home markets.

Venezuela supplies nearly 90 percent of total United States imports of crude petroleum, and the Netherland West Indies supplies over 90 percent of our imports of fuel oil. Imported crude petroleum is not comparable in quality with the average domestic oil, in that it yields much less gasoline and practically no lubricating oil, the more valuable refined products. The chief products of Venezuelan crude petroleum are heavy fuel oil and asphalt.

The calculated gasoline yield from the refining of Venezuelan crude petroleum is about 12 percent; that is, every 100 barrels of Venezuelan crude petroleum yields approximately 12 barrels of gasoline and approximately 55 barrels of heavy fuel oil. Domestic crudes are lighter than the imported product and yield approximately 43 percent of the more valuable product, gasoline, which accounts for about 70 percent of the domestic petroleum industry's annual revenues, and a fuel-oil yield of 25 percent.

The 29,700,000 barrels of taxable crude, topped crude, and fuel oil imported in 1938, nearly all of which was imported from Venezuela directly or indirectly through the Netherland West Indies, entered almost entirely through the ports of New York, Philadelphia, and Baltimore to serve the thickly populated industrial areas of the northern Atlantic Coast States. (Does not include 22,500,000 barrels exempt from excise tax used for supplies of ships in foreign trade, and entered in bond for refining and reexport.)

These imports of crude petroleum produced a calculated supply of 16 to 17 million barrels of heavy residual fuel oil. This estimated 16 to 17 million barrels of heavy residual fuel oil derived from foreign crude petroleum constituted about one-fifth of a total consumption of 90 to 95 millions barrels in that area. To attempt to supply the heavy fuel-oil consumption of the industries located in the New England and northern Atlantic Coast States would result in increasing the heavy inventories of gasoline stocks—from which the domestic petroleum industry derives approximately 70 percent of its annual revenue—and, through accumulation of large inventories, have a depressing effect upon the price.

The production of 16 to 17 million barrels of heavy fuel oil from Venezuelan crude petroleum, with a gasoline yield of approximately 12 percent and a heavy residual fuel-oil yield of about 55 percent, results in about 2,700,000 barrels of gasoline. The production of the same quantity of heavy fuel oil from domestic crude petroleum, with a gasoline yield of approximately 43 percent and a residual fuel-oil yield of 25 percent, would result in the production of nearly 28,000,000 barrels of gasoline. This addition to our gasoline production, which is more than one-half of 1 month's average domestic supply, would increase excessive gasoline inventories, which is a serious problem for the domestic petroleum industry.

The moderate imports of foreign crude, topped crude, and fuel oil serve a useful purpose by balancing the domestic supply of petroleum products more nearly to demand, due to the much lower gasoline yield and much higher heavy residual fuel-oil yield of the Venezuelan product and the domestic crude petroleum con-

sumed in the thickly populated industrial areas of the northern Atlantic Seaboard States.⁷

As to the individual report of the Honorable Wesley E. Disney

Mr. Disney in his individual view⁸ and discussion on the floor of Congress⁹ contends among other things that the consumer has benefited from the excise taxes. Mr. Disney states, page 52 of the majority report, that—

"Testimony before the committee showed that, for the 7 years prior to the excise taxes, the average price in the United States for gasoline was 17.76 cents per gallon, and for the 7 years since the excise taxes, the price of gasoline in the United States has averaged 13.67 cents."

As a matter of fact these figures are fallacious and reference to any reduction in the price of gasoline as being affected by or related to excise taxes is erroneous.

Imports of crude oil and fuel oil are substantially noncompetitive with domestic production. It is a well-known fact that little or no gasoline is produced from imported petroleum. Therefore gasoline prices were not affected as will hereinafter be shown.

In the President's message to Congress February 16, 1939, transmitting the Energy Resources Committee Report (p. 23), the following finding of fact is set forth:

"In response to requests from congressional committees for comments upon bills dealing with this subject, the Department has taken the position that wise national policy would tend to avoid rather than to seek the imposition of any obstacles to the importation of petroleum, since such action would have the effect of hastening exhaustion of a limited and irreplaceable natural resource. The petroleum products normally imported into this country are generally speaking, complementary to American petroleum products, yielding a high proportion of heavy fuel oil and asphalt, both of which are in demand in this country and unobtainable, at least in like quantity and quality, except from California fields. It is apparent from reference to the statistics of trade in petroleum that imports of even these relatively noncompetitive products have not been large in comparison with domestic production and have been exceeded, in both volume and value, in every year since 1922 by exports of crude and refined oil."

The above conclusively shows from a disinterested detached study that the contention that imports of crude oil and fuel oil have no relation to the price of gasoline. These imported products simply are not brought in for the purpose of manufacturing gasoline. On the other hand they are imported for the purpose of supplying a deficiency in the interests of consumers, namely asphalt and fuel oil, which products the study shows are imported into this country because they are complementary to domestic production. They are imported because they yield a high proportion of heavy fuel oil and asphalt, both of which, states the report, are in demand in this country and are unobtainable in comparative quality and quantity except from California.

On August 24 last, Admiral Stuart of the Navy was quoted by the New York Times as stating that California was a region barren of cheap natural fuels except petroleum and natural gas; that in the interests of conservation the oil reserves of California are of paramount importance to the operation of industry and commerce there and for the defense of the country's western border, Alaska, and its Pacific Ocean possessions.¹⁰

Secretary Swanson, in a letter to Chairman Doughton, April 28, 1937, concerning a bill being sponsored by some of Mr. Disney's constituents, stated in particular the following:

"Fuel oil is the sole fuel of the United States Fleet. The design and construction of naval vessels is based entirely upon fuel oil as motive power. And adequate and dependable supply of fuel oil is therefore essential for the proper functioning of the Navy. It follows that any action which might render it difficult for the Navy to procure fuel oil for the fleet is unsound both from a national as well as from the departmental viewpoint.

"The east coast and Gulf supply of fuel oil apparently is not plentiful and the Navy has, at times, experienced difficulty in contracting for its requirements in these regions."

⁷ See Congressional Record, February 23, 1940, p. 2900, Extension of Remarks of Hon. John E. Rankin.

⁸ Majority report to accompany H. J. Res. 407, p. 51.

⁹ See Congressional Record, Feb. 21, 1940, p. 2703.

¹⁰ And referred in evidence before the Ways and Means Committee hearings on H. J. Res. 407, Feb. 3 1940, p. 2666.

The evidence therefore of a disinterested source conclusively shows that the contentions made and references drawn by Mr. Disney with respect to the competitive character of imports of crude oil and fuel oil are not in accord with all the facts.

IMPORTS OF PETROLEUM, NONCOMPETITIVE WITH DOMESTIC PRODUCTION

Some years ago, as a result of governmental encouragement and as a hedge against the day when our petroleum reserves might be depleted, American companies in an effort not to hinder or compete with but to foster American industry and employment were urged by our Government—the Wilson administration—to go into South America and Mexico and obtain oil lands and lease concessions.¹¹

Today, as then, there is a deficient production of domestic asphalt and fuel-oil-making petroleum throughout the entire eastern section of the United States.

The entire amount of foreign crude oil from American-controlled foreign fields which entered the United States last year was utilized by some 18 or more refineries along the Atlantic Seaboard and Gulf coasts almost entirely for the manufacture of various grades of asphalt. The location of refineries utilizing heavy crude oil for fuel oil and asphalt are as follows: Everett, Mass.; Providence, R. I.; Long Island City, N. Y.; Warners, N. J.; Maurer, N. J.; Bayonne, N. J.; Philadelphia, Pa.; Baltimore, Md.; Norfolk, Va.; Sewalls Point, Va.;¹² Charleston, S. C.; Savannah, Ga.; Brunswick, Ga.; Jacksonville, Fla.;¹² Tampa, Fla.;¹² Pensacola, Fla.; Baton Rouge, La.; Norco, La.; Destrahan, La.; Beaumont, Tex.; Port Neches, Tex.; Baytown, Tex.

Certainly these refineries and labor employed therein, as well as in the oil fields which supply them, must be counted as part of American industry and enterprise. To maintain employment and security, regularly constituted markets and the jobs of those employed must be continued and not destroyed as would be the case if the above refineries of the United States cannot continue to operate efficiently. If any refinery in the United States depending upon sales of asphalt and fuel oil for efficient operation should suddenly be unable to obtain required economical supplies of petroleum, regardless of the origin of the oil, such refinery would soon have to close, thereby throwing thousands out of employment—men engaged in production, refining, transportation, and marketing.

Substitution of light gasoline-making domestic crude oil for the fuel oil and asphaltic petroleum now imported would be both a serious economic and technological disaster. If a requirement were made causing all refineries to manufacture all oil production from domestic crude or surplus residues,¹³ most of them would shut down as was reported to the Treasury Department when an embargo was agitated.

If refineries cannot operate efficiently, the logical thing to do is not to operate at all. But even should some refineries utilize other petroleum, it is certain that consumers would not use fuel oil, asphalt, and road oil in the same volume. Failure of quality would result.¹⁴

Any failure of engineering acceptance or demand for asphalt is certainly not conducive to employment, nor can it be shown that such conditions could ever contribute to the relief of unemployment.

Any refinery oil supply, if not owned or controlled, is a matter of negotiation between vendee and vendor for particular quality of petroleum required. Those having flowing wells or large stored supplies of required crude oil would reap great benefit. In such case the advantage to labor is extremely limited and doubtful. Even in the distant future if any forced increase in new wells could be relied upon, the loss in delays and uncertainty of the present would far overbalance such problematical future labor demand.

Some may reason that by forcing the entire supply to come from California where petroleum exists similar to that imported,¹⁵ more tanker crews would be

¹¹ The Democratic platform of 1912 laid the basis: "The constitutional rights of American citizens should protect them within our borders, and go with them throughout the world; and every American citizen is entitled to and must be given the full support of his Government, both for his property and for himself."

¹² Storage only.

¹³ Out of some 18 or more refineries along the Atlantic and Gulf coasts, 7 were originally built for heavy asphaltic oil.

¹⁴ Mr. A. J. Kraemer of the Bureau of Mines, 1931, reports that "available information seems to indicate that the aspects of this situation are partly economic and partly technological; although it is not known conclusively that asphalts made from domestic crude oils, even in the most modern equipment, would be satisfactory for the requirements of all buyers."

¹⁵ "As a result of its review of facts, submitted from crude-oil producers east of California, as abstracted above, the committee has reached the conclusion that the possibility of substitution of domestic crudes for foreign crudes now being imported for the manufacture of asphalt products is limited to certain California crude oils." Hearings before the Committee on Ways and Means, May 18-21, 1916, p. 181.

employed, thereby aiding American shipping and seamen. Here the fallacy first apparent is "if" the assumption that eastern refineries can be made to buy California oil. (Only one company operating in the East has a west coast oil supply.) But if refineries on the east coast are forced to buy approximately 50,000,000 barrels of crude and fuel oil from the west coast, there are not enough coastwise tankers available to transport this required quantity of oil.¹⁶

However, should most of the Eastern refineries be forced to buy California crude oil, this substitution for imports would jump the price of heavy low-gravity California asphalt crude to unheard-of heights and would fast diminish the supply, thereby transferring the dangers and weakness of the East to the West. Would not American labor under such condition be discriminated against, and a minority group who need no help reap the unearned advantage?

In this day of serious unemployment, the diminution of supplies of asphalt-fuel-oil-making crude oils is a growing menace to self-respecting occupation in the one activity that outstandingly employs the most unskilled workmen. The building of secondary and farm-to-market hard-surfaced highways demands asphalt as a binder. Unskilled labor can be and always is employed in enormous numbers in asphaltic-macadam construction. The President, in realization of this fact, puts an appropriation for such road building at the head of Budget estimates for relief appropriations.

Subtraction from the American supply of the heavy crude oils vitally essential to the manufacture of 50 percent of all our available asphalt at the present time means—

(1) Less asphalt for road building, or its

(2) Substitution by use of asphalt manufactured from the distant heavy crude oils of California, notoriously limited in supply.

Either calamity means increased cost and consequently higher price to our Government agencies and subdivisions. Higher price of asphalt binder will necessarily be reflected in reduced mileage of construction of roadways, with consequent reduction in self-respecting employment of those who need it most.

The thousands of those now employed in road making and repair will have to be given other things to do or be laid off. Road making of all construction activities employs the largest number of men per dollar spent. It is the men on this work whose working livelihood is threatened by the menacing seizure of American oil fields in Latin America which now supply this prime material for road making at the lowest price known in the world.

Average asphalt manufacturing yields (irrespective of suitability) of several domestic crude oils as compared with imported crude oil

Average crude	Percent yield	Barrels crude required per ton of asphalt	Equivalent barrels domestic crude to produce 1936 tonnage asphalt (under 200 pen.) now made from imported crude oil
Domestic:			
Mid-Continent.....	10.0	55	95,502,375
West Texas.....	12.5	44	76,481,900
Van Sandt.....	10.0	55	95,502,375
Heavy Smackover.....	25.0	22	38,240,950
California.....	39.0	18	31,288,050
Imported:			
Venezuelan.....	43.0	13	22,596,825
Mexican.....	66.0	8 1/4	14,340,356

ANALYSIS OF INDIVIDUAL TARIFF CONCESSIONS MADE TO VENEZUELA ¹⁷

Crude petroleum, topped crude petroleum, and fuel oil derived from petroleum including fuel oil known as gas oil (par. 1733). Internal Revenue Code 3451

Imports of crude petroleum and fuel oils are duty-free, but subject to an excise tax of one-half cent a gallon.¹⁸ Under this agreement, the excise tax is

¹⁶ This oil cannot move east over the Rocky Mountains by pipe line. There are no lines and the geographical handicaps are too great.

¹⁷ State Department Release No. 571.

¹⁸ Imports of these products are exempt from the excise tax when imported either for supplies of ships in foreign trade and certain others, or for manufacturing in bond.

reduced from one-half cent to one-fourth cent a gallon on an annual amount of imports not in excess of 5 percent of the total quantity of crude petroleum processed in refineries in continental United States during the preceding calendar year. Any imports in excess of this quota will pay the one-half cent rate, which is bound against increase. The quota applies to the combined imports of crude petroleum, topped crude, and fuel oil including gas oil, that is, there is no separate quota for each of these commodities. With respect to the significance of the 5-percent quota arrangement, it may be noted that the total quantity of crude oil processed in the refineries in 1938 was 1,165,015,000 barrels, 5 percent of which is 58,251,000 barrels. The average annual imports of taxable crude and topped petroleum and fuel oil for the years 1933-38 were 34,569,000 barrels. The quota applies to total imports from all sources.

The United States share of the known world reserves of crude petroleum is somewhat less than 50 percent. On the other hand, this country produces slightly over 60 percent of the total world output notwithstanding the fact that the principal domestic fields are being operated under restrictions in order to avoid wasteful production.

Fuel oil (in one or more grades) is obtained from nearly all grades of crude petroleum and is produced in most refineries. Venezuelan crude is much heavier than the average domestic crude and yields principally heavy fuel oil and asphalt. Domestic crudes yield larger percentages of gasoline and kerosene, and superior grades of lubricating oil, the more valuable petroleum products. Fuel oil from domestic crudes consists chiefly of grades much lighter than imported fuel oil or fuel oil produced in this country from imported crude. The domestic demand for all grades of fuel oil, including both the heavy grades for ships' bunkers and industrial plants and the lighter grades for Diesel engines and residential heating, has been increasing. Production in the United States of heavy fuel oil from low-grade foreign crude and the importation of heavy fuel oil tend to reserve the high-grade domestic crudes for the production of the more valuable petroleum derivatives.

The United States leads the world in the production and consumption of petroleum products. This country is also important both as an importer and an exporter of crude petroleum and petroleum products. The domestic industry has been on an export basis for many years. In 1938, imports of crude petroleum amounted to 26,048,000 barrels as compared with exports of 77,272,000 barrels. Imports in that year of fuel oil of all grades (including tax-free entries for use in ships' bunkers) amounted to 26,165,000 barrels¹⁹ as compared with exports of 43,832,000 barrels. Venezuela is the most important supplier of United States imports of crude petroleum, accounting for 85 percent of the total in 1937 and 90 percent in 1938. Imports of fuel oil are supplied almost entirely by the Netherlands West Indies, but most of the fuel oil refined in the Netherlands West Indies is produced from Venezuelan crude.

ALLOCATION OF TARIFF QUOTA ON CRUDE PETROLEUM AND FUEL OIL—DECEMBER 12, 1939²⁰

The President signed a proclamation on December 12, 1939, allocating for the period from December 16, 1939, to December 31, 1940, inclusive, among countries of supply, the quantity of crude petroleum and fuel oil entitled to a reduction in the rate of import tax under the trade agreement with Venezuela signed on November 6, 1939. The agreement provides for a reduction in the import tax on crude petroleum, topped crude petroleum, and fuel oil derived from petroleum, including fuel oil known as gas oil, from one-half cent to one-quarter cent per gallon on an annual quota of imports not in excess of 5 percent of the total quantity of crude petroleum processed in refineries in the continental United States during the preceding calendar year. For the remainder of the present calendar year during which the agreement will be in force, a tariff quota equal to one-twelfth of this amount is provided. Imports above these amounts are dutiable at one-half cent per gallon.

Under the terms of the proclamation, the shares of the total imports of such petroleum and fuel oil entitled to a reduction in the rate of import tax are allocated among countries of export on the basis of the proportions of the total imports for consumption in the United States supplied during the first 10 months of 1939,

¹⁹ The figure for imports includes 18,231,000 barrels of tax-free fuel oil for use in ships' bunkers and 682,000 barrels entering free under bond for manufacture and export.

²⁰ State Department release No. 673.

the latest period for which statistics are available. The following allocations of the tariff quota are set forth in the proclamation:

	Percent
United States of Venezuela.....	71.9
Kingdom of the Netherlands (including its overseas territory).....	20.3
Republic of Colombia.....	4.0
Other foreign countries.....	3.8

The domestic petroleum industry and the Venezuelan trade agreement

Concession to Venezuela on petroleum.—By the terms of the trade agreement concluded with Venezuela, effective December 16, 1939, the import excise tax on crude petroleum, topped crude, and fuel oil was reduced from one-half cent to one-fourth cent per gallon, equivalent to 10½ cents per barrel. In order to safeguard the domestic petroleum industry the quantity of crude petroleum, topped crude, and fuel oil which may enter the United States at the reduced rate may not exceed 5 percent of the total quantity of crude petroleum processed in refineries in the continental United States during the preceding calendar year, as ascertained by the Secretary of the Interior. This 5-percent annual quota established by the trade agreement is approximately equal to the ratio between imports and domestic production of these oils following the levying in 1932 of the one-half-cent-per-gallon excise tax and the present time. All imports in excess of the established annual quota are subject to the full one-half-cent-per-gallon excise tax.

The concession on petroleum granted to Venezuela constitutes the most important consideration granted to that country. United States imports from Venezuela consist chiefly of crude petroleum, topped crude, and fuel oil. On the other hand, Venezuela granted concessions benefiting American farm and factory products which made up 36 percent of our total exports to Venezuela in 1938.

Among the more important American products on which reductions in duty were obtained by the United States are cigarettes, lumber, furniture, and fresh and canned fruits.

Imports of crude petroleum, topped crude, and fuel oil are small in comparison with domestic production and exports. The total quantity of imports in 1938 of taxable crude and fuel oil amounted to 29,700,000 barrels compared with exports of 121,100,000 barrels and domestic production of 1,660,000,000 barrels. This does not include 22,500,000 barrels exempt from excise tax used for supplies of ships in foreign trade, and entered in bond for refining and reexport. In other words, United States imports of these oils constituted only 2 percent of total domestic production for 1938. On the export side, shipments of these same oils to foreign countries during 1938 constituted 7 percent of domestic production and were more than 300 percent greater than imports.

Petroleum industry benefits from trade agreements.—It is significant to note that whereas a concession on petroleum has been granted in only 1 agreement—the moderate reduction in the excise tax which was granted to Venezuela—concessions expanding opportunities in foreign markets in which our domestic petroleum industry can sell its products have been obtained in 12 agreements. Five countries reduced the duties on petroleum products, 4 countries bound the rate of duty against increase, 2 countries bound petroleum products on the free list, and 1 country bound the rate of duty and increased the quota. Examples of the various petroleum products affected by more favorable export opportunities obtained through trade agreements are gasoline, lubricating oil, petroleum residues for heating, benzine and benzol, lubricating greases, kerosene, and various petroleum oils and greases.

Switzerland granted a concession on petroleum residues for heating purposes, benzine and benzol for motors. Swiss imports of these products from the United States increased, respectively, between 1935, the preagreement year, and 1938 from \$35,000 to \$1,361,000; from \$1,039,000 to \$2,077,000. Sweden granted a concession on gasoline and that country increased its imports of gasoline between 1934, the preagreement year, and 1938 from \$3,051,000 to \$7,071,000. The Netherlands guaranteed not to change the duty-free status of lubricating oil. Its imports from the United States between the preagreement year 1935 and 1938 increased from \$840,000 to \$1,125,000. Canada, our most important foreign market for petroleum products, reduced the duty on lubricating oils, engine distillates, and gasoline. Imports from the United States by Canada of these products increased respectively between the preagreement year 1935 and 1938 from \$2,605,000 to \$3,122,000; from \$7,000 to \$71,000; from \$1,501,000 to \$5,219,000.

The petroleum industry's most important and profitable market is, of course, the home market. There are certain benefits shared by the domestic petroleum

industry derived from the trade-agreements program which, though less tangible are nevertheless real. Such benefits flow from an improved domestic market. Imports and exports mean more work for all the people employed in transportation: railroads, busses, trucks, ships, and in merchandising, stores, markets, insurance companies, as well as more work for the people engaged in the manufacture of the great variety of commodities that are bought and sold. Such activity at home strengthens and increases purchasing power all along the line and creates expanded markets at home for petroleum products.

Prices that our domestic petroleum industry has received for its products have been highest during periods when foreign trade—imports and exports—has moved in large volume. In such periods domestic industrial activity has been brisk and in addition to higher prices, the petroleum industry has experienced greater demands for its products.²¹

CONCLUSION

1. The present tariff disguised as an excise tax on imported crude petroleum (heavy asphaltic) and fuel oil runs counter to national policy, and is passed on to the American consumer.

2. The import tax on crude oil which falls only on heavy asphaltic crude is added to the cost and price of asphalt; the passed-on tax in the form of increased asphalt price is paid by the Federal Government, by States, counties, and cities and the State highway departments have been forced thereby and continue to be, forced to materially decrease the mileage of improved roads.

3. The tax on crude and fuel oil is passed on to consumers, primarily lifting the cost of bunker fuel oil by more than the amount of the tax and with the constantly growing demand is creating a serious scarcity of this product along the Atlantic coast to the detriment of the United States Navy and the American merchant marine.

4. The existing tariff or excise tax on imported crude and fuel oil is in effect a tax upon government itself.

The CHAIRMAN. I desire also to insert in the record a statement submitted to the committee by Mr. J. D. Battle, executive secretary, National Coal Association.

STATEMENT SUBMITTED TO THE SENATE FINANCE COMMITTEE, MARCH 4, 1940, BY J. D. BATTLE, EXECUTIVE SECRETARY, NATIONAL COAL ASSOCIATION, IN OPPOSITION TO HOUSE JOINT RESOLUTION 407

The bituminous coal industry, speaking through the National Coal Association, opposes the proposal to extend for a further term of years the delegation by the Congress to the Executive of authority to alter tariff rates and excise taxes on imports through the device of so-called reciprocal trade agreements.

We believe that the original delegation of this authority by Congress was most unwise, that the exercise of this authority by the executive branch of the Government has been in many instances detrimental, and that the expiration of this authority this coming June, as was originally specified, would be a blessing.

We most respectfully submit that to sanction the negotiation of international trade agreements which alter tariffs and taxes and which become binding upon the United States without any express approval of Congress or any ratification by the Senate, as is the constitutional requirement with respect to treaties between this Government and any other government, violates both the letter and the spirit of our form of representative constitutional Government.

The interest and concern of the coal industry in the reciprocal trade-agreements program and policy and the present proposal for its continuance is both general and specific.

Our industry has a large stake in the future of this country and its social and economic progress and prosperity. Our industry supplies at least half the Nation's fuel and energy requirements, an indispensable half. Our industry is the largest employer of labor in the United States except for the railroads. More than half a million men are directly dependent upon coal mining for their livelihood and at least twice as many more are directly dependent. Our industry has a capital investment in excess of \$3,000,000,000 and an annual cash turn-over in the neighborhood of \$1,000,000,000, and in addition provides the railroads with more than a fifth of their freight revenues.

²¹ See Cong. Record, Feb. 23, 1940, p. 2601, Extension of Remarks of Hon. John E. Rankin.

So the owners and operators of coal mines and their army of employees have every reason to wish for better business and more of it for all industries and business in the United States. Thereby is our general interest in the economic and trade questions that are implicit in the resolution now before your committee.

We simply do not agree that this reciprocal trade agreement program to date has proved a boon to United States industry and United States agriculture in general, and our industry knows from painful experience that in specific matters the practical application of the program has been disappointing and prejudicial.

Our industry's specific concern with this program related to two reciprocal agreements which have eventuated, one with the Dominion of Canada and the other with the Republic of Venezuela.

United States producers of bituminous coal have exported to Canada a sizable tonnage for a great many years, ranging from a high of 15,000,000 tons in 1923 to a low of 7,000,000 tons in 1932. Canada has always been our principal "foreign market" for United States coal. Exports to other countries have been relatively slight in the aggregate, seldom amounting to 1,000,000 tons per year.

United States bituminous coal to Canada is subject to an import duty of 75 cents per ton, whereas English coal comes into Canada under a preferential rate of 35 cents. Canada in recent years has granted large subventions to her own producers of coal.

This situation presented a splendid opportunity for the reciprocal trade policy to prove itself as a mechanism for reducing trade barriers, but the fact is that the agreement finally concluded with Canada left the 75-cent duty on United States coal and the English preferential rate untouched, and contained no word whatever concerning subventions.

The agreement did indeed eliminate a 3-percent excise tax on duty-paid value which Canada had heretofore applied to all imports and coal shared in this "relief," which in the case of coal was of microscopic proportions.

It is also to be noted that since the advent of the war Canada has made some modifications in her own subventions to her own coal producers in the Province of Ontario, and our State Department claims the credit for this and offers it as another evidence of the "benefits" which have accrued to United States coal producers. The facts as to the subventions do not substantiate any such claims.

The reciprocal trade agreement with Canada from the standpoint of coal turned out to be exceedingly small change, whereas the reciprocal trade agreement with Venezuela was a real stab in the back.

Coal and fuel oil are highly competitive. Imports of crude and fuel oil principally originating in Venezuela are laid down in Atlantic coast and Gulf ports at prices below the competitive reach of United States oil and coal. These oil imports have made a bad matter worse from the standpoint of coal's competitive situation.

Congress, taking cognizance of this situation and perceiving the obvious need of stemming this inflow of Venezuelan oil as a means of protection to our own oil and coal producers, imposed in 1932 an excise tax of one-half cent per gallon on imports of crude and fuel oil. Bills have been pending in the present Congress -- and strongly advocated -- to increase the rate of this tax.

There is no valid argument for the reduction of this tax. There is no excuse for its reduction, except the excuse that it was the only means at hand to bestow a boon upon Venezuela.

The trade agreement with Venezuela cuts this excise tax in half with respect to oil imports, within an annual quota limit which is fixed much higher in total amount than any imports of oil heretofore experienced.

Imports in excess of this quota (if any) will take the half-cent per gallon rate of the present law, and the agreement covenants further against any increase in our own present excise tax on oil imports, thereby undertaking to forestall (so long as the agreement remains in force) any action by Congress on the present or any future bill to increase this excise tax.

In reality the benefit of this reduction in the tax accrues to the American companies who control the importation of this Venezuelan oil, and it appears to be going to result in subtracting \$3,000,000 or more annually from the Treasury's tax revenues and adding this amount to the treasuries of the oil companies.

The reduction in this excise tax on imported oil which the Venezuelan agreement proclaimed not only has cut off any prospect of relief from the impact of these oil imports upon coal, but this action in our view was clearly beyond the intended scope of the authority which Congress has delegated to the Executive. We submit that Congress never intended or supposed that the reciprocal agreements could or would comprehend any alteration in excise import taxes.

We respectfully urge, therefore, for the reasons hereinbefore set forth, that the present resolution be rejected by this committee. We couple with this petition a supplementary plea that in the event the resolution be favorably reported to the Senate, it be so amended as to exclude all excise taxes from the delegated authority, and also that a provision be included requiring submission to and ratification by the Senate of any future reciprocal-trade agreements as a condition precedent to their taking effect.

Respectfully submitted.

NATIONAL COAL ASSOCIATION,
J. D. BATTLE, *Executive Secretary.*

STATEMENT OF W. L. MONRO, PRESIDENT OF THE AMERICAN WINDOW GLASS CO., PITTSBURGH, PA.

Mr. MONRO. Mr. Chairman and gentlemen of the Senate Finance Committee, I appear before your committee representing the American Window Glass Co., of Pittsburgh, Pa., of which I am president, to present to you our views regarding the further extension of the Reciprocal Trade Agreement Act which is now being considered by you. At the outset I deem it best to advise you that we are opposed to any extension of that act as now framed, for reasons which I will submit to you.

The CHAIRMAN. Did you oppose its enactment in 1934?

Mr. MONRO. I did. You gave me a hearing on that, Senator.

The CHAIRMAN. Yes; I thought so.

Mr. MONRO. You also gave me an assurance that I had nothing to fear from the passage of the act.

The CHAIRMAN. In actuality, can you say that you were hurt?

Mr. MONRO. I think I will show you that before I get through.

The CHAIRMAN. All right; proceed.

Mr. MONRO. When the Belgian reciprocal trade agreement was under consideration I appeared before the Committee for Reciprocity Information on October 29, 1934, as president of and in behalf of the Window Glass Manufacturers Association, which has since been dissolved. At that hearing I presented as concise and careful summary as possible of the economic conditions which we thought justified our contention that no further concession should be made in the rates of duty on window glass.

I pointed out that President Hoover, by proclamation effective January 1, 1932, had reduced the rates of duty on "cylinder, crown, and sheet glass" 25 percent below the rates of such duties in the Tariff Act of 1930. This reduction had been recommended by the United States Tariff Commission in a report to the President as being necessary to equalize the difference in the costs of production of the domestic articles and the like or similar foreign articles when produced in the principal competing country, which was found to be Belgium. In my argument I pointed out many factors which justified our contention that since that proclamation had gone into effect the costs of producing window glass in this country had very materially increased in excess of any increase in the costs of producing window glass in Belgium. Many details were furnished by me showing not only the large increases in the rates of labor but also the large reduction in the hours of labor that had taken place in this country since 1932. Evidently the facts presented in that argument, showing how seriously any further reduction in the rates of duty would affect the window glass industry in this country, were sufficiently cogent to warrant a

decision, by whatever authority has the right to make those decisions, not to make any change in the duty on window glass.

When the Czechoslovakian reciprocal trade agreement was being considered I again appeared before the Committee for Reciprocal Information on October 25, 1937, on behalf of eight different window glass manufacturers including, of course, the American Window Glass Co. of which I was also then president. In my argument before that committee I presented certain facts regarding the production of window glass by Czechoslovakia and showed that unquestionably the costs of production in Czechoslovakia of window glass were less than the costs of production in Belgium. I pointed out also that notwithstanding the increased freight rates from Czechoslovakia to our various ports of entry as compared with the rates from Belgium to the same ports of entry, Czechoslovakia was still able to undersell Belgium in this country.

This, therefore, clearly showed that the cost of production of window glass in this country was much higher than the price at which Czechoslovakia was able to deliver its glass to our various ports of entry. Accordingly, I argued that in view of the fact that when the subject of window glass was under consideration in the proposed Belgian reciprocal trade agreement, that the facts did not warrant any change in the then existing rates of duty; that, therefore, there was still less justification for any change in the rates of duty in the reciprocal trade agreement with Czechoslovakia.

Nevertheless, in spite of the facts as presented showing the lower costs of production in Czechoslovakia than in Belgium, the authority which makes the decisions regarding these trade agreements decided to further reduce the duty on window glass 30 percent below the rates then prevailing under a proclamation of President Hoover. Accordingly, when the Czechoslovakian reciprocal trade agreement went into effect the duty on window glass was 47½ percent below the rates of duty provided in the act of 1930.

Senator KING. Did Belgium get the benefit of that reduction?

Mr. MONRO. Every country on the face of the globe got it except Germany.

In presenting the argument in connection with the hearing on the Czechoslovakian proposed agreement, I called the attention of the Committee for Reciprocity Information to the fact that if their decision not to reduce the duty in the reciprocal trade agreement with Belgium had been based on the large difference in the comparative costs of production in the United States and Belgium, and of the consequent injury to the industry in this country, that a further reduction than that provided in the Hoover proclamation would be ruinous to the industry in view of the greatly increased labor costs in this country, that there was no justification for any reduction in the duty in the Czechoslovakian agreement if differences in cost of production or injury to the window glass industry was to be considered in the Czechoslovakian agreement. As I said before, notwithstanding these facts the duty was decreased 30 percent.

This lowered rate of duty took effect under the terms of that agreement on the 16th day of April 1938, and remained in effect until it was suspended by Presidential proclamation on the 22d day of April 1939, after Germany had absorbed Czechoslovakia and taken over the entire window glass industry of that country.

The action taken under the state of facts that had been presented, furnishes a very strong reason why we object to the renewal of the Reciprocal Trade Agreement Act. The act does not pretend to lay down any basis to determine on what grounds concessions in duties may be made. It becomes very obvious that differences in cost of production of an article in the United States and those in competing foreign countries are not of any importance to the framer or framers of these acts. With the greatly increased costs of labor rates and the shortened hours of labor in the United States not comparable to the rates paid and the hours worked in any foreign country, naturally a producer in the United States must be greatly concerned if the tariff protection on the articles he produces is not sufficient to equalize the difference in cost of production. Carried to its natural conclusion most industries in this country dependent on protection, could be wiped out by trade-agreement reductions in duties.

I have not attempted to set forth all the reasons why we believe that our industry was entitled to a continuation of the rates established by the Hoover proclamation. What I have said should be sufficient to make it clear why we do not understand how a concession could have been justified on economic grounds. But the concession was made, and to this day we do not know how it was justified. Under the law we are not entitled to find out, and as you well know, we were not entitled to an appeal from the decision of the negotiators.

In the report of the House Ways and Means Committee on the renewal of the Reciprocal Trade Agreement Act, on page 7, it makes a comparison of window glass imported in 1931 and 1937, and also of domestic production in the same years. The report states, "In other words, the domestic producers in 1931 supplied 97.8 percent of a poor market and in 1937 a smaller percent (94.9 percent) of a much better market."

While there is some discrepancy between the import figures used in the report with the figures used in the data prepared by the statistician of the window glass industry, who fixed the ratio percentage of imports to industry shipments as 7.02 percent, which equals 92.98 percent of the industry shipments, the difference is of no great significance.

I should like to call your attention, gentlemen, to the fact that the increased importation cited in this majority report of the Ways and Means Committee took place prior to the effective date of the Czechoslovak trade agreement. Indeed, this sixfold increase in imports between 1931 and 1937 seemed to us to constitute a further justification for our position that a reduction in duty was not warranted. Certainly it is ample evidence that the duty in existence at that time did not deny foreign producers access to our shores and markets.

In the brief that we submitted in connection with the Czechoslovak agreement, there was included a composite analysis of costs of production and a composite summary of the yearly profit and loss for seven companies in the industries. I quote from the brief:

The production of these companies represents approximately 75 percent of the production of the industry. The striking feature of this record is the unprofitableness of the industry for the years 1932-35, inclusive, and the literally infinitesimal profit reported for 1936.

THE CHAIRMAN. Let me ask you, Mr. Monro, when did the Czechoslovakian agreement go into effect?

Mr. MONRO. The 16th of April 1938.

The CHAIRMAN. The imports in 1937 before the agreement-----

Mr. MONRO (interposing). They were about 790,000 boxes, computed on a 50-foot single-strength basis.

The CHAIRMAN. I get them as \$1,238,000.

Mr. MONRO. We compute them in the industry on the basis of the weight of the glass and reduce it all to a single strength basis so that we are comparing on the same basis.

The CHAIRMAN. I get it in 1937 in dollars as \$1,238,000 of imports, and under the Czechoslovakian agreement in 1938 it was \$653,000. The Czechoslovakian agreement now, of course, is suspended.

Mr. MONRO. In our figures, we have the imports in 58 pounds to the box units. In 1937 it was 794,066 boxes, or the ratio of domestic shipments was 7.02; while in 1938 they dropped to 409,604 boxes, or 4.96 percent.

May I call your attention to the fact that the domestic shipments in 1937 aggregated 11,321,915 boxes, while in 1938 they dropped to 8,250,000 boxes, so that the imports do bear a certain relation to the general volume of business.

The CHAIRMAN. In the Czechoslovakian agreement, there were some rates reduced.

Mr. MONRO. All rates, Mr. Chairman, were reduced 30 percent right straight down the line.

The CHAIRMAN. But still, those figures to which they were reduced in the Czechoslovakian agreement were above the rates fixed on glass in 1922 in the Fordney-McCumber Act.

Mr. MONRO. Slightly below the Fordney-McCumber Act, sir; but they were 47½ percent below the rate fixed in the Hawley-Smoot bill.

The CHAIRMAN. But in the Belgian agreement, were they fixed at that much below the Smoot-Hawley Act?

Mr. MONRO. No change was made under the Belgian reciprocal trade treaty in the duty on window glass, because the industry had taken a 25 percent reduction under the Hoover proclamation on the rates provided in the Hawley-Smoot bill.

The CHAIRMAN. Does your organization sell in competition with Libbey-Owens-Ford?

Mr. MONRO. Yes, sir.

The CHAIRMAN. I notice in a very recent news item that the Libbey-Owens-Ford people in their report showed the highest quarterly profit in its history, \$4,160,000, and I notice in the paper of March 2, in speaking of reports on the glass industry, it says:

The seasonal dip in glass activity continued during the week according to the current issue of the American Glass Review. The weather experience in so many States this year has been a definite factor in curbing the demand for glass. However, shipments of glass for laminating purposes have increased along with the rise in automobile plant activity. Window-glass producers still expect a big production this year.

Mr. MONRO. There is the nub of your whole situation on that, and you ask me for an explanation?

The explanation, Mr. Chairman, is this, that the profit was not made in window glass. That profit was made in safety glass. For your information, may I say that the Pittsburgh Plate Glass and the Libbey-Owens market over 90 percent of all of the safety glass that is used in this country. The Pittsburgh Plate sells every bit of

safety glass that the Chrysler Motor Co. uses. The Libbey-Owens Co. sells every bit of safety glass and any other glass that the General Motors Co. uses. The Ford Motor Co. makes its own safety glass by buying the window glass in the open market, and you gentlemen are imposed upon by the publication of those figures. So many times we are asked to explain "How do you explain those large profits?"

Well, they do not have to separate their profits on the window glass and on the plate glass and on safety glass.

Take Libbey-Owens, for example; they make different kinds of building glass, and tile. The Pittsburgh Plate is also in the production of window glass, plate glass, paints, chemicals, tile, and all sorts of products of that kind. So that it hits us poor ignoramuses who can only make window glass rather hard to have to reconcile our poor showing with those big profits of those companies, because they are foxy enough to keep up the price on safety glass to a very profitable figure.

My own company does make some safety glass, but these big automobile companies have been very hesitant about dealing with a small factory.

The CHAIRMAN. Mr. Biggers, who is the head of the Libbey-Owens people, takes a different viewpoint from you, doesn't he?

Mr. MONRO. I don't think so.

The CHAIRMAN. He was a member of the advisory council with reference to this matter, and he with a great number of others—I think that is in the record—said that these reciprocal-trade treaties had been a benefit and asked for a continuation of them.

Mr. MONRO. I do not understand that policy on the part of Mr. Biggers, because as the president of the Association of Window Glass Manufacturers, I was authorized to present opposition to any change at that time in the Belgian agreement, and when I presented the argument against the reciprocal trade treaties to Czechoslovakia, the Libbey-Owens-Ford Co. was also one of the eight companies that I represented at that time. Maybe Mr. Biggers changed his mind after he got into public life.

The CHAIRMAN. I don't know about that, but I notice on page 172 of the House hearings that the business advisory council of the Department of Commerce to which he was appointed, and he was the vice chairman, that John D. Biggers, president of Libby-Owens-Ford Glass Co.—that is the gentleman, isn't it?

Mr. MONRO. Yes; I know him very well.

The CHAIRMAN. He advocated that. He said among other things:

The council wishes to emphasize the belief that the results of trade agreements must be regarded in the light of their effect on our national economy as a whole and not solely in the light of their effect on a given segment of the industries or agriculture.

Mr. MONRO. Can you reconcile it that I was authorized to appear in opposing the Czechoslovakian agreement on behalf of Mr. Biggers' company, and the Pittsburgh Plate Glass Co., the American Window Glass Co., and other companies? It may be that they are so big that the right hand doesn't know what the left hand is doing.

Senator LAFOLLETTE. Did the dissolution of the association in the industry have anything to do with your view with regard to reciprocal trade agreements?

Mr. MONRO. Not at all.

Senator GUFFEY. Has the glass industry ever advocated a lowering of the tariff in any part of the industry?

Mr. MONRO. No, not that I know of, because our costs of production are all higher than in any other glass-producing country in the world. The cost of our raw materials is a whole lot higher, and the labor is incomparable. We are paying today 64 cents an hour for common labor, while the last report of my engineer in Belgium, who up until a few years ago was general manager of the Belgian syndicate plants, gave me the rate of common labor at 14 $\frac{3}{4}$ cents per hour there.

Senator GUFFEY. Will you file here the record of the profits of your company for the last 10 years?

Mr. MONRO. I have them here. I am not very proud of it.

Senator GUFFEY. Haven't we improved the product in this country?

Mr. MONRO. Yes.

Senator GUFFEY. And if I remember rightly, I think the American Window Glass Co. is making the best?

Mr. MONRO. It may interest you, gentlemen, to know that the American Window Glass Co. introduced the first improvement in the process of making window glass, and that was in 1903, when we introduced a mechanical process of blowing window-glass cylinders. Formerly they were blown, as I understand, by hand for over 350 years, and the average size which was blown was about 12 inches in diameter and about 7 feet long. Sometimes we had what they call 90-inch blowers, who could blow a narrow cylinder 90 inches long. When the American Window Glass Co.'s process was at its height, we were drawing cylinders that were 33 inches in diameter and 500 inches long, and one man would manipulate three or four, and sometimes five machines, himself. That illustrates some of the progress.

Since then—beginning about 1927—since then the entire industry throughout the world has changed. There is no more hand blowing except here and there on a small furnace for a particular kind of glass. All window glass made in the world today, I am safe in making the statement, is made in what we call the sheet-drawn process. There are three—the Libbey-Owens process, and they draw the glass from the bath in sheet form to a height of about 3 feet, and then bend it over a roll and send it across flattening tables of rollers and right out through a long lehr 200 feet long.

In the Fourcault process, which we are using, and which is in more general use than the Libbey-Owens, because the Libbey-Owens is a patented process and in the Fourcault process, the patents have expired, we draw a continuous sheet from the bath of glass vertically, and we cut the glass right off up above after passing through an annealing oven, which of course is necessary, but the height at which we cut the glass off above the bath and still have the glass annealed is only about 25 feet.

The Pittsburgh Plate Co. is using a similar process, but instead of drawing their glass through a slot which we use to hold it out to the required width, because if you draw without a slot the glass will pull in toward the center, they invented a submerged floater which has the effect of overcoming the surface tension which causes the glass to pull in to the center, and the Pittsburgh Plate draws from this submerged floater, and their glass is cut off above the same as in the Fourcault process. The Fourcault process is used in all of the countries of the

world except a few furnaces--the Pilkington Bros. in England are using in the majority of their furnaces on window glass the Pittsburgh Plate process. There are a few others--I think France has one furnace using the Pittsburgh Plate process. I am not sure whether Belgium has one furnace using the Pittsburgh Plate process. Japan also has one furnace using the Libbey-Owens process. Germany has a Libbey-Owens process, Belgium has a Libbey-Owens process, and France has a Libbey-Owens process, and all the other factories are using this Fourcault process. The Japs are using the Fourcault, the Libbey-Owens, and the Pittsburgh process.

Senator GUFFEY. How did they get them?

Mr. MONRO. They did not need a license under the Fourcault, but they made a deal with the Pittsburgh Plate Glass and Libbey-Owens for a license.

Senator GUFFEY. Is there any cylinder glass blown at all, Mr. Monro?

Mr. MONRO. No; excepting perhaps in Germany, where they blow colored glass.

Senator CLARK. The Pittsburgh Co. and Libbey-Owens are building up their own competitors, aren't they, by giving those licenses?

Mr. MONRO. They do not ship any glass over here. They protect themselves by an agreement that none of the glass produced on their machine will be shipped into the United States.

Senator DAVIS. You have given us the difference in the wages between Belgium and the United States. What is the difference in wages between Japan and the United States?

Mr. MONRO. Mr. Biggers, when he returned from Japan a few years ago, made the statement that the average rate of wages paid in Japan in the glass industry was--and he did not single out window glass but he took window glass and plate and made it just for the glass industry--was 40 cents a day, which was lower than the price that we were paying by the hour.

Senator DAVIS. You are paying 60 cents an hour?

Mr. MONRO. We are now paying 64 cents an hour since the 1st of February. Prior to the 1st of February we were paying 58 cents an hour. At the time the Smoot-Hawley bill was passed, we were paying 35 cents an hour.

Senator DAVIS. There is a great hullabaloo around here that the depression was caused by the Hawley-Smoot Act. Did the depression in your industry begin with the passing of the Hawley-Smoot Act?

Mr. MONRO. The depression in the window-glass industry began before the passage of the Hawley-Smoot Act.

The CHAIRMAN. Has it kept up ever since?

Mr. MONRO. Not continuously, Senator, but it may interest you to know that in 1931 the shipments of domestic glass were 5,190,000 boxes; in 1932 it was 4,398,000 boxes; in 1933 it was 5,600,000 boxes; in 1934 it was 7,954,000 boxes; in 1935 it was 9,197,000 boxes; in 1936 it was 9,736,000 boxes; in 1937 it was 11,321,000 boxes. You know, there was a revival in business in 1937 and everybody thought that we were going to pull ourselves out of the soup. It fell back again in 1938 by the window glass dropping to 8,250,000 boxes. Again it picked up in 1939 and we reached the total of 11,285,000 boxes. That is the history of the shipments of window glass following the Hawley-Smoot bill.

The CHAIRMAN. Are any of the American industries engaged in this business interested in the foreign plants?

Mr. MONRO. Except that the Libbey-Owens people, of course, are interested in the royalties they get. I don't really know enough, Mr. Chairman, I am unable to say whether they have stock interests or not; I could not tell you. I would not like to go on record as saying whether they have or have not.

The CHAIRMAN. Your plant has not?

Mr. MONRO. No. We had our cylinder process under contract for license and were receiving royalties from England at one time, and France, Germany, Spain, Portugal, Italy, Austro-Hungarian Empire, Russia, and Japan, but when the patents expired and the war came on, they quit using it and went over to the flat Fourcault process.

The CHAIRMAN. Did you appear before the Smoot-Hawley committee that was considering that tariff law?

Mr. MONRO. I did. Not before the Senate committee; I appeared before the House Ways and Means Committee at that time.

The CHAIRMAN. Did you advocate a higher rate than what was in the law then?

Mr. MONRO. I may have done that, because you never get all that you ask for as a rule.

The CHAIRMAN. Did Senator Reed represent your viewpoint at that time on this tariff rate on this glass?

Mr. MONRO. He no doubt presented our side of the matter.

The CHAIRMAN. He was in sympathy with it?

Mr. MONRO. He was in sympathy with it, I think.

The CHAIRMAN. If he offered that schedule on the floor of the Senate, it was no doubt after a conference with you?

Mr. MONRO. He knew what was going on.

The CHAIRMAN. Are you a member of the American Tariff Board?

Mr. MONRO. I am president of the American Tariff League.

The CHAIRMAN. President of it?

Mr. MONRO. Yes, president of it.

The CHAIRMAN. You did not agree with Mr. Hoover when on January 6, 1932, he reduced these rates in the Smoot-Hawley tariff?

Mr. MONRO. We certainly did not.

The CHAIRMAN. All right.

Mr. MONRO. I just want to remind the chairman that I was on a committee who came down here to protest against the passage of this Reciprocal Trade Agreement Act, and we had a day set for hearing, and I was here on that day, but the day before, the Senate got unusually busy and passed the bill before we had our hearing, and I remember you were gracious enough to give us a hearing even after the passage of the bill.

The CHAIRMAN. We were at least courteous, weren't we?

Mr. MONRO. You were, but you did say one thing that you may have forgotten. When I proceeded to point out how we were likely to suffer from the passage of this act, you asked me then, "Is it not a fact, Mr. Monro, that your industry has just within a few years received a 25-percent reduction under Presidential proclamation on window-glass duties?" and I said, "Yes," and your comment was "I should not think that you would have very much to fear from any more." You may not remember that.

The CHAIRMAN. I don't remember it, but I am sure if you talked to me, you persuaded me to your viewpoint. [Laughter.]

Senator LA FOLLETTE. It was a little late then, wasn't it, Mr. MONRO?

Senator CLARK. Do you think that the country as a whole would be better off to just go back to the Smoot-Hawley bill?

Mr. MONRO. I do not advocate that.

Senator CLARK. What do you advocate?

Mr. MONRO. I advocate leaving things as they are.

Senator CLARK. That is the Smoot-Hawley bill.

Mr. MONRO. Oh, no, it is not. It is 25 percent below the Smoot-Hawley bill. President Hoover came along and—a good old Republican—and under the United States Tariff Commission recommending a reduction of duty of 25 percent, he issued the Presidential proclamation.

Senator CLARK. You just said a minute ago that is what you advocated.

Mr. MONRO. Oh, no. I beg your pardon. I said I did not advocate going back to the Smoot-Hawley, because we are not under Smoot-Hawley.

Senator CLARK. I asked you what you did advocate, and you said you advocated staying under this 25-percent reduction.

Mr. MONRO. Yes, I do, but along comes the Committee on Reciprocity and cuts 30 percent more off the 25-percent reduction.

Senator CLARK. By what treaty is that?

Mr. MONRO. In the Czechoslovakian treaty.

Senator CLARK. That is not now in effect.

Mr. MONRO. That was suspended because of Hitler going in there and making it a part of Germany, and it might interest you to know that they discharged all of the engineers around these factories, and some officials in Prague took over the management of all of those factories, and they could not even get enough lumber to pack the glass that they were producing. They were standing it out in the sheds.

Senator CLARK. You did not kick on that?

Mr. MONRO. We did not care what went on in Czechoslovakia when they could not get their glass over here.

Senator CLARK. But in general, you think the country as a whole would be better off to go back to the Smoot-Hawley?

Mr. MONRO. Oh, no.

Senator CLARK. Not in this particular industry, but in the country as a whole? You are also president of the American High Protective Tariff League, and I am asking you your view in that capacity. Do you think the country ought to go back to the Smoot-Hawley bill, or possibly, as you advocated down here during the hearings on the Smoot-Hawley bill, even hiking the rates up a little bit?

Mr. MONRO. I think you are asking me to commit myself too far in regard to all industries, because improvements have taken place in industries which would make it inadvisable to let them have the protection of the Smoot-Hawley bill.

Senator CLARK. Which ones?

Mr. MONRO. I don't know. I only take our own for an example—

Senator CLARK (interposing). The Prohibitive Tariff League covers the whole country.

Mr. MONRO. We do not prohibit—

Senator CLARK (interposing). In your capacity as president, you ought to be able to tell us the particular industries where you think

the tariff is too high, because the Committee on Reciprocal Trade Information ought to be glad to get your views on that.

Mr. MONRO. We have pointed out so much that I do not think you read the reports we send.

Senator CLARK. I don't read yours, I am frank to say.

Senator DAVIS. Were you ever able to secure any information from Government sources regarding the cost of production of window glass in Belgium and Czechoslovakia or Japan?

Mr. MONRO. The United States Tariff Commission made a survey of the cost of production in Belgium prior to the recommendation of the 25-percent reduction in duty that they submitted to President Hoover, but before the Czechoslovakian reciprocal trade agreement was up, I wrote to the United States Tariff Commission and asked if they would furnish me the latest information they had regarding window-glass costs in Czechoslovakia, and they advised me that they had nothing later than 1929. I submit that a Committee on Reciprocity Information using such figures, a committee that is trading one industry across the water, certainly ought to have had something more than the costs in 1929 to base a finding on.

Senator DAVIS. There has been a great difference in the cost of production in America because wages have gone up in some of the industries.

Senator CLARK. Since 1929?

Mr. MONRO. The wages have gone up.

Senator DAVIS. Certainly since 1929. As I recall, I met a number of labor organizers and I recall their telling me that both the window glass and plate glass have had increases in wages since 1929. I think there was a big strike in that industry.

Mr. MONRO. Yes; that was in the latter part of 1936 and the early part of 1937, and that was responsible for a considerable amount of increased imports, because the automobile people had been using plate glass, and the Pittsburgh Plate got into some labor trouble, and all of their factories, including their window-glass factories, were shut down, and a little later the Libbey-Owens factories were also shut down. The automobile companies that had been using safety glass made of plate glass had to immediately rush over to the window-glass people and say, "Let us have window glass and make safety glass out of it so as to keep our lines going," and that accounts for an unusual consumption of window glass in the year 1937.

Now, you were asking about labor, and here I have a schedule. I think the thing to do is to look at some of the ordinary workmen. In Czechoslovakia, at the end of 1935, they were paying 17.37 cents an hour for a gas producer operator. We were paying 64½ cents. Belgium was paying 17.47. Then in December 1937, we were paying 72.5 cents, and Belgium in September 1939, was paying 18.87.

Just you take some of the others. Take, for instance, our common labor. Our common labor in the United States in the early spring of 1936 was drawing 50 cents an hour, and in December 1937, was drawing 58 cents an hour, and now it is drawing 64 cents an hour. You can take it as a general principle, gentlemen, that when your common labor goes up, the skilled labor goes up somewhat in the same proportion, not as much, because I do not think common labor have until recently ever received what they should have received, but when common labor goes up, every skilled man expects a corresponding or a substantial increase also.

Senator GUFFEY. Is not skilled labor organized in your plants, and has it not been for years?

Mr. MONRO. Yes.

Senator GUFFEY. There are three or four unions in this country in flat glass. Was common labor organized until recently?

Mr. MONRO. Not until they started the C. I. O., was there any of our so-called hot end organized. By the "hot end" I mean that part of the operation which covers the melting of the raw materials and the drawing of the glass and turning out the glass to be cut into size. That is what we call the hot end. We have the C. I. O. in the hot end, and we have the A. F. of L. cutting the glass, so we have to deal with two organizations.

Senator GUFFEY. You did not call it the hot end because they were underpaid?

Mr. MONRO. No; it was because they worked in the heating end.

The CHAIRMAN. Let me ask you if you ever made a public statement to this effect, in substance:

I will also stress the fact that in carrying out the trade-agreement policy by Mr. Hull, great credit should be given to the fact that there has been no suspicion of political influence regarding the reduction of duties on any of the articles placed on the reciprocal trade list. I believe that everyone who has had occasion to contact the staff that makes up the schedules must admit that regardless of whether we approve of the policy or not, the agreements were prepared solely with a viewpoint of endeavoring to increase foreign trade with the least injury to domestic production.

Mr. MONRO. I think you are reading from my annual report of 1938.

The CHAIRMAN. I am.

Mr. MONRO. I made that statement, and I would be the last one to intimate that Mr. Hull was susceptible to any influence of any politician or anybody interested in the formation of his reciprocal-trade agreements. I do not agree with his theory, however, upon which he is working.

The CHAIRMAN. Was there something else?

Mr. MONRO. You interrupted me. I have not a whole lot more, but I wanted to call your attention-- Senator Guffey or Senator Davis asked me about the earnings statement of the American Window Glass Co.

Senator GUFFEY. Put it in the record if you want to. Let me see it, and I will tell you whether or not it should go in.

Mr. MONRO. I might add that those composite figures show for 1936 a profit of less than one-half of 1 percent on the investment. I should add that conditions during this period were so severe that the number of window-glass factories which survived were less than half of those in operation in 1932. I would also emphasize to you, in view of some of the arguments that have been made to this committee and before the House, that imports of window glass displace domestic production. There is no question as to the comparability or competitiveness of imports in this field. Every box of window glass that is imported and sold consists of merchandise that could be readily produced by the domestic industry which has the capacity to produce from eighteen to twenty million boxes of glass per annum, and which at no time has been able to market a quantity in excess of twelve million boxes. I should like to quote just once more from the brief

which we filed with the Committee for Reciprocity Information on the occasion of the hearings on the Czechoslovakian agreement:

Labor displacement: On the basis 1,413 boxes produced per employee per year the imports of 7 months of 1937 has deprived 480 men of employment in the domestic industry for an entire year, not giving any consideration to the loss of employment of persons engaged in those industries supplying the raw materials to the domestic industry and those engaged in the transportation of both the raw and finished materials.

Such evidence to us is ample justification for the maintenance of the existing rate of duty. Yet the duty was cut 30 percent. In view of action such as this, I do not see how you can expect an American industry, dependent on protection, to have any confidence or assurance as to the future.

There is one other feature of the trade-agreement procedure which concerns my own industry to which I would also call your attention. In the middle of August 1939 an announcement was made of the intention to negotiate a revised trade agreement with Belgium. The list of commodities that would be considered that was published at the time of this announcement included window glass. Naturally, on the basis of the action taken in the Czechoslovak agreement, the industry was very apprehensive as to what might happen. Then along came the war. Despite the war and uncertainties which arose, hearings were held on this proposed revision of the agreement at the end of September 1939. Gentlemen, these negotiations are still on the books. As far as you or I are concerned, there is absolutely nothing we could do to prevent the completion of these negotiations in the middle of these troublesome and uncertain times. I will admit that I don't expect the agreement to be concluded in the face of present conditions, but I must confess that I also have a certain amount of misgivings because of the definite refusal on the part of the trade agreement negotiators to make a public announcement to the effect that these negotiations are terminated. It seems to me that if the negotiators of the trade agreements were truly alert to their responsibilities and were fully appreciative of the problems which confront domestic manufacturers that they would long since have recognized the unfairness of perpetuating the uncertainty which the present conditions entail. I am not now so concerned about the effect of a concession that might be made today as long as Europe is in turmoil, but I do believe that there is no reasonable basis for assuming that one can make an agreement at the present time and incorporate in that agreement concessions which would be binding and operative at the period of post-war readjustments which are to come.

It is, therefore, on the basis of our own experience that we oppose the continuation of the present program with its wide discretionary powers and lack of formula by which to safeguard established domestic industries.

The argument is advanced that these trade agreements contribute to the cause of world peace. I would like to think that world peace is really effected by trade between nations, but I am unable to bring myself to that conclusion. That argument has been dinned in our ears for the past 4½ years and yet the nations of the world spent during 1938 on war materials the enormous sum of \$16,000,000,000. More over, the President has felt impelled by the imminence of danger of war, as he states, to ask Congress for an emergency defense fund involving \$552,000,000. If this sum is voted before the end of the 1939

fiscal year the total current defense budget will be \$1,569,000,000. The sum tentatively fixed as necessary for these purposes in the Budget for the year 1940 is about \$1,320,000,000. Does this show our confidence in the efficacy of the trade-agreement policy? I would like to believe that the world was coming to adopt the principle of the "might of right" but I can see no evidence of its deviating from the principle of the "right of might."

Over 20 years have elapsed since the termination of the war to end wars and notwithstanding the growth of trade between the various nations on the face of the globe we are confronted with another war between the largest nations outside ourselves on the globe. China was one of Japan's very large customers and yet China and Japan are at war. Great Britain and France were two of Germany's largest customers, and yet they are at war. From my studies of history I am of the opinion that the state of trade between two nations does not lessen the probability of war. Since the war to end wars has been concluded the nations of the world have developed a nationalistic policy. Each wishes to be as independent as possible of any of its surrounding countries. There has, therefore, sprung up a desire to absorb weaker nations and take advantage of their resources to make a larger nation. This lust for increased territory, increased power, increased population, has been defined by Mr. Hitler as "lebensraum" or "room to live." I cannot agree with that argument in support of a trade-agreement policy. We have seen that in Europe race bitterness of centuries crops out at the first opportunity to take vengeance for some real or fancied wrong committed even centuries before.

I am a firm believer in preparedness being the only preventive of war. The state of trade has nothing to do with it. In my opinion, that is a very weak, altruistic argument to justify the continuation of the trade-agreement policy.

While there are many other arguments against the extension of the Trade Agreement Act, which in my mind should justify the refusal to extend it, all of these arguments have been presented to this committee in various forms by others. I wish to spare the committee any needless waste of time by repetition.

To me, as the head of a manufacturing company, owned for the most part by many hundreds of small stockholders and whose product is highly competitive with the product of many foreign countries produced by labor that is only paid a pittance of what our labor is paid, whose labor works incomparably longer hours, and whose standards of living we would regard as criminally insufficient, the outstanding fact that my company is interested in is what you propose to do. Do you propose to adopt as a principle or continue the adoption of the practice of practically ignoring the differences in the cost of production between my industry and similar industries in foreign countries in the carrying out of a so-called reciprocal trade agreement policy? If you propose to abandon the consideration of that measure of protection, the industry of which my company is a part has no future. You will have deprived it of a place in the sun, an opportunity to realize on the large investments, and you will bring great losses on thousands of poor people who can ill afford to bear them. You will ruin the value of an investment in the industry of some \$40,000,000, and deprive some 8,000 to 10,000 of the highest-paid class of workmen of the means of earning an adequate livelihood. This effect will not

be confined to the window glass industry alone, but to all other industries, whose profits have not been sufficient to allow the laying aside of a surplus, which will permit them to exist, until the fallacy of the reciprocal trade agreement policy as a panacea for our domestic ills has been demonstrated.

The CHAIRMAN. Are there any other questions?

Mr. MONRO. I thank you, gentlemen, for your consideration.

The CHAIRMAN. Do you want placed in the record the profits of these corporations?

Senator GUFFEY. I do not think it is necessary.

Mr. MONRO. They show that during the war we made the bulk of our earnings, and the tariff cut no ice on that.

The CHAIRMAN. We have several further witnesses on the calendar for today. I understand that Mr. Arnold wants about 15 minutes, and Mr. Thatcher, of Minnesota, desires a very few minutes, and then we will take a recess and meet this afternoon in the District of Columbia room of the Capitol and finish with the other two witnesses.

STATEMENT OF JACK ARNOLD, CHAIRMAN, FARMERS' AND STOCKMEN'S COMMITTEE, FAVORING SENATE RATIFICATION OF TRADE TREATIES, BIRNEY, MONT.

Mr. ARNOLD. Mr. Chairman and gentlemen of the Finance Committee, my name is Jack Arnold. I reside at Birney, Mont., where I conduct a cattle ranching business. I am president of the Montana Stockgrowers Association, and I am also serving with the Farmers' and Stockmen's Committee Favoring Senate Ratification of Trade Treaties. With your consent, I am filing for the record a list of the individuals who belong to this committee, together with their post office addresses.

(The same is as follows:)

- | | |
|-----------------------------------|-------------------------------------|
| Arizona: | Florida: C. H. Walker, Bartow. |
| F. S. Boice, Sonolita. | Hawaii: Alfred W. Carter, Honolulu. |
| A. C. Webb, Globe. | Idaho: |
| California: | A. R. Babcock, Moore. |
| Mark D. Anderson, Redlands. | Earl H. Brockman, Caldwell. |
| D. R. Bailey, Sacramento. | J. R. Brown, Caldwell. |
| G. H. Benkendorf, Modesto. | Max D. Cohn, Arimo. |
| John Curry, San Francisco. | J. S. Feldhusen, Twin Falls. |
| A. M. Drury, Porterville. | W. L. Hendrix, Boise. |
| C. W. Hibbert, Los Angeles. | S. W. McClure, Hagerman. |
| H. C. McMahon, Marysville. | John P. McIntyre, Jerome. |
| J. Sheldon Potter, San Francisco. | Roscoe C. Rich, Burley. |
| Hub Russell, Maricopa. | William A. Shuldberg, Preston. |
| Silas Sinton, San Francisco. | Roy D. Smith, Jerome. |
| George W. Sturm, Orland. | E. T. Taylor, Coeur d'Alene. |
| Charles C. Teague, Santa Paula. | Illinois: E. A. Eckert, Mascoutah. |
| Carlyle Thorpe, Los Angeles. | Indiana: |
| W. P. Wing, San Francisco. | C. R. George, Marion. |
| Colorado: | Carl L. Hedges, Indianapolis. |
| Charles E. Collins, Kit Carson. | Louis J. Houk, Fort Wayne. |
| Frank Delaney, Glenwood Springs. | Glen Morgan, Westville. |
| R. A. Maxfield, LaPorte. | Herschel D. Newsom, Columbus. |
| F. E. Mollin, Denver. | Iowa: |
| A. A. Smith, Sterling. | Clyde W. Foster, Des Moines. |
| Connecticut: | Fred P. Gernana, Volga City. |
| Sherman K. Ives, Thomaston. | I. W. Reck, Sioux City. |
| R. C. Mitchell, Southbury. | C. M. Reeve, Keosauqua. |

Kansas:

E. L. Barrier, Eureka.
 Fred R. Cottrell, Irving.
 Cal W. Floyd, Sedan.
 Richard W. Robbins, Belvidere.
 Albert Weaver, Bird City.

Kentucky: Harry Hartke, Covington.

Louisiana: Arthur L. Gayle, Lake Charles.

Maine: H. E. Bryant, Presque Isle.

Massachusetts:

W. P. Davis, Boston.
 A. W. Smith, Springfield.

Michigan:

W. G. Armstrong, Niles.
 Elmer Beamer, Lansing.
 George J. Boutell, Detroit.
 C. A. Brody, Constantine.
 N. P. Hull, Lansing.

Minnesota:

John Brandt, Minneapolis.
 N. K. Carnes, South St. Paul.
 J. B. Conley, Verndale.
 Allen Hanson, Carlton.
 Tom Hicks, Tracy.
 J. S. Jones, St. Paul.
 A. J. Lashbrook, Northfield.
 Arthur O. Lee, Northfield.
 W. S. Moscrip, Lake Elmo.
 William B. Pearson, Ogilvie.
 F. J. Sheffield, Springfield.
 Frank W. White, Marshall.

Missouri:

William Hirth, Columbia.
 E. P. Mulligan, Kansas City.

Montana:

Jack Arnold, Birney.
 George M. Mungas, Philipsburg.
 Thomas A. Ross, Chinook.

Nebraska:

E. L. Burke, Genoa.
 Henry P. Hansen, North Platte.
 B. V. Holmes, Milburn.
 Carl S. Horn, Hay Springs.
 Otto Pfeiffer, Omaha.

Nevada: William B. Wright, Deeth.

New Mexico:

J. L. Black, Deming.
 A. D. Brownfield, Florida.
 Lee S. Evans, Albuquerque.
 Huling Means, Silver City.

New York:

Harry Bull, Campbell Hall.
 James S. Chaffee, Wassaic.
 Raymond Cooper, Oswego.
 G. Harold Cowles, Ashville.
 Harold L. Creal, Homer.
 Charles Downoy, Dryden.
 Fred Dubois, New Paltz.
 Raymond V. O. Dubois, New Paltz.
 Mrs. Wentworth Fay, Malone.
 W. W. Hawley, Batavia.
 Lawrence Howard, Kinderhook.
 Herbert P. King, Ithaca.
 Leigh G. Kirkland, Ithaca.
 Kent Leavitt, Millbrook.

New York--Continued.

Mrs. Emma Malloy, Oxford.
 Henry G. Marquart, Orchard Park.
 Vera McCrea, New York City.
 Otis Munn, Dryden.
 Ralph C. Norton, Booneville.
 T. Arthur Oliver, Chateaugay.
 W. J. Rich, Salem.
 Homer S. Rolfe, Ogdensburg.
 Fred H. Sexauer, Auburn.
 E. V. Underwood, Ithaca.
 Edith P. Wagenblass, Warsaw.
 Henry M. Wagenblass, Warsaw.

North Dakota:

Matt Crowley, Hebron.
 Ole A. Flaatt, Grand Forks.
 W. Guy, Amentia.
 Angus Kennedy, Watford City.

Ohio:

Glenn Bingham, Farmdale.
 B. B. Brumley, McComb.
 W. W. Bullard, Andover.
 Harvey M. Burnet, Wayneville.
 C. F. Christian, Cleveland.
 Porter Elliott, West Mansfield.
 E. J. Haight, Medina.
 Charles Howenstine, Hicksville.
 Jesse M. Huston, Youngstown.
 F. G. Ketner, Columbus.
 Homer P. Krabill, Canton.
 C. W. Lawrence, Dayton.
 Victor U. Ligan, Kinsman.
 M. R. Moomaw, Canton.
 E. F. Noble, North Jackson.
 R. Q. Smith, Cincinnati.
 Louis J. Taber, Columbus.

Oklahoma:

Otto C. Barby, Beaver.
 J. E. Fleming, Smithville.
 A. W. Lucas, Oklahoma City.
 M. E. Siebert, Chickasha.

Oregon:

G. A. Brown, Portland.
 A. E. Engbretson, Astoria.
 Ray W. Gill, Portland.
 Carl Haberlach, Tillamook.
 Robert Lister, Prineville.
 James Mossie, Ukiah.
 M. W. Pearson, Halfway.
 A. W. Peters, Hood River.
 O. M. Plummer, Portland.
 W. G. Snyder, Paisley.
 R. A. Ward, Portland.

Pennsylvania:

O. H. Hoffman, Jr., Philadelphia.
 Miles Horst, Harrisburg.
 Walter W. Maule, Kennett Square.
 Henry H. Marsh, Waterford.
 George W. Stocum, Milton.
 B. H. Welty, Waynesboro.
 F. P. Willits, Concordville.

South Dakota:

J. B. Clarkson, Buffalo.
 Mert Fowler, Bellefourche.
 James H. Lemmon, Lemmon.
 J. J. Martin, Watertown.

South Dakota--Continued.

J. H. Nason, Spearfish.
R. G. Van Tobel, Verdon.
E. G. Wilkinson, Milesville.

Texas:

O. A. Danielson, El Paso.
Joe Finley, Encinal.
Fred A. Hobart, Canadian.
Frank Kell, Wichita Falls.
B. E. Stallones, Houston.

Utah:

Herbert Beyers, Salt Lake City.
Clyde C. Edmonds, Salt Lake City.
James A. Hooper, Salt Lake City.
I. H. Jacob, Salt Lake City.
William Rees, Woodruff.

Virginia:

George Irvine, Richmond.
D. E. Shank, Harrisonburg.
Frank S. Walker, Orange.

Washington:

Ira L. Baker, Enumclaw.
Otto V. Battles, Yakima.
M. M. Boney, Bellingham.
George Cooke, Ellensburg.
Robert Cowan, Seattle.
W. G. Grimm, Everett.
John P. Hephrey, Curlew.

Washington--Continued.

W. J. Knutzen, Seattle.
L. E. Perry, Yakima.
R. L. Picken, Tonasket.
E. M. Sorensen, Chehalis.
R. S. Waltz, Seattle.

Wisconsin:

Charles Dineen, Milwaukee.
F. W. Huntzicker, Greenwood.
D. H. Kellogg, Superior.
C. J. Ritland, Chippewa Falls.
H. E. Thew, Madison.

Wyoming:

Norman W. Barlow, Cora.
J. Elmer Brock, Kaycee.
M. M. Cushing, Saratoga.
Rodney M. Guthrie, Newcastle.
Bennett Hammond, Cody.
Manville Kendrick, Sheridan.
Oda Mason, Laramie.
Eugene Phelps, Pitchfork.
Reynold A. Scaverson, Rawlins.
Fred E. Warren, Cheyenne.
J. Byron Wilson, McKinley.

District of Columbia:
Fred Breckman, Washington.
Charles W. Holman, Washington.

Mr. ARNOLD. I am not here to complain of what has been done. My fears, and I speak as a stockman, relate solely to what may be done by able and conscientious departmental officials who lack a practical knowledge of the cattle business and the effect that future trade agreements may have on the cattle industry. Without reflecting in any way on the State Department the cattlemen of Montana and the West feel that through their Representatives in Congress they should have a voice in reference to the approval of these treaties.

There are other countries which have large surpluses of cattle with which trade agreements have not yet been made. I refer, of course, primarily to Argentina and Uruguay. Either of these countries can put canned beef competing with fresh meat into the United States cheaper than it is possible to produce it in this country. In the event that any future proposed trade agreement with either of these countries should make concessions with reference to the importation of beef in any form, cattlemen feel that they are entitled to the protection of an open hearing in the Senate before the agreement becomes effective. At a hearing, through their duly elected representatives, they could voice their opposition to the proposal.

A requirement for Senate ratification for trade agreements would assure the cattlemen of such a hearing before any action could be taken which would hurt their industry. It is a measure of protection to which we feel we are entitled.

I have with me telegrams on this subject from each of the members of the executive committee of the Montana Stockgrowers Association which I would like to file with the committee.

(The same are as follows:)

PHILIPSBURG, MONT.,
February 27, 1940.

JACK ARNOLD,
Raleigh Hotel, Washington, D. C.:

Trade agreements extremely injurious to livestock interests. Must insist on Senate ratification in order to present our side for proper consideration in future agreements. Have wired Montana Senators our views.

GEORGE M. MUNGAS.

LODGEGRASS, MONT., February 28, 1940.

JACK ARNOLD,
Raleigh Hotel:

Favor Senate ratification on all reciprocal trade agreements.

R. J. MILLER.

FISHTAIL, MONT., February 28, 1940.

J. N. ARNOLD,
Raleigh Hotel, Washington, D. C.:

In order that any business or industry seriously affected should receive its due share of representation in the consideration of trade treaties, I am emphatically in favor of ratification of all reciprocal trade treaties by the Senate.

RALPH W. SELKIRK.

DEERLODGE, MONT., February 28, 1940.

JACK ARNOLD,
Raleigh Hotel:

Reciprocal trade agreements without Senate ratification are the largest liability on the books of the livestock industry. Our primary markets should be reserved for American-grown livestock and our industry should continue to be protected from the threat of imported disease and consequent national disaster.

CON WARREN.

CHOTEAU, MONT., February 29, 1940.

JACK ARNOLD,
Raleigh Hotel, Washington, D. C.:

Further extension of so-called trade pacts will confiscate our Western ranches. It is against all American basic law and tradition to have such unlimited power in one man. No man should be made sole judge and jury to ruin one group of citizens or one section of the country for the benefit of another. I am unconditionally opposed to trade treaties made except through the approval of United States Senate. If I can do anything to help you in your battle, wire me.

C. K. MALONE.

Senator LODGE. Mr. Chairman, I desire to place in the record a telegram I have received from Mr. Carlton I. Pieckett, president, Plymouth County Farm Bureau, South Hanson, Mass.

The CHAIRMAN. Without objection, the telegram will be incorporated in the record.

[Telegram]

SOUTH HANSON, MASS., March 4, 1940.

HON. HENRY CABOT LODGE, JR.,
U. S. Senate:

Call your attention to resolution adopted unanimously by delegates to annual meeting mass Farm Bureau Federation last November: "That the time has come when we must insist that all reciprocal trade agreements be subject to Senate confirmation with requirements for public hearings." To date record seems not to show this. Request that you make this known at hearings now in progress.

Farmers here must protect poultry and other crops and must also watch interests of their markets such as purchasing power of shoe workers. We want trade agreements in hands of men responsible to us for what they do.

CARLTON I. PIECKETT,
President, Plymouth County Farm Bureau, South Hanson.

The CHAIRMAN. Mr. Thatcher.

**STATEMENT OF M. W. THATCHER, ST. PAUL, MINN., CHAIRMAN,
LEGISLATIVE COMMITTEE NATIONAL FARMERS UNION; PRESI-
DENT, NATIONAL FEDERATION OF GRAIN COOPERATIVES**

Mr. THATCHER. Mr. Chairman, speaking for the National Farmers Union and the National Federation of Grain Cooperatives, we have a very short statement for the record, one which I filed with the president last month.

We support the philosophy of reciprocal-trade agreements as the most likely assurance to bring into national cooperation and peace, but we insist that in the consummation of such agreements, necessary safeguards must be employed to protect parity prices to domestic agricultural products efficiently produced, and we are opposed to logrolling and tariff legislation which has historically betrayed American agriculture.

Within the group of the National Farmers Union, we have some cooperative business activities, particularly in the Dakotas, Montana, and Wisconsin, and very, very large business operations, and this large number of stockholders that we have in those business institutions number approximately 70,000 farmers.

At their annual stockholders meeting in September at St. Paul, the matter of the reciprocal trade agreements was brought up on the floor, the resolutions committee having decided not to attempt to bring up such a controversial question because of the lack of information and knowledge that those people had of this very important subject. Nevertheless, the matter was brought up by a member on the floor at our stockholders meeting, and finally after much debate, on a subject that it might be they knew too little about, a resolution was adopted asking for approval of these agreements by the Senate.

While it was not discussed on the convention floor, the strongest proponents of such a proposed way of approving these treaties did not understand that at the present time, as I believe, it would require a two-thirds vote of the Senate to approve such treaties. They thought that they were voting on a proposal that the Senate merely by majority approve the treaties.

I understand that Senator O'Mahoney has an amendment which provides for approval by the Senate like any ordinary piece of legislation.

Senator LA FOLLETTE. For congressional approval of both Houses.

Mr. THATCHER. The matter of the whole Congress approval came up for consideration, and they thought that that was too unwieldy a way of requiring approval of these treaties, and that we might likely get back to what we term "logrolling" and from which we believe we have suffered in the past with respect to legislation on tariffs, but I do want to make the record clear that those who asked that resolution for the approval of trade treaties by Senate ratification were a part of the National Farmers Union and no part of the National Federation

of Grain Cooperatives except in a limited way, who believe that these treaties ought not to be left to a sole authority but that there ought to be some protection thrown around the approval of these treaties, on the theory that a sole authority ought not—I guess I can almost quote the expression of the present Secretary of State, ought not want that authority, and that one day we might find that sole authority passing to someone in whom we had less confidence than in the present Secretary of State.

We had a meeting recently of the National Federation of Grain Cooperatives, and all of the directors of that association, and their conclusion was that safeguards might well be provided by having three or more departments which are governed by Cabinet officers be parties to the approval of these trade agreements.

I was amazed in connection with the proposed treaty with Argentina to find what a tremendous task lies behind the preparation of such a treaty, and the utter impossibility of farmers on the average having an understanding of what finally is proposed and why. There were 15 volumes of records back of the proposed treaty with Argentina. We had an interest in that and filed a brief in opposition to it on only one commodity, flaxseed.

In concluding my direct statement on this matter, we must, we believe, have more responsibility in connection with the approval of these treaties and proposed trade treaties. I think that the very least in the matter of protection that we should have should be the Department of Commerce and Agriculture as well as the State Department.

Senator LA FOLLETTE. It is alleged here that those Departments are now represented through their membership on these committees, is it not?

Mr. THATCHER. I am sure that is true.

Senator LA FOLLETTE. Am I to understand that your proposal is that the Secretary of Commerce and the Secretary of Agriculture be required to approve these treaties before they are submitted to the President?

Mr. THATCHER. That is the minimum protection, and that then, in addition to that, Senator La Follette, that there must be full protection in all of these agricultural commodities to assure against a decline in price below parity.

Senator LA FOLLETTE. Then am I to understand from that, that you would like to have that written into this resolution?

Mr. THATCHER. That is correct.

Senator LA FOLLETTE. In other words, you are proposing an amendment or limitation that no agricultural duties be proposed which would result in domestic prices below parity?

Mr. THATCHER. No. I read exactly the text of what we had stated for the record.

Senator LA FOLLETTE. I understood that was something you filed with the President.

Mr. THATCHER. That is right, and I filed it here and reassert that we insist that, in the consummation of such agreements, necessary safeguards must be employed to protect parity prices for domestic agricultural products efficiently produced.

Senator LA FOLLETTE. You do not find in the present agreements that those standards or that that safeguard has been followed?

Mr. THATCHER. That is right.

Senator LA FOLLETTE. I simply want to clear up the record.

Mr. THATCHER. I also want to make the record clear that we have great faith eventually in the purposes and the philosophy of the reciprocal trade agreements as the most likely assurance to redevelop our foreign commerce and bring back peace again in the world.

Senator LA FOLLETTE. I do not want to delay the committee, but, Mr. Thatcher, assuming that peace comes and the enormous wartime production which has been stimulated in the belligerent nations has to be converted over to peacetime production, is it your view that these reciprocal trade-agreement powers will be utilized to a sufficient extent so that the United States would absorb a substantial proportion of the converted peacetime capacity?

Mr. THATCHER. No; I have no such illusion as that at all.

Senator LA FOLLETTE. Have you made any study of the effect of wartime control by the belligerent nations of their trade and its effect upon American agriculture?

Mr. THATCHER. Quite a little bit, and for the moment the reciprocal trade treaties, in our judgment, are of little value because of the present conditions abroad and the sole authority which now governs the countries with whom we have had, in the past, desirable foreign commerce in agricultural products. We recognize what has happened to our tobacco market, we recognize what has happened to our fruit market. And, of course, experience with what has happened to our wheat market, because we are very large handlers of wheat, the largest in that business in the United States, and I know what has happened to the wheat business, and we recognize that for the moment, and maybe for the next several years, that we are up against a readjustment of our economy and its relation to agriculture, that is going to be more shocking, in our opinion, than anything we have had in the last 10 years, particularly cotton. We have great interest in what is going to happen there. We think that is the most dubious outlook there is.

Senator LA FOLLETTE. Do you think that the Government should not take some action to prevent the impact of these war-time controls on American agriculture?

Mr. THATCHER. I not only contend that they should, and I do it vigorously now, but I have contended that they should have taken more action with respect to agriculture than they have back through the years. We have declared policies of Congress, but we lack the means of carrying that policy to consummation.

We are striving for parity income in agriculture, and we do not get it, and with constantly decreasing export markets, the matter is going to be worse in the future, and when the war is over we are going to have, in our judgment, very serious repercussions that are going to put agriculture at a worse disadvantage than they have been up to date.

Senator LA FOLLETTE. In other words, if we do not adopt vigorous policies to protect American agriculture against the impact of wartime controls of belligerents and other nations, and adopt a vigorous policy after peace comes, the prospect for the American farmer is that he is going to take another beating, is it not?

Mr. THATCHER. That is right, and that is why I am so vitally interested, as you know, in the matter that you and other Senators and

Representatives in the House have introduced in the Senate, the legislation dealing with the farm home and agricultural credit to help to entrench them in that home and preserve them in a home and on the land so that at least they have a roof over their heads while they are going up against this impact, and I want to commend you very much and say that I greatly appreciate it.

The CHAIRMAN. If there is nothing further, the committee will adjourn until 2 o'clock in the District of Columbia Committee Room of the Capitol.

(Whereupon, at 12:10 p. m., a recess was taken until 2 o'clock of the same day, in the District of Columbia Committee room at the Capitol.)

AFTERNOON SESSION

The hearing was resumed in the District of Columbia Committee Room, the Capitol, at 2 p. m., pursuant to adjournment for the noon recess.

STATEMENT OF CHARLES W. HOLMAN, REPRESENTING THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION

MR. HOLMAN. Mr. Chairman and gentlemen of the committee:

Our general position on the bill has been outlined in considerable detail in the House hearings. I have today some new material which was not presented in the House hearings, which I wish to present to the committee. Before doing so, I would like to file two resolutions of our organization passed in November 1939, bearing on the subject matter before this committee.

The CHAIRMAN. Without objection, that may be filed.
(The same is as follows:)

I

RESOLUTION ADOPTED BY THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION, CHICAGO, NOVEMBER 15, 16, AND 17, 1939

We believe that the present trade-agreement program of the Federal Government, as administered by the Department of State, is detrimental to the welfare of agriculture and particularly to the producers of dairy, livestock, and poultry products. The so-called but misnamed reciprocal trade agreements are particularly harmful to the economic interest of dairy farmers, and the progressive reduction of duties on various imported dairy products threatens not only to limit the opportunities for American farmers to find markets in the United States but is setting a maximum possible rate of income for the average dairy farmer far below the needs of such farmers if they are to have anything that approaches a rightful share of the national income.

It seems clear to everyone except the Secretary of State and his associates that the prices of dairy products domestically produced can never be higher for any length of time than the international prices plus our tariff wall; and rarely do the domestic prices reach this maximum. We object to being traded down the river for the benefit of a few large industries, such as the automotive and chemical industries, in order to enable such industries to increase their exports a little bit.

We believe that the best way to approach prosperity is to increase the farmers' purchasing power instead of the present misguided method of trying to increase the purchasing power of urban labor and reduce the possible income of agriculturists. The present disparity of purchasing power of the three groups necessitates thought being given first to the plight of agriculture; and no wiser way to begin remedial action can be found than to establish and maintain a definite Federal policy of preserving the domestic market for the domestic agricultural producer.

We insist that Congress, in its second session of the Seventy-sixth Congress, repeal the Trade Agreement Act in view of the apparent further dislocation that has resulted to agriculture under the provisions of this act as enforced by the Department of State, and that Congress, in repealing the act, direct the Secretary of State to serve notice upon each country with which the United States has entered into a trade agreement, notifying such contracting country that the outstanding agreement will be terminated upon the expiration of 6 months from the date of giving such notice.

In event of a failure to repeal the act or in event of the extension of its provisions after its termination date in June 1940, we recommend that provisions for Senate ratification and opportunity for court review be incorporated in the text of the act.

II

RESOLUTION ADOPTED BY THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION

At the last annual convention of the federation held in Chicago, November 15, 16, and 17, 1939, the following resolution was passed with respect to the continuation or operation of the Trade Agreement Act of June 12, 1934:

We urge the Congress of the United States immediately to enact legislation prohibiting the importation of any dairy products from countries which do not have cattle disease-control programs in effect equal to the standards set up for domestic producers by the Bureau of Animal Industry of the United States Department of Agriculture.

Mr. HOLMAN. As will be seen, that resolution first asks for the repeal of the act. Then, assuming that such action might not be possible, it authorizes the officers to seek Senate ratification as a minimum of congressional supervision over the operations of the Executive in this respect. Before the conclusion of my testimony I will file with the committee two suggested amendments to the act, one bearing out our conception of congressional supervision, the other bearing on a way by which citizens can once more get into the courts to test the constitutionality of the act.

Senator VANDENBERG. Before you go into your argument, will you indicate for the record the nature and extent of the National Cooperative Milk Producers' Federation?

Mr. HOLMAN. The organization consists of 60 affiliated groups, all farmer-owned and farmer-controlled, representing about 350,000 dairy farm families, residing in 41 States, of whom approximately one-half belongs to the cooperative associations that supply the fluid milk markets of an interstate character, such as Boston, New York, Philadelphia, St. Louis, Chicago, and Detroit. The remainder are primarily interested in shipping their butterfat to creameries, their own creameries in most cases, and supplying milk to cheese factories and to evaporating plants. These groups own almost a thousand plants scattered over the country from coast to coast.

Senator VANDENBERG. Is there any particular section of the country which is predominantly represented by your group?

Mr. HOLMAN. I don't know that I could say that, except north of the Ohio River. We are in almost every important milkshed in the United States north of the Ohio River. We have a heavy membership in Michigan, in New York State, in New England, in the intermountain territory, and the Coast States.

Senator VANDENBERG. Would Wisconsin be one of your heavy States?

Mr. HOLMAN. Not as heavy as Minnesota. In Minnesota we have from 65,000 to 75,000 farm families. I have never estimated the number in Wisconsin, but there are probably 10,000 farm families belonging to affiliated units.

Senator DAVIS. Do you have any in Pennsylvania?

Mr. HOLMAN. Yes, sir; we have the Interstate Milk Producers' Cooperative, supplying practically three-quarters of the milk consumed in the Philadelphia milkshed, and we have the Dairymen's Cooperative Sales Association supplying most of Pittsburgh's milk. Also we have Dairymen's League members in the northern counties. In New York, the Dairymen's League Cooperative Association supplies about 30 percent of the total consumption of the city, and a higher percentage in many of the up-State New York regions. For the District of Columbia, we have the Maryland-Virginia Milk Producers' Association, which supplies about 80 percent of the supply.

As I was saying, we are approaching this problem not from the viewpoint of agriculture or the dairy interests, but as citizens interested in a form of legislative procedure; and our people are deeply interested in that particular question. If the operation of this trade-agreements program over a period of years should bring great material prosperity to our people, we would still feel that the method by which it is being accomplished is a deviation from the constitutional process. On that, I hope to have the permission of the committee at a later point in the hearing to file a legal brief prepared by our counsel sustaining the two amendments which we are going to file.

Now looking toward that an being considerably confused myself over the conflicting statements that have been issued by parties pro and con on the relative merits and demerits and accomplishments of the trade-agreements program since it was inaugurated in 1934, about a month ago I put a staff of about 16 men to work, 8 in the daytime and 8 in the night, to make what I believe is an approach toward the first serious appraisal of this program that has ever been made. We are not through with the study, but we have reached up to about 3 o'clock this morning some very interesting conclusions which we believe to be reasonably accurate. The method we used is open to anyone who wishes to examine it. The material is in my office, the basic material, ready to check, and the tables which I am going to file after commenting upon them contain references to source material, and we believe that within reason, allowing for some mechanical errors which might come in the adding machines and the ear, that we are fairly close to the mark.

The first table to which I wish to call your attention is called table 1. It is a table in which we have taken every item that has had any type of concession made upon it, either by the United States Government or by the other contracting nations. I think that probably it covers close to 3,000 items.

We felt that, to begin with, the broad figures of trade with these nations is not by any means conclusive, because, after all, unless all of the trade were made subject to concessions, one would not particularly be justified in saying that that part of the unconcessioned trade was affected by the concessioned trade. So we have just taken the actual trading basis which the Department of State used and which the other nations used.

Senator KING. As I understand it, these tables indicate the total exports, not confined to the products of your organization?

Mr. HOLMAN. This is the total exports of the Nation. I am not discussing dairy products at all at the present time.

The first column is the total exports to the listed trade-agreement countries.

Senator VANDENBERG. In 1938?

Mr. HOLMAN. In 1938. We tried to compare the 1938 trade with 1934, which we thought was a reasonably comparative year, but we found that the classifications had changed so much over the years that it is almost impossible to make definite comparisons for gain or loss in that instance.

If the committee will note, our total exports to trade-agreement countries in 1938 was \$1,608,152,000; our total imports were \$807,395,000. The total duty concessions include concessions of some type ranging from articles found on the free list, bound on the dutiable list, bound internal taxes on foreign articles, and duty cuts. We received those concessions amounting to \$672,921,000 on our exports to the trade-agreement countries. That was 41.8 percent of our exports to those trade-agreement countries according to our figures. We gave \$613,726,000 in concessions to those countries, which was 76 percent of our imports from them, leaving us up to that point on the basis of a plus of \$59,195,000. But since the United States has made available to all other countries of the world these concessions which we make to the trade-agreement countries, we analyzed our imports from all of those countries and have added them into the total.

From the non-trade-agreement countries, which include also the colonies of the three trade-agreement countries—we have not reached the point where we can segregate them—which have colonies with which we allowed their colonies to be included, we imported \$1,036,785,000. Our imports on concessions amounted to \$641,263,000, or 61.9 percent of the trade.

Senator VANDENBERG. How do you get duty concessions in non-trade-agreement countries?

Mr. HOLMAN. Because we generalize the concession to the non-trade-agreement countries to enter. We are entitled to that charge against us.

Senator VANDENBERG. This is the operation of the most-favored-nation clause?

Mr. HOLMAN. It is the opposite of that, according to my judgment. It is a generalization feature.

Senator VANDENBERG. Exactly. I agree with your language and I withdraw mine.

Mr. HOLMAN. The total balance then of our trade on a concession basis was \$561,734,000 in red. We did not include Cuba in that calculation, because Cuba is one country with which we have a bilateral preferential trade agreement, but we have added Cuba to the bottom of the list, and if you will note the very bottom line there, it would not change the figure more than \$52,000,000 even if we did include that.

Table 2 is a special study of our industrial concessions both ways, and this was rather surprising to me when it came out, as will the next table be.

Our total exports of industrial commodities in 1938 amounted to \$1,108,339,000. Our total imports amounted to \$700,328,000—this being with the trade-agreement countries—both of those columns. Still, with respect to the trade-agreement countries, our duty concessions on exports, that is what they gave us, amounted to \$323,333,000, or 29.2 percent of our trade with them. Our concessions to

them amounted to \$396,787,000, or 56.7 percent of their trade with us, leaving us in the minus on the industrial side of the picture by \$73,454,000.

The CHAIRMAN. Do you include tin and rubber in those figures?

Mr. HOLMAN. In our office, we interpret rubber as industrial.

The CHAIRMAN. That is included in those figures then?

Mr. HOLMAN. The Department of Agriculture defines rubber as a noncompetitive agricultural product, but we cannot see any particular reason for in such a classification, so we have included rubber in this table here.

The CHAIRMAN. Do you know the amount of rubber that was imported?

Mr. HOLMAN. I think we have that here. Our figures show imports valued at \$134,000,000.

The CHAIRMAN. How much tin did we import in that year?

Mr. HOLMAN. We have those figures in the office, but not at the table with us.

The CHAIRMAN. But that is included with the industrial importations?

Mr. HOLMAN. Yes, sir; the question of rubber is largely a matter of interpretation, at all events, whether it is industrial or agricultural. If you take it out of this table, you have to add it to the other one.

On the total trade with the non-trade-agreement countries, we were in the minus \$382,672,000, leaving leaving us a total minus in our world trade of \$439,419,000.

Senator VANDENBERG. Mr. Holman, you generalized the benefits we give to others. Do you generalize the benefits that we are presumed to get from others?

Mr. HOLMAN. There is no way that we know how to do that.

Senator VANDENBERG. I don't know either, but I was wondering if you had found a way.

Mr. HOLMAN. We have not been able to determine what benefits we got from anyone except the trade-agreement countries. Our concessions amounted to 79 percent of our world imports.

Table 3 is a special study of concessions on agricultural products, still based upon what this trade was in 1938. I might say in parentheses that we had to presume that the trade with the United Kingdom in 1939 would be approximately what it was in 1938, because at the time that these figures were made available by commodities, there were no figures on our trade with the United Kingdom by detail. In other words, the United Kingdom agreement did not take effect until January 1939, but we have reason to believe now that the trade with the United Kingdom was approximately the same in 1939 as it was in 1938, so these figures are approximately correct. That applies to all of these calculations.

Now, on agricultural concessions, we have taken the total exports, the total imports, the total duty concessions on exports, and only used the total duty concessions on competitive imports. We can see no particular reason in making this calculation on noncompetitive agricultural imports. They belong almost in the industrial class.

Our exports to the trade-agreement countries in 1938 amounted to \$499,813,000. Our imports amounted to \$107,067,000. Our duty concessions received by us on exports to those countries amounted to \$350,091,000, or 70 percent of our total exports.

On competitive imports, we imported \$74,727,000, which was 69.8 percent of our imports, leaving us with respect to the trade-agreement countries on competitive agriculture, to the goodly \$275,364,000 with those countries. When you work into the picture the situation with regard to non-trade-agreement countries, that favorable balance is reduced to \$138,604,000, or 56.7 percent of our total imports. That was also surprising to us. We had expected from that the results of these two tables would be reversed.

Senator KING. Then these tables indicate considerable advantage to the United States in our dealings in agricultural commodities?

Mr. HOLMAN. At this point, let me explain that all the data I have read to you refers simply to all types of concessions. With respect to our concessions, it is the bound on the free list, the bound duty, the bound internal tax, and the duty cuts.

I now come to what I consider to be the most important of these tables and the one that really tells the story. The next table is not numbered, gentlemen. It is called duty reductions we received and gave on all products in terms of 1938 trade. I will number it table 3-A. We are no longer on general concessions, but we are on duties where this story is told. The reason I say that is this, that the concessions of binding character simply maintain the status quo either of 1930 or of the point at which the internal taxes were levied, but let us see what happened on cuts in duties. On our exports, and I think we can eliminate the first two columns to save time—

Senator VANDENBERG (interposing). These are all types of exports?

Mr. HOLMAN. Yes, sir.

Senator VANDENBERG. Agricultural and industrial?

Mr. HOLMAN. The consolidation; yes. On all exports, our duty reductions to the trade-agreement countries amounted to \$232,036,000 in our trade, or 14.4 percent of our trade with them.

Senator VANDENBERG. That is what we got?

Mr. HOLMAN. That is what we got. On the duty reductions on imports from trade-agreement countries, we have concessions on \$169,573,000, or 21 percent of our imports from them, leaving us up to that point with a favorable balance of \$62,463,000 with those particular countries. Then that balance is increased by \$4,874,000 if you add in the trade-agreement colonies.

But what about the non-trade-agreement countries? We imported from them \$137,757,000 worth of products that took the concessions that we gave, that is the duty reductions, leaving us with a total minus of \$70,420,000 on the 1938 trade. And if you add in Cuba, which was the bilateral, you would still have a minus balance of \$32,126,000 on duties alone.

Senator VANDENBERG. That table still raises the same old point. I suppose the rebuttal is that you have not been able to assess the generalization benefits we got, if any.

Mr. HOLMAN. I would like to see somebody come before the committee and prove that we got any. When they give us the data, we will examine the data to determine whether it is correct.

Table 4 is the duty reductions we gave and received on agricultural products. Our total exports of agricultural products, in column 1 to the left, to the trade-agreement countries amounted to \$499,813,000, and our imports were \$107,067,000. The duty reductions on our exports amounted to \$62,587,000, or 12.5 percent of our exports to

them. The duty reductions on our imports from them amounted to \$47,202,000, or 44.1 percent of our total imports of agricultural products from them, still leaving us with a favorable trade balance to this country of \$15,385,000, to which you add \$99,000 for trade from the colonies. But our imports from the nonagreement countries amounted to \$57,753,000, or 21.2 percent imports from them, leaving us with a minus balance on agricultural trade on dutiable commodities of \$42,269,000. Cuba does not particularly change that picture.

Senator VANDENBERG. Mr. Holman, these tables would seem to clearly prove that it is due to the generalization of the benefits that we get our loss, is that correct?

Mr. HOLMAN. That is my present conclusion on the subject from the study. We only completed it at 3 o'clock this morning, Senator, but we thought that there was something of real value in these tables.

Senator VANDENBERG. I think they are tremendously valuable.

Mr. HOLMAN. Now, table 5 is the duty reductions we gave and received on industrial products in terms of the 1938 trade. You will note that we exported \$1,108,339,000 to the trade-agreement countries. We imported during that same period \$700,328,000. On our concessions, that is, our duty concessions, or duty reductions, we exported \$172,485,000, which is 15.6 percent of our total exports in that class. We imported \$138,829,000 on duty cuts, or 19.8 percent of our total imports, leaving us at that point with a plus balance of \$33,656,000.

When you take into consideration the importation from the non-trade-agreement countries amounting to \$286,234,000, it leaves us with a minus balance on industrial dutiable articles of \$39,039,000.

The next table I would simply like to file. It is a summary of changes in balance of trade with trade-agreement and non-trade-agreement countries, which will save my going over some material which I presented more in detail.

The next table is table 8, which I have not had a chance to examine. It is entitled "Value of United States agricultural exports and competitive agricultural imports, 2 years before and 2 years after the trade agreements."

Gentlemen, here is what we did. We took here only the trade-agreement countries where the trade agreements had been in effect for 2 years, and then we took our total trade with those countries to get the balance of trade for 2 years before, and then we compared that with 2 years afterward.

Column 1 shows the date, the year in which the trade agreement was made. This is all in terms of millions of dollars, and I will simply read you the bottom totals.

On our agricultural exports we shipped them in the 2 years before, 154.5 millions of dollars worth of articles; in the 2 years afterward, 239 millions, leaving a plus balance of trade of 84.5 millions of dollars, or 54.5 percent plus to the net; that is, there was an increase.

Senator JOHNSON. That is, 2 years previous to the agreement with each separate nation?

Mr. HOLMAN. Yes sir; that is the composite of the nations.

Senator JOHNSON. The table following the country there, Switzerland, for instance, you began with Switzerland in 1936, and with Belgium at the top of the page, 1935.

Mr. HOLMAN. That is the time the trade agreement took effect, but it only took the 2-year period, you see.

Senator JOHNSON. But you did not take the same 2-year period for each nation?

Mr. HOLMAN. They were the trade-agreement countries.

Senator JOHNSON. Individually?

Mr. HOLMAN. Yes, sir.

Senator JOHNSON. The 2-year period for Belgium was different from the 2-year period for Switzerland?

Mr. HOLMAN. That is correct. We had to do that in order to get a 2-year period.

Senator JOHNSON. That is the way I understood it.

Mr. HOLMAN. This is simply 2 years before and 2 years after with respect to the particular country involved, but the total is averaged.

The CHAIRMAN. The Belgian agreement was made in 1937, was it not?

Mr. HOLMAN. 1935.

The CHAIRMAN. You have 1935 here, and I was just trying to follow you on that 2-year period proposition. Was it 1935 we made the Belgian agreement?

Mr. HOLMAN. That is my understanding.

The CHAIRMAN. Then I do not understand exactly the question that Senator Johnson asked you and the explanation of it.

Senator JOHNSON. It varies with each country.

Mr. HOLMAN. The point involved is how to get at the comparisons of the years. If the Belgian agreement was made in 1935, we would take the years 1933 and 1934 and compare it with 1936 and 1937.

The CHAIRMAN. In the case of Cuba, for instance, the trade agreement was made in 1934, was it not?

Mr. HOLMAN. Yes, sir.

The CHAIRMAN. You would take 2 years before that, 1932 and 1933, and compare it with 1934 and 1935?

Mr. HOLMAN. No; 1935 and 1936. You see the year in which the trade agreement is made is not calculated, according to my understanding of the table.

Senator LA FOLLETTE. You took the 2 years before the year when it was made and the 2 years afterwards?

Mr. HOLMAN. That is correct.

Senator LA FOLLETTE. You subtract 2 from the year the trade agreement was made, and you add 2 to the other?

Mr. HOLMAN. This is the average of the 2 years.

On agricultural competitive imports, the average was 190,500,000 before—roughly speaking—and 331,000,000 afterwards, a gain of 140,500,000, or a gain in percentage of 73.8 percent.

Senator GUFFEY. What are the competitive imports from Cuba?

Mr. HOLMAN. This is the total.

Senator GUFFEY. What are they?

Senator VANDENBERG. Do you mean in items?

Senator GUFFEY. Yes; what is included? Tobacco or sugar, or what?

Mr. HOLMAN. It would include sugar, and it would include tobacco. I do not have the schedule of the items we used, but I will be glad to furnish them to the committee.

Senator GUFFEY. I would like to see that.

(Information requested follows.)

Agricultural exports and imports with Cuba for the 2-year period following the year the trade agreement was signed (1934)

	1935	1936
Agricultural competitive imports from Cuba:		
Meat products.....	9,396	2,357
Butter.....	11,144	92,910
Cheese.....	993	2,714
Hides and skins, raw.....	131,939	43,816
Live animals.....	260	609
Bones, hoofs, and horns, unmanufactured.....	42,493	39,893
Blue stock.....		2,778
Beeswax.....	118,577	102,524
Grains and preparations.....	17,580	32,127
Vegetables and preparations.....	1,277,118	1,394,067
Fruits and preparations.....	3,718,688	4,265,072
Vegetable oil.....	300	9,406
Cane sugar.....	79,454,106	96,469,384
Molasses.....	9,684,389	10,682,995
Honey.....	1,027	
Seeds.....	206	
Tree plants and cuttings.....	270	
Tobacco, unmanufactured.....	9,568,500	8,016,939
Canned milk.....	30	60
Tankage.....	34,000	60,404
Malt.....	7,622	
Candy and confectionery.....	509	7,847
Beverages.....	1,652,200	1,693,026
Total.....	105,731,758	123,100,533
Average for both years.....	114,410,140	
Agricultural exports:	14,910,604	14,780,984
Average for both years.....	14,845,784	
Not loss to United States.....	99,570,362	

Figures taken from Foreign Commerce and Navigation of the United States published by United States Department of Commerce.

Mr. HOLMAN. In this case, we used the figures compiled from the United States Department of Commerce Yearbook and the work sheets of the United States Department of Agriculture. The classification of agricultural exports and competitive agricultural exports is the same as endorsed by the United States Department of Agriculture.

The CHAIRMAN. As I understand you, then, in speaking of the competitive imports of 190,500,000 in 2 years before the agreement, on the average, for the 2 years afterwards it had increased to 331,000,000, or 140,500,000 increase in imports; is that right?

Mr. HOLMAN. In imports. In other words, our imports increased 73.8 percent.

Senator VANDENBERG. This table does not take into account the generalization?

Mr. HOLMAN. No, sir.

Senator GUFFEY. And that 140,000,000 on agricultural imports, for Cuba, is what I would like to get the details of.

Mr. HOLMAN. We will be glad to furnish that.

Now the last two columns, the excess of agricultural exports over agricultural competitive imports, in the 2 years before, it was \$36,000,000, and in the 2 years afterwards it was \$92,000,000.

Senator KING. That would show an increase of our agricultural exports?

Mr. HOLMAN. Yes; and now table 9 is a similar study. If you will consider the last 2 columns, you will see that the excess of exports

over imports in the first 2 years was \$151,000,000, and in the 2-year period afterwards it was \$349,500,000.

It must be apparent, particularly from the thesis that I am advocating here, that the real measure of these trade agreements is to be found in the duty reduction, first, that only a relatively small percentage of our total trade with these countries and with the world has been covered by the duty reductions.

The CHAIRMAN. And you say you used about 20 experts that you had employed to compile these figures?

Mr. HOLMAN. About 16 statisticians were used.

The CHAIRMAN. They were experts?

Mr. HOLMAN. Well, they have had good training.

The CHAIRMAN. They had had the experience, you mean?

Mr. HOLMAN. Yes, sir.

The CHAIRMAN. And you think that they were thoroughly qualified to get up this statement?

Mr. HOLMAN. I thought they were, and we had methods of checking for accuracy.

The CHAIRMAN. Did you employ them?

Mr. HOLMAN. Yes. All of them worked under my personal supervision.

Senator JOHNSON. Who made the selection of these particular nations? You have 13 nations.

Mr. HOLMAN. Which ones are you referring to?

Senator JOHNSON. For instance, table 8. How did you happen to pick those particular 13 nations and not take all of the 22 nations?

Mr. HOLMAN. Because those were the only nations on which we could get the 2-year period before and the 2 years after for comparison. You see, the trade agreements are relatively new. They began in 1934, and I think the first one of any importance was Canada, which took effect on the 1st of January 1936. Then there was Belgium, 1935, and so on; and so that, in order to get anything like a comparison, 2 years before and 2 years after, we found that the number of nations naturally became more limited out of the 22. Even on Great Britain, as I explained to the committee previously, these estimates on trade with Great Britain are, so far, largely estimates based upon our trade in 1938, but most of the economists agree that the 1939 trade was approximately the same as the 1938. There may be some differences.

I call your attention again to the fact that on duty reductions in table 3-A, on our exports, only 14.4 percent of our exports to the trade-agreement countries was affected, and 21 percent of our imports from those countries.

With respect to our total imports from the world, only 16.7 percent; consequently this very greatly exploited program is not by any means as great as we have all thought it was. Certainly trade agreements affecting less than 15 percent of the total trade with the country cannot be any great measure of our trade with them, and I assume, of course, of the concessions where things are bound, are eliminated from this picture.

The point then comes as to why has our trade with these countries and the rest of the world increased? There are many reasons. We all have our own ideas about that.

In that connection, I might say that the world depression started in the foreign countries before we in America felt it, and just as it

started in foreign countries, when the world recovery began in foreign countries, it proceeded with considerably more rapidity than it has in America.

I have here a table, No. 10, which is the United States domestic exports, industrial production, and wholesale commodity prices compared with foreign countries.

This is taken from the 1940 Agricultural Outlook as to industrial production and wholesale prices, and the exports are from the United States Department of Agriculture.

This is on the index basis and takes the years 1923 to 1925 as the unit of 100. On that basis, our 1929 index of production was 119, and it dropped on down to a low of 64 in 1932, came on back to 105 in 1936; up to 110 in 1937, fell to 86 in 1938; and was estimated at 105 in 1939.

Senator KING. Is that the retail or the wholesale price or the export price?

Mr. HOLMAN. That is the index of total industrial production.

Senator LA FOLLETTE. Is that the Federal Reserve price index?

Mr. HOLMAN. The source is the Agricultural Outlook, 1940, industrial production and wholesale prices, and the export is from the United States Department of Agriculture.

The industrial production of foreign countries in 1929 was 135.6 against our 119. In 1930, it was 124 against our 96; in 1931, it was 110.6 against our 81; in 1932, it was 97 against our 64; in 1933, it was 107.2 against our 76; in 1934, it was 116.4 against our 79. In 1935, it was 124.3 against our 90. In 1936 it was 132 against our 105. In 1937, it was 144.1 against our 110. In 1938 it was 141.1 against our 86. And, in 1939, the preliminary figures showed 160 for the foreign countries against our 105.

Naturally, with production speeding up like that, we would expect wholesale prices in foreign countries to have a somewhat better index than in the United States. While this production was going on, our index of exports fell from 115.3 in 1929 down to a low of 35.3 in 1932; and rose to 73.8 in 1937, and then dropped back to 69.9 in 1939.

Let us now compare the index of wholesale prices in the United States and in foreign countries. In 1929, we were 97.1 in foreign countries the index was 94.4. In 1932, we were 66.1 against foreign countries 68. In 1933 we were 67.2 and they were 68.2. In 1934, we were 76.4 and they were 69. Then both index figures proceeded fairly steadily up to where, in 1938, we were 80 on our index of wholesale prices and they were 86.5. That index is taken on the basis of the prices, 1924 to 1929, inclusive as being equal to 100.

If to that picture is added our imports of gold, we may see some explanation for our increase in trade. The United States currency value of our gold that came in increased from \$145,066,000 in 1929 up to \$3,574,151,000 in 1939.

Senator CONNALLY. That is cumulative, is it not? Not 1929.

Mr. HOLMAN. That is for the 1 year on the basis of \$35 an ounce.

Senator CONNALLY. You mean they brought in \$3,000,000,000 of gold last year?

Mr. HOLMAN. That is my understanding.

Senator CONNALLY. That is your table. You are the one that is testifying.

Senator KING. The Russian mines have been very productive in the past few years.

Mr. HOLMAN. I am only presenting this for what it is worth. I was one of those who was very glad that the President devalued gold, but computing freshly mined gold imports at our old value of \$20.67 per ounce, we brought in \$2,108,749,000, giving the foreign countries a profit in our currency of \$1,465,402,000. That is added purchasing power for them from their sales of gold to us.

Senator CONNALLY. That does not follow at all. They depreciated their currencies too.

Mr. HOLMAN. Some of them did.

Senator CONNALLY. They are not getting any gain out of us just because they brought gold in? You are going back to the value of the gold before it was devalued and saying that they got all of that. Meantime, they have devalued their currency much more radically than we have. I do not think that is a fair assumption at all.

Mr. HOLMAN. Here I am not treating gold as money; I am treating gold as a commodity such as cotton, tobacco, or oats. It is so many ounces of gold that came in.

Senator VANDENBERG. That is the way we have to treat it pretty nearly.

Mr. HOLMAN. But in terms of our money compared with the olden days.

Senator VANDENBERG. Then you should value it at the old value, should you not?

Senator KING. He stated it was two billion at the old value.

Mr. HOLMAN. \$2,103,000,000.

Our domestic exports are also interesting, as shown on the table No. 11, entitled "United States exports of domestic merchandise before and after deducting foreign countries' profit from the United States gold-buying program." The net gold imports in terms of our new currency amounted to \$3,123,869,000. It is clear that the purchasing power of the foreign countries rose. And it is also clear—

Senator CONNALLY (interposing). Let me ask you this: You say the gold is overbalanced?

Mr. HOLMAN. Almost evenly balanced with our exports in 1939.

Senator CONNALLY. How are we going to export anything unless it is either paid for in gold or in goods? So if we have the gold in here, then we shut out that many imports of goods.

Mr. HOLMAN. I am not objecting to our taking in the gold, and I was very much for the devaluation.

Senator CONNALLY. I was, too. I was just objecting to some of the implications of your testimony.

Mr. HOLMAN. I am trying to account for just a few of the causes of the rise in our import and export trade.

My further point was that the trade-agreement program has been only a small factor in this, because of the relatively small percentage of commodities which the import trade has had.

Just as Mr. Arnold said this morning, from the economic viewpoint we are more concerned with the possible future of the trade-agreement program than with the present or the past.

The Department of State has gone around the list pretty well to where if it makes any more agreements of any importance, it will have to go back and make second and third and fourth trade agreements with these other countries, and it will have to make them with countries whose producers are directly competitive with producers

in the United States. I refer to the new countries of the world, such as the Argentine (possibly a second agreement with Brazil), New Zealand, Australia, the South African British Commonwealth down there, and so forth.

When we are dealing in trade-agreement programs with agricultural countries, if they trade with us at all on that basis, they insist upon concessions on our competitive products. It is at that point that the dairy farmers have a great fear. It is for the future.

The cutting of the duty on cheese in the two agreements with Canada was partly offset by the great demand in England for Canadian cheese, and will to another extent be offset by the countervailing duties which have been levied by the Treasury within the last 20 days of from 1 to 2 cents a pound on Canadian cheese because of the export subsidy arrangement that has been placed into effect by the Canadian Government.

Also, for years there has been a tendency for world prices to come up toward the domestic prices of both cheese and butter, so that, at the present time, up to the present time, we cannot say that we have suffered greatly as to these prices.

Senator KING. You mean with respect to cheese?

Mr. HOLMAN. I mean with respect to cheese. We have, of course, suffered to the extent that the exports have come in as a displacement of our own products; but the way the situation is working out, Canada and other countries are subsidizing their exports, and we are subsidizing their exports to us. At the same time our Government is subsidizing our producers to maintain prices artificially against the heavy pressure of surplus stocks in this country.

Concluding the economic argument, let me make this point. Dairying is not like a great many agricultural industries such as cotton, wheat, and tobacco. Dairying is still a domestic industry. Dairying is also subject to the London price for at least one-half of the dairy farmers' income. The dairy farmer's income is the price rate multiplied by the volume of his production. The ceiling on his price is always the London price plus the tariff plus the freight. That is the maximum price that any dairy farmer can ever get for more than a few days at a time on at least half of the total production of dairying.

Assuming that the tariff wall is adequate, it does not mean that he is always going to get the London price plus that, because he rarely ever does. Only in times of scarcity does it come to that point, but often the price will go up 3 or 4 or 5 cents above London, especially in the winter time from November to March; on occasions up to 10 cents, and on rare occasions to almost as much as 13 cents a pound.

In the future—of course we have no way to predict what will be done except by what was done in the past a few years ago with the same group—in our Government if the duty on butter in connection with one of these trade agreements should be cut, we will say, down to 8 cents. We have some reason to believe that they planned it—at least I have good reason to believe that they discussed it within the Interdepartmental Committee, and they first in that committee proposed that it be cut from 14 to 12 cents, and then from 12 to 10, and then from 10 cents down to 8 cents, and of course I cannot give you the sources, gentlemen, except confidentially, but then an Assistant of the Secretary of State went out over the country and even approached some of my own people and asked them to lend their moral

support to a trade agreement that would cut the duty down to 8 cents—but granting him all sincerity and granting the Department all sincerity in their belief, we would be in the position of having lowered the ceiling on the possible maximum income for the dairy farmers throughout the country, in the face of which we have rising costs under the wage-and-hour legislation, and we have other fixed costs that come in as a result of having to conform to increasing rigidities in the economic structure.

Senator GUFFEY. What percentage of our dairy products go into milk and what percentage into butter?

Mr. HOLMAN. Our total farm production of milk is something over 100,000,000,000 pounds. The latest figure on that which goes into market consumption is that approximately 51,447,000,000 pounds of whole milk is manufactured into butter or cheese or evaporated. Thirty billion pounds is sold in the towns and cities as fluid milk and cream. That comes from a little over 25,000,000 milk cows, and the number of cows is up 2 percent on the 1st of January over last year.

Senator GUFFEY. That covers all the various States, I presume?

Mr. HOLMAN. Yes. Before the Ways and Means Committee, we dealt at some length with the sanitary conventions, including not only the Argentine convention which we fear, but also the inclusion of the language from the Argentine convention in so many of these other trade agreements. I will not take up the time of the committee on that argument, except to say that our people believe that a convention is practically in the same class as a treaty; and we feel that Congress is more and more inhibited by the encroachment of the State Department with respect to sanitary legislation. I do know that our attempt to get a sanitary standard in has been bitterly opposed by the Secretary of State.

Senator GUFFEY. Have we a sanitary standard in the different States and do they live up to them?

Mr. HOLMAN. We have sanitary milk-production standards, yes.

Senator GUFFEY. Do they live up to them?

Mr. HOLMAN. They have to in order to get the milk sold.

Senator GUFFEY. They do not when they import milk into Pennsylvania.

Mr. HOLMAN. That would be the responsibility of the State.

Senator GUFFEY. You are speaking of the sanitary control of foreign countries, and we cannot do it in this country.

Mr. HOLMAN. The simple thing we were asking for was that they be required to produce their milk from cows that had been tested for tuberculosis. That standard prevails in every county in the United States except 10 counties in California. We are practically free from tuberculosis, and yet we allow the dairy products from foreign countries to come in here without any sanitary standard at all.

Senator GUFFEY. Then you mean by the sanitary standards, the tubercular test?

Mr. HOLMAN. Yes.

Senator VANDENBERG. Let me see if I understand what you mean by the language from the Argentine Sanitary Treaty which has never been ratified. Did you say that some of the language from that treaty found its way into other trade agreements?

Mr. HOLMAN. Yes, sir; it has.

Senator JOHNSON. It is in the Canadian agreement.

Mr. HOLMAN. I have here a mimeograph of my testimony before the Ways and Means Committee, which goes somewhat fully into the extent to which that language is found.

Senator VANDENBERG. Suppose you file that as part of the record.

Mr. HOLMAN. With your consent, I will give it to the reporter as an excerpt from my testimony there.

Senator VANDENBERG. I think it is very important.

Mr. HOLMAN. It shows quite an extensive tendency on the part of the State Department to do that particular thing.

Senator KING. Your contention is that that provision which the State Department insisted upon being incorporated in trade agreements would lower the standard of the milk produced in the United States or the standard which we attempt to follow?

Mr. HOLMAN. My contention is, first, that it may endanger the public health; secondly, that it inhibits the liberty of the Congress to establish such sanitary standards as it may deem fit for importations of products.

Senator VANDENBERG. Thirdly, it might bear on the question of whether or not these agreements are treaties.

Mr. HOLMAN. I was answering the direct question of Senator King on that point. We further claim that they are in subject matter treaties rather than just merely trade agreements.

Senator JOHNSON. How much money does the United States expend in promoting sanitary conditions in the dairy industry including their dairy stock health program?

Mr. HOLMAN. In 21 years, as I recall, in which the tuberculosis campaign has been in effect—I may be wrong now—I think it is \$260,000,000 that has been spent by the State and Federal Governments in eradicating or controlling tuberculosis, and we estimate that an additional \$100,000,000 is borne by the farmers as losses for which there is no salvage.

Senator JOHNSON. Do you know how that compares with any foreign government?

Mr. HOLMAN. As far as we know, very little is being done in an organized way in foreign countries. We know that about 50 percent of the cows in England, for example, have tuberculosis, and that tuberculosis is very rampant all through the western European nations. We do not think there is very much of it in New Zealand. We know that there is a considerable amount of it in Canada.

Senator KING. There is not very much of it in the Scandinavian states of Denmark, Norway, and Sweden.

Mr. HOLMAN. It is at a very low point there. A very considerable percentage of it, we understand, exists in Switzerland. They do not have the same types of efficient Bureaus of Animal Industry such as we have in this country.

(The excerpt referred to is as follows):

GETTING AROUND SENATE APPROVAL OF SANITARY CONVENTIONS

In these sanitary conventions there is a standardized paragraph which is also included in the proposed sanitary convention with the Government of Argentina. This proposed convention was executed in 1935 but is still in the Committee on Foreign Relations of the Senate.

The provisions of this convention with respect to disease-free territories or zones sought to lift a quarantine imposed in 1927 by the United States Department of Agriculture against importations of animal products from Argentina. The quarantine was predicated on the prevalence of foot-and-mouth disease in

that country. The effectiveness of the quarantine was strengthened by the passage of a provision in section 306 of the Tariff Act of 1930. This provision prohibited the importation of cattle, sheep, swine, other domestic ruminants, and fresh, chilled, or frozen beef, veal, pork, lamb or mutton, from a foreign country found by the Secretary of Agriculture to be infested with the rinder-pest or foot-and-mouth disease.

The real issue confronting American agriculture at that time was whether this country should admit animal products coming in from territories or zones declared to be free of disease when the country, of which it was a part, was found to be infested. (Article III, U. S.-Argentina Sanitary Convention—signed May 24, 1935.) The Argentina convention, in effect, would have emasculated the congressional (Smoot-Hawley) mandate.

While the 1935 sanitary convention has lain dormant these 3 years or more, the officials of the Department of State have been active. In nearly all, if not all, of the trade agreements thus far executed, these officials have seen fit to incorporate one or another form of sanitary convention. In at least three instances, namely, in the case of trade agreements executed with Brazil (effective January 1, 1936), Colombia (effective May 20, 1936), and the Netherlands (effective May 8, 1937), this country has agreed not to impose additional sanitary requirements without the consent of the other contracting government. It is most singular that the pertinent articles of these agreements are copied verbatim from Article V of the 1935 sanitary convention with Argentina. We quote this identical language as follows:

"The Government of the United States of America or the Government of * * * (Argentina), as the case may be, will accord sympathetic consideration to such representations as the other Government may take regarding the application of sanitary laws and regulations for the protection of human, animal, or plant life.

"In the event that the Government of either of the contracting countries makes representations to the Government of the other country in respect of the application of any sanitary law or regulation for the protection of human, animal, or plant life, and if there is disagreement with respect thereto, a committee of technical experts on which each contracting Government will be represented shall, on the request of either Government, be established to consider the matter and to submit recommendations to the two Governments.

"Whenever practicable each Government, before applying any new measure of a sanitary character, will consult with the government of the other country with a view to insuring that there will be as little injury to the commerce of the latter country as may be consistent with the purpose of the proposed measure. The provisions of this paragraph do not apply to actions affecting individual shipments under sanitary measures already in effect or to actions based on pure food and drug laws."

In other trade agreements, illustrated by the new Canadian agreement (provisionally effective January 1, 1939), our Government agrees to submit the question of the application of any sanitary law or regulation to a form of international arbitration whenever the other contracting government disagrees with representations this country may make respecting the application of any sanitary law or regulation for the protection of human, animal, or plant life.

In short, an array of international experts displace the Congress of the United States in the matter of protecting the public health. Such a commission would be an excellent device to prevent, for several years, any action on the part of our Government. It is equally significant that the language of this clause in the trade agreements is lifted bodily from the Argentina Sanitary Convention. Compare the following quotation of paragraphs 2 and 3, article XV of the Canadian trade agreement with the first two quoted paragraphs above taken from the Argentina Convention of 1935:

"1. * * *

"2. The Government of each country will accord sympathetic consideration to, and when requested will afford adequate opportunity for consultation regarding, such representations as the other Government may make with respect to the operation of customs laws and regulations, quantitative restrictions on imports or the administration thereof, the observance of customs formalities, and the application of sanitary laws and regulations for the protection of human, animal, or plant health or life.

"3. In the event that the government of either country makes representations to the government of the other country in respect of the application of any sanitary law or regulation for the protection of human, animal, or plant health or life, and if there is disagreement with respect thereto, a committee of technical

experts on which each government will be represented shall, on the request of either government, be established to consider the matter and to submit recommendations to the two governments."

A further question is raised concerning the incorporation of these sanitary convention clauses in trade agreements--that of their application to countries other than the contracting government. In the negotiation of these trade contracts it has been the established policy to give whatever concessions are made to every other country except those which are deemed to discriminate against the United States. By negotiating a trade agreement with one country are all countries free to disagree with representations of our Government concerning the application of any sanitary law or regulation?

This continued encroachment on the prerogatives of Congress, the right and duty to legislate for the public health and welfare, has been bitterly protested by the major farm organizations. They are on record in trade-agreement hearings and elsewhere with the request that these conventions be deleted from the agreements.

Sanitary conditions at home and abroad fully justify the Smoot-Hawley embargo. When B. A. I. Order 353 (effective August 1, 1935) was issued by the Secretary of Agriculture in accordance with the provisions of section 306a of the Smoot-Hawley Tariff Act of 1930, foot-and-mouth disease was found to exist in practically all of the major cattle and sheep-producing countries of the world with the exception of the North American Continent and Australia. This is no less true in 1939 as evidenced by B. A. I. Order 370 (effective June 16, 1939), and the amendment of June 13, 1939, thereto. The contagious and communicable disease of rinderpest, or foot-and-mouth disease, having been found by the Secretary of Agriculture to exist in the following countries importations of cattle, sheep, other domestic ruminants, swine, fresh, chilled and frozen beef, veal, mutton, lamb, and pork from these countries are prohibited, viz, all countries on the continent of Africa, Albania, Arabia, Argentina, Belgium, Bolivia, Brazil, Bulgaria, Ceylon, Chile, China, Chosen (Korea), Czechoslovakia, Danzig (Free City), Denmark, Ecuador, Federated Malay States, France, Germany, Greece, Hungary, India, Indochina, Iran (Persia), Iraq, Italy, Great Britain, Luxembourg, Netherlands, Palestine, Paraguay, Peru, Philippine Islands, Poland, Portugal, Rumania, Siam, Spain, Straits Settlements, Sweden, Switzerland, Syria, Turkey, Union of Soviet Socialist Republics (Russia), Uruguay, Yugoslavia, the islands of the Malay Archipelago, and the various islands of the Mediterranean.

The comparatively disease-free position of this country, reached after more than 20 years joint effort by Federal and State Governments and at the expense of millions of dollars annually, justifies the embargo. Economic grounds, real or potential, cannot supersede the public health.

HOLDING BACK HEALTH LEGISLATION

It may be argued that the wording of the so-called sanitary conventions in the trade agreements does not inhibit the Congress from enacting such laws of a sanitary character governing imports as it may please. Let us examine that argument.

Pursuant to action of previous national conventions, in 1937 the federation drew up a simple bill to provide that no persons should import dairy products into the United States unless such dairy products had been produced from milk or cream of animals which were either free from tuberculosis or which were under official test for that disease. This proposed draft was placed in the hands of a member of the Agricultural Committee of the House who wrote both to the Secretary of State and the Secretary of Agriculture asking for an official opinion as to the policy of the administration with respect to this proposed legislation. Official replies were received from both the Secretary of State and the Secretary of Agriculture in which opposition was expressed to this legislation. In the letter from the Secretary of State specific reference is made by Mr. Hull to the fact that legislation of this character would be "contrary to the established commercial policy of this administration." Under the circumstances, would not the President veto the proposed legislation, even if Congress should pass it?

In the course of 23 years, the Federal, State, and county governments have expended more than \$260,000,000 to control bovine tuberculosis. It is likely that an additional \$100,000,000 has been sustained by way of actual losses of producers in the value of their animals above returns from indemnities and salvage disposal. The Nation is now practically free from this disease, its incidence having been reduced to a minimum. It has been further established that the tubercular bacilli will live in certain manufactured dairy products for many months. Under

such circumstances, it seems inconceivable to us that the administration would oppose a law to require imported dairy products to come into this country on the basis of the same standards of health protection that are now compulsory for producers in the United States.

Our organization favors legislation requiring permits for both domestic interstate shipment and foreign importation of dairy products, such permits to be issued on the basis of proof that the dairy products come from herds under official test for bovine tuberculosis. We submit that the involvement of this Nation in trade agreements containing these so-called sanitary conventions operates against the health of all American citizens. Knowing that the State Department as at present constituted will not freely abandon this policy, we feel that curative measures should be taken by the Congress to force it to do so.

Mr. HOLMAN. I now come to two amendments which we propose for the consideration of the committee.

Senator KING. By way of summation, the large number of dairy organizations for which you have spoken today are opposed to the continuance of this treaty?

Mr. HOLMAN. Will you please repeat that?

Senator KING. I say, by way of summation, I infer from your testimony that the organizations which you represent are opposed to this bill before us?

Mr. HOLMAN. The organizations which comprise our federation met in annual convention in Chicago November 15, 16, and 17, 1939, and unanimously asked for its repeal; but, as I previously stated, the convention gave the officers considerable liberty in interpreting the legislative situation as we found it, but further instructed that Senate ratification was the minimum. Acting upon that power, we are suggesting to the committee one amendment which conceives of these present trade agreements as being both revenue legislation and treaties—as being “dual purpose animals,” if you could use a dairy term for it. If that is the case, then to make them legal, in the judgment of our counsel, it would be necessary for the House and Senate to pass the revenue phase of the agreement, and then for the Senate, in addition, to ratify, by the usual two-thirds vote, that part of the agreement which might be termed “a treaty.” To that effect, we have introduced this amendment, which further provides that this revenue legislation and this treaty combined might be ratified in whole or in part, or adopted in whole or in part. The language may not be the best way to say it, but it expresses our thought.

(Following is the proposed amendment referred to by Mr. Holman:)

PROPOSED AMENDMENT TO TRADE AGREEMENT ACT REGARDING CONGRESSIONAL RATIFICATION

Amend the Tariff Act of 1930, as amended, by adding at the end of part III (U. S. C., title 19, secs. 1351 to 1354, inclusive), the following:

“SECTION 5. No foreign trade agreement hereafter entered into under the authority delegated to the President by section 350 of an Act entitled “An Act to amend the Tariff Act of 1930,” approved June 12, 1934, as amended, no amendatory or supplementary agreement hereafter entered into under such section, and no duties and other import restrictions specified in a proclamation issued by the President to carry out any such foreign trade agreement or any such amendatory or supplementary agreement, shall take effect until any such agreement shall have been ratified by the Senate and the duties and other import restrictions so specified to carry out such agreement shall have been approved by Congress: *Provided*, That the Senate may ratify any such agreement and Congress may approve the duties and other import restrictions so specified in part only; and that part of any such agreement so ratified and such duties and other import restrictions so approved shall then become effective.”

Senator KING. Have you or your counsel submitted a brief elaborating those points?

Mr. HOLMAN. I have a brief here which we believe would be useful to you, and I would like the privilege of offering it in the record, as it represents a considerable amount of scholarly work.

Senator CONNALLY. I think it should be printed. Is it in the House hearings?

Mr. HOLMAN. No. None of the material that I presented today has ever been printed.

The CHAIRMAN. Without objection, the brief will be inserted.

(The same will be found at the conclusion of Mr. Holman's testimony.)

Mr. HOLMAN. Now, I have a second amendment which has to do with the restoration of the right of producers to go into court. The Senators will recall that when the Tariff Act of 1930 was passed, section 516 (b) spelled out a simple procedure by which any producer could redress his wrongs first by going to the Treasury, we will say, and finally the whole thing was spelled out in that section, and finally getting into court. When this act was passed, specific reference was made to section 516 (b) to the effect that that should not apply to any actions under this act. The result is that we are denied a chance to get into court on this matter, and I can tell you that if we could have gotten into court, our own organization would probably by this time have had it up to the Supreme Court for a test to show really whether it is an undue delegation of power. To that end, we are offering an amendment designed to strike that language. It is very simple:

Amend the Tariff Act of 1930, as amended, by striking the words and figures "sections 336 and 516 (b)" appearing in the second sentence of section 2 (a) of an act entitled "An act to amend the Tariff Act of 1930," approved June 12, 1934, as amended, and inserting in lieu thereof the following: "Section 336".

We do not propose to take out the exemption under this present law of the operations under the flexible tariff provision.

Senator KING. Suppose it is admitted that these trade agreements are unconstitutional and not a proper delegation of authority. Has it been the view of your organization and your counsel that there is no way of challenging the validity of the act; that you cannot get into any Federal court directly or indirectly, or into the Supreme Court of the United States?

Mr. HOLMAN. We have not been able to do so. There is a decision here in the case of Fletcher versus the United States.

Senator CONNALLY. An importer could raise the issue, but they are not importers. An importer could raise the issue, could he not?

Mr. HOLMAN. I am not a lawyer, but here is the language from the Fletcher case, *Fletcher v. The United States* (92 F. (2d), 713), decided in November 1937:

In the Tariff Act of 1922, as a means of protecting American manufacturers, producers or wholesalers, Congress provided that they should have the right to protest the assessment by the collector of a rate of duty which was believed to be erroneous. This, of course, included a rate which was regarded as being too low. Definite provisions in section 516 (42 Stat. 970) were made to that effect. In the Tariff Act of 1930, substantially the same provision as far as is material here was reenacted. In 1934, Congress expressly withdrew the right of the so-called American producer to protest in event of a rate having been fixed by virtue of the so-called Reciprocal Trade Agreement Act. Obviously, by its express amendment of the 1930 act, it did not intend that the producer could do indirectly

what it denied him the right to do directly. If a producer, such as the appellant, could make an importation and accomplish the same purpose by protesting the rate fixed under the amended Tariff Act of 1930, the amendment to the act would amount to a nullity.

We have felt that we were shut off by virtue of that decision.

This brief in support of our amendment has been written by Mr. Charles W. Wilson, our counsel, and I have offered it as a part of the record.

There is one final thing I would like to say. We are not to be interpreted as being opposed to an increase of foreign trade. We believe in foreign trade, we believe in importations, we believe that that percentage of our production which goes abroad, whether it be either industrial or agricultural, helps American farmers and America.

We are not necessarily opposed to trade agreements, providing the procedure of executing trade agreements is in the form of carrying out a definite congressional mandate for which definite standards are prescribed for the Executive. However, we are definitely opposed to generalization of benefits and we believe that the bilateral system of trade agreements in this very modern, hard-boiled age in which we are living is the best way in which we can use trade agreements to effect the ultimate improvement of our conditions.

We suspect, and we hope that this committee will investigate it before it reports the bill, that most of these trade agreements that have been signed by these other countries have been, if not technically, at least actually, violated. We have in these trade agreements in most cases the right of reprisal if we wish to take it.

Senator KING. When you say "we", you mean the Government?

Mr. HOLMAN. I mean we as a people. Our organization would like to see the Senate and the House reassume their responsibility which we believe has been shunted aside under this act. We think it is your duty to reassume it. I say that respectfully; but it comes from people who are old-fashioned believers in constitutional procedure.

I wish to thank you for your very courteous attention.

(The brief directed by the chairman to be inserted in the record is as follows:)

BRIEF ON CONSTITUTIONALITY OF TRADE AGREEMENT ACT, SUBMITTED BY CHARLES W. WILSON, COUNSEL, THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION, WASHINGTON, D. C.

- I. Legal Aspects of Trade Agreements Act:
 - A. Delegation of legislative authority.
 - B. Senate ratification.
- II. Denial of Court Review to Producers, Manufacturers, Etc.
 - A. Nullification of remedial legislation enacted first in 1922 and continued in the Tariff Act of 1930.

I

LEGAL ASPECTS OF TRADE AGREEMENTS ACT

A. Delegation of legislative authority: In each instance of the enactment and extension of the Trade Agreements Act the committee reports both of House and Senate embodying the views of the majority attempt to sustain the constitutionality of the act as a proper delegation of legislative authority.

While they cite precedents in tariff and other acts going back as early as 1794, they rest their oars primarily on certain provisions of the McKinley Tariff Act of 1890 (sec. 3), and the Dingley Tariff Act of 1897 (sec. 3). A comparison of the provisions of these sections and the Trade Agreements Act is here appropos.

THE TARIFF ACT OF 1890

Section 3 of the (McKinley) act of 1890 provided:

"Sec. 3. That with a view to secure reciprocal trade with countries producing the following articles, and for this purpose, on and after the first day of January, eighteen hundred and ninety-two, whenever and so often as the President shall be satisfied that the Government of any country producing and exporting sugars, molasses, coffee, teas, and hides, raw and uncurd, or any of such articles, imposes duties or other exactions upon the agricultural or other products of the United States, which in view of the free introduction of such sugar, molasses, coffee, tea, and hides, into the United States he may deem to be reciprocally unequal and unreasonable, he shall have the power and it shall be his duty to suspend, by proclamation to that effect, the provisions of this Act relating to the free introduction of such sugar, molasses, coffee, tea, and hides, the production of such country, for such time as he shall deem just, and in such case and during such suspension duties shall be levied, collected, and paid upon sugar, molasses, coffee, tea, and hides, the product of or exported from such designated country as follows, namely:

"All sugars not above number thirteen Dutch standard in color shall pay duty on their polariscopic tests as follows, namely:

"All sugars not above number thirteen Dutch standard in color, all tank bottoms, sirups of cane juice or of beet juice, melada, concentrated melada, concrete and concentrated molasses, testing by the polariscope not above seventy-five degrees, seven-tenths of one cent per pound; and for every additional degree or fraction of a degree shown by the polariscopic test, two-hundredths of a cent per pound additional.

"All sugars above number thirteen Dutch standard in color shall be classified by the Dutch standard of color, and pay duty as follows, namely: All sugar above number thirteen and not above number sixteen Dutch standard of color, one and three-eighths cents per pound.

"All sugar above number sixteen and not above number twenty Dutch standard of color, one and five-eighths cents per pound.

"All sugars above number twenty Dutch standard of color, two cents per pound.

"Molasses testing above fifty-six degrees, four cents per gallon.

"Sugar drainings and sugar sweepings shall be subject to duty either as molasses or sugar, as the case may be, according to polariscopic test.

"On coffee, three cents per pound.

"On teas, ten cents per pound.

"Hides, raw or uncurd, whether dry, salted, or pickled Angora goatskins, raw without the wool, unmanufactured, and skins, except sheepskins, with the wool on, one and one-half cents per pound (26 Stat. 612)."

In previous majority committee reports Executive agreements entered into under the asserted authority of this section have been cited as controlling precedents for the proposition that Executive agreements of the trade-agreement type are nothing new in the history of our foreign relations. Hon. Francis B. Sayre in an article appearing in the May 1939 Columbia Law Review on the constitutionality of the Trade Agreements Act lists 12 such agreements. Following is a typical example of these 12:

By the President of the United States of America. A proclamation, volume 26, United States Statutes at Large, page 1563.

"Whereas pursuant to Section three of the Act of Congress approved October 1, 1890, entitled 'An Act to reduce the revenue and equalize duties on imports, and for other purposes,' the Secretary of State of the United States of America communicated to the Government of the United States of Brazil the action of the Congress of the United States of America, with a view to secure reciprocal trade, in declaring the articles enumerated in said Section three, to wit, sugar, molasses, coffee, and hides, to be exempt from duty upon their importation into the United States of America;

"And whereas the Envoy Extraordinary and Minister Plenipotentiary of Brazil at Washington has communicated to the Secretary of State the fact that, in due reciprocity for and consideration of the admission into the United States of America free of all duty of the articles enumerated in Section three of said Act, the Government of Brazil has, by legal enactment, authorized the admission, from and after April 1, 1891, into all the established ports of entry of Brazil, free of all duty, whether national, state, or municipal, of the articles or merchandise named in the following schedule, provided that the same be the product and manufacture of the United States of America;

"1. *Schedule of articles to be admitted free into Brazil.*¹—And that the Government of Brazil has, by legal enactment, further authorized the admission into all the established ports of entry of Brazil, with a reduction of twenty-five per centum of the duty designated on the respective article in the tariff now in force or which may hereafter be adopted in the United States of Brazil, whether national, state, or municipal, of the articles or merchandise named in the following schedule, provided that the same be the product or manufacture of the United States of America.

"2. *Schedule of articles to be admitted into Brazil, with a reduction of duty of twenty-five per centum.*²—And that the Government of Brazil has further provided that the laws and regulations, adopted to protect its revenue and prevent fraud in the declarations and proof that the articles named in the foregoing schedules are the product or manufacture of the United States of America, shall place no undue restrictions on the importer, nor impose any additional charges or fees therefor on the articles imported.

"And whereas the Secretary of State has, by my direction, given assurance to the Envoy Extraordinary and Minister Plenipotentiary of Brazil at Washington that this action of the Government of Brazil in granting exemption of duties to the products and manufactures of the United States of America, is accepted as a due reciprocity for the action of Congress, as set forth in Section three of said Act:

"Now, therefore, be it known that I, Benjamin Harrison, President of the United States of America, have caused the above stated modifications of the tariff law of Brazil to be made public for the information of the citizens of the United States of America.

"In testimony whereof, I have herewith set my hand and caused the seal of the United States to be affixed.

"Done at the city of Washington, this fifth day of February, one thousand eight hundred and ninety-one and of the Independence of the United States of America the one hundred and fiftieth.

"[SEAL]

BENJ. HARRISON.

"By the President:

"JAMES G. BLAINE,
"Secretary of State."

COMMENT

When the provisions of section 3 of the McKinley Act of 1890 and the type of proclamation issued by the President under the authority thereof are analyzed it is disclosed that the President has but executed a ministerial duty prescribed by Congress. This is at once apparent for Congress had already said in section 3 that certain specified duties should be imposed on enumerated commodities if the exporting country placed exactions on American agricultural or other products which were reciprocally unequal and unreasonable. The only duty delegated by Congress to the President was the one of ascertaining whether the exporting country did so impose exactions on American agricultural and other products. Upon that contingency the law of Congress went into operation. The President could neither establish the import duty nor select the commodity or article upon which the already specified duty was to be levied. The President's only discretion resided in his determination as to whether the exporting country was imposing reciprocally unequal or unreasonable exactions. In the quoted example of Executive agreement that determination by the very terms of the agreement was based upon the fact made known to him by the Brazilian Envoy that Brazil by legal enactment had authorized specified American commodities free entry or entry at a reduced rate. Certainly little or no discretion entered into President Harrison's proclamation.

In this connection it is important also to review the decision of the United States Supreme Court wherein it was held that section 3 of the McKinley Act was not an unconstitutional delegation of legislative authority. The case is that of *Field v. Clark* (143 U. S. 649, 692):

"* * * The act of October 1, 1890, * * * does not, in any real sense, invest the President with the power of legislation. For the purpose of securing reciprocal trade with countries producing and exporting sugar, molasses, coffee, tea, and hides, Congress itself determined that the provisions of the act * * * permitting the free introduction of such articles, should be suspended as to any country producing and exporting them, that imposed exactions and duties on the agricultural and other products of the United States, which the President deemed,

¹ Here follows an enumeration of such articles.

² Here follows an enumeration of such articles.

that is, which he found to be, reciprocally, unequal and unreasonable. *Congress itself prescribed, in advance, the duties to be levied, collected and paid on sugar, molasses, coffee, tea, or hides, produced or exported from such designated country, while the suspension lasted. Nothing involving the expediency or the just operation of such was left to the determination of the President.* The words "he may deem," in the third section, of course implied that the President would examine the commercial regulations of other countries producing and exporting sugar, molasses, coffee, tea, and hides, and form a judgment as to whether they were reciprocally equal and reasonable, or the contrary, in their effect upon American products. But when he ascertained the fact that duties and exactions, reciprocally unequal and unreasonable, were imposed upon the agricultural or other products of the United States by a country producing and exporting sugar, molasses, coffee, tea, or hides, it became his duty to issue a proclamation declaring the suspension, as to that country, which Congress had determined should occur. He had no discretion in the premises except in respect to the duration of the suspension so ordered. But that related only to the enforcement of the policy established by Congress. As the suspension was absolutely required when the President ascertained the existence of a particular fact, it cannot be said that in ascertaining that fact and in issuing his proclamation, in obedience to the legislative will, he exercised the function of making laws. Legislative power was exercised when Congress declared that the suspension should take effect and upon a named contingency. What the President was required to do was simply in execution of the act of Congress. It was not the making of law. He was the mere agent of the lawmaking department to ascertain and declare the event upon which its expressed will was to take effect. It was a part of the law itself as it left the hands of Congress that the provisions, full and complete in themselves, permitting the free introduction of sugars, molasses, coffee, tea, and hides, from particular countries, should be suspended, in a given contingency, and that in case of such suspension certain duties should be imposed." (Italics supplied.)

Compare this grant of authority to that contained in the Trade Agreement Act which categorically gives the President authority to enter into trade agreements with foreign countries and in so doing to proclaim the modification of existing duties or other import restrictions, or to continue existing customs and excise treatment of any article covered by any such agreement (conceivably the whole grant of enumerated commodities in the Tariff Act of 1930 and others not there classified). He is not limited as to a commodity, as to rate of duty except that he may not transfer between the dutiable and free list or in no event increase or decrease a duty by more than 50 percent, or as to which country he may negotiate with. A limitation in each of these respects was imposed in the enactment of section 3 of the McKinley Act of 1890, leaving to our mind but a ministerial duty to be performed by the President. Under the Trade Agreement Act, on the other hand, the President has unfettered power to select the country and the commodity, to fix the rate up or down within the limits of 50 percent, and to continue existing duties or other excise treatment and thus tie up congressional action (as witness the statements of State Department representatives before the Senate Finance Committee, March 8 and 9, 1939, on a proposed amendment to provide additional taxes on fats and oils to be appended to H. R. 3790). Each involves a great amount of discretion—each is the exercise of lawmaking powers contrary to constitutional mandates.

THE TARIFF ACT OF 1897

Section 3 of the (Dingley) Act of 1897 provided:

"SEC. 3. That for the purpose of equalizing the trade of the United States with foreign countries, and their colonies, producing and exporting to this country the following articles: Argols, or crude tartar, or wine lees, crude; brandies, or other spirits manufactured or distilled from grain or other materials; champagne and all other sparkling wines; still wines, and vermouth; paintings and statuary; or any of them, the President be, and he is hereby, authorized, as soon as may be after the passage of this Act, and from time to time thereafter, to enter into negotiations with the government of those countries exporting to the United States the above-mentioned articles, or any of them, with a view to the arrangement of commercial agreements in which reciprocal and equivalent concessions may be secured in favor of the product and manufactures of the United States; and whenever the government of any country, or colony, producing and exporting to the United States the above-mentioned articles, or any of them, shall enter into a commercial agreement with the United States, or make concessions in favor of the products or manufactures thereof, which, in the judgment of the President

shall be reciprocal and equivalent, he shall be, and he is hereby, authorized and empowered to suspend, during the time of such agreement or concession, by proclamation to that effect, the imposition and collection of the duties mentioned in this Act, on such article or articles so exported to the United States from such country or colony, and thereupon and thereafter the duties levied, collected, and paid upon such article or articles shall be as follows, namely:

"Argols or crude tartar, or wine lees, crude, five per centum ad valorem.

"Brandies, or other spirits manufactured or distilled from grain or other materials, \$1.75 per proof gallon.

"Champagne and all other sparkling wines, in bottles containing not more than one quart and more than one pint, \$6 per dozen; containing not more than one pint each and more than one-half pint, \$3 per dozen; containing one-half pint each or less, \$1.50 per dozen; in bottles or other vessels containing more than one quart each, in addition to \$6 per dozen bottles on the quantities in excess of one quart, at the rate of \$1.90 per gallon.

"Still wines, and vermouth, in casks, 35 cents per gallon; in bottles or jugs, per case of one dozen bottles or jugs containing each not more than one quart and more than one pint, or twenty-four bottles or jugs containing each not more than one pint, \$1.25 per case, and any excess beyond these quantities found in such bottles or jugs shall be subject to a duty of 4 cents per pint or fractional part thereof, but no separate or additional duty shall be assessed upon the bottles or jugs.

"Paintings in oil or water colors, pastels, pen-and-ink drawings, and statuary, fifteen per centum ad valorem.

"The President shall have power, and it shall be his duty, whenever he shall be satisfied that any such agreement in this section mentioned is not being fully executed by the government with which it shall have been made, to revoke such suspension and notify such government thereof.

"And it is further provided that with a view to secure reciprocal trade with countries producing the following articles, whenever and so often as the President shall be satisfied that the government of any country, or colony of such Government, producing and exporting directly or indirectly to the United States coffee, tea, and tonquin, tonqua, or tonka, beans, and vanilla beans, or any of such articles, imposes duties or other exactions upon the agricultural, manufactured, or other products of the United States, which, in view of the introduction of such coffee, tea, and tonquin, tonqua, or tonka beans, and vanilla beans, into the United States, as in this act hereinbefore provided for, he may deem to be reciprocally unequal and unreasonable, he shall have the power and it shall be his duty to suspend, by proclamation to that effect, the provisions of this Act relating to the free introduction of such coffee, tea, and tonquin, tonqua, or tonka beans, and vanilla beans, of the products of such country or colony, for such time as he shall deem just; and in such case and during such suspension duties shall be levied, collected, and paid upon coffee, tea, and tonquin, tonqua, or tonka beans, and vanilla beans, the products or exports, direct or indirect, from such designated country, as follows:

"On coffee, 3 cents per pound.

"On tea, 10 cents per pound.

"On tonquin, tonqua, or tonka beans, 50 cents per pound; vanilla beans, \$2 per pound; vanilla beans, commercially known as cuts, \$1 per pound (30 Stat. 203)."

In referring to this statutory provision the majority report to accompany House Resolution 407, the pending resolution to extend the Trade Agreement Act for an additional three appearing in the following table, namely:³

"Therefore, in further execution of the provisions of said section it is hereby declared that on and after the 1st day of June 1898 and during the continuance in force of the Agreement aforesaid, and until otherwise declared, the imposition and collection of the duties heretofore imposed and collected upon the following-named articles, the products of France, by virtue of said Act are hereby suspended, and in place thereof the duties shall be imposed and collected thereon according to the provisions of said section 3 as follows:

"On argols, or crude tartar, or wine lees, crude, five per centum ad valorem.

"On brandies or other spirits manufactured or distilled from grain or other materials, \$1.75 per proof gallon.

"On paintings in oil or water colors, pastels, pen and ink drawings, and statuary, fifteen per centum ad valorem.

³ Here follows an enumeration of articles.

"It is further declared that the rates of duty heretofore imposed and collected on still wines and vermouth, the product of France, under the provisions of the United States Tariff Act of 1897 are conditionally suspended, and in place thereof shall be imposed and collected on and after the 1st day of June next as follows, namely:

"On still wines and vermouth, in casks, 35 cents per gallon; in bottle or jugs, per case of one dozen bottles or jugs containing each not more than one quart and more than one pint, or twenty-four bottles or jugs containing each not more than one pint, \$1.25 per case, and any excess beyond these quantities found in such bottles or jugs shall be subject to a duty of 4 cents per pint, or fractional part thereof, but no separate or additional duty shall be assessed upon the bottles or jugs.

"Now, therefore, be it known that I, William McKinley, President of the United States of America, have caused the above stated modifications of the customs duties of the respective countries to be made public for the information of the citizens of the United States of America.

"In testimony whereof I have hereunto set my hand and caused the seal of the United States to be affixed.

"Done at the city of Washington, this thirtieth day of May, one thousand eight hundred and ninety-eight, and of the independence of the United States of America the one hundred and twenty-second.

[SEAL]

WILLIAM MCKINLEY.

By the President:

WILLIAM R. DAY,
Secretary of State.

This particular proclamation was involved in litigation in the case of *B. Altman & Company v. United States*, 224 U. S. 583. The case is cited in the majority committee (House) report to accompany House Joint Resolution 96 (the first (1937) extension resolution) as authority for the proposition that the United States Supreme Court described this agreement as "an international compact," but "not a treaty possession the dignity of one requiring ratification by the Senate." (See p. 15 of that report.)

Actually it may be said that the *Altman case*, supra, decided nothing insofar as a precedent to sustain the validity of the Trade Agreements Act is concerned. The issue before the court simply was whether or not the United States Supreme Court had authority to review the case on direct appeal from the circuit court of appeals. Within the meaning of the circuit court of appeals act of March 3, 1891, the United States Supreme Court decided that the agreement was a treaty, thus enabling it to take jurisdiction. No question of the constitutionality of section 3 of the Tariff Act of 1897 or the validity of the President's proclamation was involved.

But when we come to analyze this section of the 1897 act together with the proclamation quoted above we are led to similar conclusions to those reached with respect to section 3 of the 1890 act and proclamations issued under the authority thereof. In other words, Congress, in the enactment of section 3 of the 1897 act prescribed preferential rates of duty on specified commodities which should prevail if and when the President could negotiate with such countries commercial arrangements in which reciprocal and equivalent concessions may be secured in favor of the products and manufactures of the United States. In the case of the proclamation issued as quoted above such concessions were obtained from the French Government—accordingly President William McKinley issued his proclamation and the rates on argols, crude tartar, etc., brandies, etc., paintings and statuary imported from France became dutiable at the rates prescribed by Congress.

It cannot be said that this was an exercise of treaty making power by President McKinley. He simply put into force and effect rates of duty prescribed by Congress on specified commodities after he and his administrative agents bargained with the French Government for concessions on American products and manufactured items exported to France.

Here again the only duty delegated to the President was that of suspending prescribed rates of duty for lesser prescribed rates of duty on specified commodities provided he secure reciprocal concessions from the exporting country. He could not bargain with France or any other government as to the concessions the United States would make. Congress, in effect, made an offer. France accepted that offer. The President executed the contract thus made in behalf of the United States. His only discretion was the determination of whether France's acceptance in fact made for reciprocity as contemplated by the congressional policy set forth in Section 3 of the 1897 act.

SECTION 4 OF THE 1897 ACT

If proponents of the trade agreements program desire a constitutional precedent for the Trade Agreement Act they need look only to section 4 of the (Dingley) 1897 Tariff Act. This section provided as follows:

"Sec. 4. That whenever the President of the United States by and with the advice and consent of the Senate, with a view to secure reciprocal trade with foreign countries, shall within the period of two years from and after the passage of this Act, enter into commercial treaty or treaties with any other country or countries concerning the admission into any such country or countries of the goods, wares and merchandise of the United States and their use and disposition therein, deemed to be for the interests of the United States, and in such treaty or treaties, in consideration of the advantages accruing to the United States therefrom, shall provide for the reduction during a specified period, not exceeding five years, of the duties imposed by this Act, to the extent of not more than twenty per centum thereof, upon such goods, wares, or merchandise as may be designated therein of the country or countries with which such treaty or treaties shall be made as in this section provided for: or shall provide for the transfer during such period from the dutiable list of this Act to the free list thereof of such goods, wares, and merchandise, being the natural products of such foreign country or countries and not of the United States; or shall provide for the retention upon the free list of this Act during a specified period, not exceeding five years, of such goods, wares, and merchandise now included in said free list as may be designated therein; and when any such treaty shall have been duly ratified by the Senate and approved by Congress, and public proclamation made accordingly, then and thereafter the duties which shall be collected by the United States upon any of the designated goods, wares, and merchandise from the foreign country with which such treaty has been made shall, during the period provided for, be the duties specified and provided for in such treaty, and none other."

Their only reply to this contention is to be found in the House report of the majority to accompany H. R. 8687, the original Trade Agreements Act, where at page 10 it is said:

"Section 4 of the same act authorized the President, by and with the advice and consent of the Senate, to negotiate treaties with foreign countries providing for reciprocal tariff concessions. Pursuant to this authorization, the President concluded a series of treaties, all of which made provision for tariff reductions of considerable importance.

"These treaties, known as the Kasson treaties, failed to receive ratification by the Senate and therefore never came into force, thus demonstrating the ineffectiveness of such a method."

But section 4 of the 1897 act carried out the mandate of the Constitution. That section contemplated the execution of reciprocal trade agreements but circumscribed the Executive's power with the constitutional limitation that any such agreement be ratified by the Senate. The language of the committee report is a challenge to both the Constitution and the Senate. It is not for Congress to say how ineffectual a constitutional limitation may be. Yet that is what Congress has accomplished in the enactment of the Trade Agreements Act. (3)

THE TARIFF ACT OF 1909

The provision of the Payne-Aldrich Act of August 5, 1909, which provided for two schedules of duties, a minimum and maximum, and authorized the President to ascertain those countries which did not discriminate against American commerce but extended to the United States reciprocal and equivalent treatment and to proclaim that the prescribed minimum rates should apply to the imports of those countries was no greater grant of authority than section 3 of the 1897 act. Consequently, proclamations entered into under the authority of the 1909 act are hardly a precedent sustaining the validity of trade agreements executed under the 1934 act and its extensions.

THE TARIFF ACT OF 1922

Section 315 of the Fordney-McCumber Act of 1922 provided for the lowering or raising of duties by proclamation of the President based on differences in the cost of production of articles of the United States and the like or similar articles of foreign countries. This section was reenacted in the 1930 Tariff Act (sec. 336). By virtue of section 2 (a) of the Trade Agreements Act the section is made inapplicable to commodities the subject matter of trade agreements.

It is contended that this section is a precedent sustaining the validity of the President's authority under the Trade Agreements Act.

In analyzing section 315 it is disclosed that Congress prescribed certain definite standards whereby the new or different imposed rates of duty should attach.

The machinery of the section could be initiated either upon request of the President upon resolution of either or both Houses of Congress, by the tariff commission on its own motion or upon request of an interested party and the commission's judgment dictated the need for investigation of differences in cost of production. The standards which Congress prescribed in connection with this authorization are as follows, quoting from the same section of the 1930 Tariff Act, viz, section 336:

"SEC. 336. EQUALIZATION OF COSTS OF PRODUCTION.

"(a) Change of classification or duties.—* * * If the commission finds it shown by the investigation that the duties expressly fixed by statute do not equalize the differences in the costs of production of the domestic article and the like or similar foreign article when produced in the principal competing country, the commission shall specify in its report such increases or decreases in rates of duty expressly fixed by statute (including any necessary change in classification) as it finds shown by the investigation to be necessary to equalize such differences. In no case shall the total increase or decrease of such rates of duty exceed 50 per centum of the rates expressly fixed by statute.

"(b) Change to American selling price.—If the commission finds upon any such investigation that such differences can not be equalized by proceeding as hereinbefore provided, it shall so state in its report to the President and shall specify therein such ad valorem rates of duty based upon the American selling price, as defined in section 402 (g) of the domestic article, as it finds shown by the investigation to be necessary to equalize such differences. In no case shall the total decrease of such rates of duty exceed 50 per centum of the rates expressly fixed by statute, and no such rate shall be increased.

"(c) Proclamation by the President.—The President shall by proclamation approve the rates of duty and changes in classification and in basis of value specified in any report of the commission under this section, if in his judgment such rates of duty and changes are shown by such investigation of the commission to be necessary to equalize such differences in costs of production.

"(e) Ascertainment of differences in costs of production.—In ascertaining under this section the differences in costs of production, the commission shall take into consideration, insofar as it finds it practicable:

"(1) In the case of a domestic article.—(A) The cost of production as hereinafter in this section defined; (B) transportation costs and other costs incident to delivery to the principal market or markets of the United States, for the article; and (C) other relevant factors that constitute an advantage or disadvantage in competition.

"(2) In the case of a foreign article.—(A) The cost of production as hereinafter in this section defined, or, if the commission finds that such cost is not readily ascertainable, the commission may accept as evidence thereof, or as supplemental thereto, the weighted average of the invoice prices or values for a representative period and/or the average wholesale selling price for a representative period (which price shall be that at which the article is freely offered for sale to all purchasers in the principal market or markets of the principal competing country or countries in the ordinary course of trade and in the usual wholesale quantities in such market or markets); (B) transportation costs and other costs incident to delivery to the principal market or markets of the United States for the article; (C) other relevant factors that constitute an advantage or disadvantage in competition, including advantages granted to the foreign producers by a government, person, partnership, corporation, or association in a foreign country.

"(f) Modification of changes in duty.—Any increased or decreased rate of duty or change in classification or in basis of value which has taken effect as above provided may be modified or terminated in the same manner and subject to the same conditions and limitations (including time of taking effect) as is provided in this section in the case of original increases, decreases, or changes.

"(g) Prohibition against transfers from the free list to the dutiable list or from the dutiable list to the free list.—Nothing in this section shall be construed to authorize a transfer of an article from the dutiable list to the free list or from the free list to the dutiable list, nor a change in form of duty. Whenever it is provided in any paragraph of Title I of this Act, or in any amendatory Act, that the duty or duties shall not exceed a specified ad valorem rate upon the articles provided for

in such paragraph, no rate determined under the provisions of this section upon such articles shall exceed the maximum ad valorem rate so specified."

Furthermore, Congress spelled out exact definitions of such terms as domestic article, cost of production, etc.

Again, by virtue of subsection (c) of section 336, the President could proclaim changed rates and/or classifications only "if in his judgment such rates of duty and changes are shown by such investigation of the Commission to be necessary to equalize such differences in costs of production."

Section 315 of the 1922 act as an unlawful delegation of legislative authority came before the United States Supreme Court in the case of *Hampton & Co. v. United States* (276 U. S. 394). There a proclamation issued by President Coolidge in the case of imports from Germany. The proclamation was based upon the finding of the Tariff Commission that the duty on barium dioxide did not equalize the differences in costs of production in the United States. The proclamation increased the rate of duty on this article from 4 cents per pound to 6 cents per pound. When this provision was attacked as being unconstitutional delegation of legislative authority the Supreme Court held to the contrary. We quote the Court's reasoning as follows (p. 403 et seq.):

"First. It seems clear what Congress intended by No. 315. Its plan was to secure by law the imposition of custom duties on articles of imported merchandise which should equal the difference between the cost of producing in a foreign country the articles in question and laying them down for sale in the United States, and the cost of producing and selling like or similar articles in the United States, so that the duties not only secure revenue but at the same time enable domestic producers to compete on terms of equality with foreign producers in the markets of the United States. It may be that it is difficult to fix with exactness this difference, but the difference which is sought in the statute is perfectly clear and perfectly intelligible. Because of the difficulty in practically determining what that difference is, Congress seems to have doubted that the information in its possession was such as to enable it to make the adjustment accurately, and also to have apprehended that with changing conditions the difference might vary in such a way that some readjustments would be necessary to give effect to the principle on which the statute proceeds. To avoid such difficulties, Congress adopted in No. 315 the method of describing with clearness what its policy and plan was and then authorizing a member of the executive branch to carry out this policy and plan, and to find the changing difference from time to time, and to make the adjustments necessary to conform the duties to the standard underlying that policy and plan. As it was a matter of great importance, it concluded to give by statute to the President, the chief of the executive branch, the function of determining the difference as it might vary. He was provided with a body of investigators who were to assist him in obtaining needed data and ascertaining the facts justifying readjustments. * * *

"The field of Congress involved all and many varieties of legislative action, and Congress has found it frequently necessary to use officers of the Executive branch, within defined limits, to secure the exact effect intended by its acts of legislation, by vesting discretion in such officers to make public regulations interpreting a statute and directing the details of its execution, even to the extent of providing for penalizing a breach of such regulations. * * * Congress may feel itself unable conveniently to determine exactly when its exercise of the legislative power should become effective, because dependent on future conditions, and it may leave the determination of such time to the decision of an Executive * * *." [Italics supplied.]

The court relied to considerable extent on its previous decision in *Field v. Clark*, supra, in sustaining section 315 as a valid delegation of authority to an executive officer. It is in nowise accurate to compare section 315 and the Trade Agreements Act and draw the conclusion that each authorized the Chief Executive to fix rates of duty and that therefore neither violates the Constitution under the authority of the *Hampton & Co. case*, supra. A definite measuring stick was provided by Congress in the case of section 315--namely, differences in costs of production. When differences appeared, after due investigation, he was authorized to equalize those differences up or down within the limitation of 50 percent in the existing rate of duty. Thus, the President and the Tariff Commission were given two rules to guide what might be termed "their discretionary action"--namely (1) cost of production in the case of a domestic article, and (2) cost of production in the case of a foreign competing article. Within that range the President could adjust up or down the existing rate of duty up to 50 percent.

As stated by Hon. Joseph C. O'Mahoney when he appeared before the Senate Finance Committee on February 28, 1940, page 174, part 3, unrevised report of committee hearings:

"The standard fixed in the flexible tariff law (sec. 336)⁴ was the scientific finding of the Tariff Commission to set the difference in the cost of production at home and the cost abroad. There was the standard. The Congress said, 'Your power to change these duties is guided by this rule, which is the difference in the cost of production at home and abroad.'"

Contrast this with authority to adjust the existing rate of duty up or down within the limits of 50 percent, or continue existing rates of duty or other import restrictions whenever in the President's judgment our foreign trade is unduly burdened and restricted by reason of any existing duty or import restriction. In this latter case there is absolutely no rule to guide the Chief Executive except the very general one that involves complete discretionary power, namely, in what instance is our foreign trade penalized by an existing act of Congress. On his will alone rests the revamping of an entire tariff schedule which is as much the law of this country as the Constitution itself. To draw an analogy to section 315 of the Tariff Act of 1922 and the sustaining Supreme Court case of *Hampton & Co. v. United States*, supra, is to refute the contention that the Trade Agreement Act is a constitutional delegation of authority to the Executive branch.

Senator O'Mahoney in his testimony before the committee very appropriately called the committee's attention to the case of *Panama v. Ryan*, 293 U. S. 388, on the question of prescribing standards to guide the executive branch when delegating powers to it. In that case the Supreme Court considered the validity and held unconstitutional section 9 (c) of the National Industrial Recovery Act. This section authorized the President to prohibit the transportation in interstate and foreign commerce petroleum produced in excess of the amount permitted by the State. The court pointed out in its opinion (p. 418) that "* * * Congress left the matter to the President without standard or rule, to be dealt with as he pleased. The effort by ingenious and diligent construction to supply a criterion still permits such a breadth of authorized action as essentially to commit to the President the functions of a legislature rather than those of an executive or administrative officer executing a declared legislative policy * * *"

Again the court said (p. 430):

"If section 9 (c) were held valid, it would be idle to pretend that anything would be left of limitations upon the power of the Congress to delegate its law-making function. The reasoning of the many decisions we have reviewed would be made vacuous and their distinctions nugatory. Instead of performing its lawmaking function, the Congress could at will and as to such subjects as it chooses transfer that function to the President or other officer or to an administrative body. *The question is not of the intrinsic importance of the particular statute before us, but of the constitutional processes of legislation which are an essential part of our system of government.*" [Italics supplied.]

The same indictment may be leveled at the Trade Agreements Act with its lack of standard or rule to guide the executive branch.

B. Senate ratification.—Little need be said on this proposition. Trade agreements executed under the Trade Agreements Act of 1934 and its extension in 1937 are either treaties requiring Senate ratification or they are something less than treaties and do not require Senate ratification. The Supreme Court of the United States has never decided the question and we do not think previous decisions of that Court cited supra determine the question for the reasons outlined hereinbefore.

Two cases not previously treated may be alluded to briefly: *United States v. Curtiss-Wright Export Corporation*, 290 U. S. 304, and *United States v. Belmont*, 301 U. S. 324. The former involved a Presidential proclamation establishing an arms embargo in connection with the Chaco incident, pursuant to a resolution adopted by both Houses of Congress. The other had to do with a compact between the United States and Soviet Governments pertaining to the settlement of claims and counterclaims between the two Governments. Neither case involved the Trade Agreements Act and as precedents for the proposition that trade agreements need not be ratified by the Senate both decisions have their shortcomings. To show how unsatisfactory the latter case is on this point we quote from the opinion as follows (p. 761):

"A treaty signifies 'a compact made between two or more independent nations, with a view to the public welfare.' *B. Altman & Co. v. United States*, 224 U. S.

⁴ Section 336 appeared as section 315 in the 1922 act.

583, 600, 32 S. Ct. 593, 596, 56 L. Ed. 894. But an international compact, as this was, is not always a treaty which requires the participation of the Senate. There are many such compacts, of which a protocol, a *modus vivendi*, a postal convention, and agreements like that now under consideration are illustrations. See 5 Moore, *International Law Digest*, 210-221. The distinction was pointed out by this Court in the *Allman case*, *supra*, which arose under section 3 of the Tariff Act of 1897 (30 Stat. 151, 203), authorizing the President to conclude commercial agreements with foreign countries in certain specified matters. We held that although this might not be a treaty requiring ratification by the Senate, it was a compact negotiated and proclaimed under the authority of the President, and as such was a 'treaty' within the meaning of the Circuit Court of Appeals Act (26 Stat. 826), the construction of which might be reviewed upon direct appeal to this Court."

The Court virtually concedes that it did not determine whether the trade agreement with France in the *Allman case*, *supra*, was a treaty requiring Senate ratification. Hence the attempt to distinguish between a treaty as such and a commercial agreement is aided little by the later Belmont decision.

The *Curtiss-Wright case* is helpful only in attempting to determine whether the Trade Agreement Act, in light of other acts delegating authority to the President in respect to international affairs and relations, is a constitutional delegation of authority. This is something apart from deciding whether or not trade agreements are treaties requiring Senate ratification. If the act is unconstitutional because it is an unlawful delegation of legislative authority, then the question of Senate ratification becomes wholly immaterial. This is not to say, however, that aside from congressional authorization, such agreements may not be entered into. They may be, but as treaties, and being treaties require Senate ratification.

Under Article VI, paragraph 2 of the Constitution of the United States, it is provided:

"This Constitution and the laws of the United States which shall be made in pursuance thereof; and all treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land." (Italics supplied.)

Thus treaties are as much a part of the supreme law as is the Constitution and the laws of Congress. Some text authorities go so far as to say that treaties have no restraint either in the Constitution or the laws of Congress, but only what is best for the welfare of the country.

The *Curtiss-Wright* decision is of no aid in determining whether trade agreements are in fact treaties. That case simply holds that in foreign affairs the investment of the Federal Government with the powers of external sovereignty do not depend upon affirmative grants of the Constitution. No unlawful delegation of legislative authority was found to exist in the congressional proclamation authorizing the President to institute an arms embargo as his proclamation did in the Chaco affair.

The important point is that with respect to the exercise of external sovereignty when such action takes the form of a treaty the Constitution prescribes an affirmative limitation on the Executive's power, namely, that of Senate ratification. True, the President makes the treaty, but with the advice and consent of the Senate. In that instance he may not arise above the Constitution to enable this country to exercise its external sovereignty. On this point then the *Curtiss-Wright case* is no authority. Nor is it authority sustaining the validity of acts delegating authority in domestic affairs and in the Trade Agreements Act reposes the very cogent question as to whether or not the President is in effect making revenue laws contrary to the Constitution.

In considering this question sight should not be lost of the fact that in two of the trade agreements negotiated to date language is contained whereby existing treaties are superseded by the trade agreements. Thus, in the agreement with the Belgo-Luxemburg Economic Union, effective May 1, 1935, we find the following provision (p. 4, Executive Agreement, series No. 75):

"As long as the present Agreement shall remain in force, it shall supersede any provisions of the Treaty of Commerce and Navigation between the United States of America and His Majesty the King of the Belgians, concluded March 8, 1875, which may be inconsistent with the said Agreement * * *."

Again in the agreement negotiated with Colombia a similar provision is contained, reading:

"Article XI

"As long as the present Agreement remains in force, it shall supersede any provisions of the Treaty of Peace, Amity, Navigation, and Commerce between the United States of America and the Republic of New Granada, signed

at Bogota, December 12, 1846, which may be inconsistent with this Agreement * * *."

It is most singular that an agreement which proponents of the trade agreements program would have us believe does not reach the dignity of a treaty, should supersede and take precedence over such a dignified international compact.

Any fundamental difference between a treaty and other international arrangements must rest in the fact that only a treaty can change existing statutory laws. A trade agreement changes existing statutory law, namely, existing tariff schedules enacted into law by the Congress. Hence, they are treaties and as such must be ratified under the constitutional requirement to be found in Article II, section 2, of the Constitution.

II. DENIAL OF COURT REVIEW TO PRODUCERS, ETC.

A. Nullification of 1922-30 remedial legislation: The Trade Agreement Act unequivocally deprives a manufacturer, producer, or wholesaler the right they would otherwise have under section 516 (b) of the Tariff Act of 1930, to litigate in the courts matters arising out of the trade treaties, including the question of constitutionality.

It is section 2 (a) of the Trade Agreement Act which makes inapplicable the provisions of section 516 (b) of the 1930 Tariff Act to articles the subject matter of trade agreements.

This deprivation of right is perhaps the most flagrant violation of fundamental principles of justice and equity that prevail in a democratic country. It is wholly contrary to public policy and evinces a fear on the part of proponents of the plan that in a proper case the act itself would fall as an unconstitutional legislative measure.

Section 516 (b) of the Tariff Act of 1930 provides:

"(b) Classification: The Secretary of the Treasury shall, upon written request by an American manufacturer, producer, or wholesaler, furnish the classification of and the rate of duty, if any, imposed upon designated imported merchandise of a class or kind manufactured, produced, or sold at wholesale by him. If such manufacturer, producers, or wholesaler believes that the proper rate of duty is not being assessed, he may file a complaint with the Secretary of the Treasury setting forth a description of the merchandise, the classification, and the rate or rates of duty he believes proper, and the reasons for his belief. If the Secretary decides that the classification of or rate of duty assessed upon the merchandise is not correct, he shall notify the collectors as to the proper classification and rate of duty and shall so inform such manufacturer, producer, or wholesaler, and such rate of duty shall be assessed upon all such merchandise imported or withdrawn from warehouse after thirty days after the date of such notice to the collectors. If the Secretary decides that the classification and rate of duty are correct, he shall so inform such manufacturer, producer, or wholesaler, and shall, under such regulations as he may prescribe, cause publication to be made of his decision, together with notice that the classification of and the rate of duty on all such merchandise imported or withdrawn from warehouse after the expiration of thirty days after such publication will be subject to the decision of the United States Customs Court in the event that a protest is filed under the provisions of this subdivision. If dissatisfied with the decision of the Secretary, such manufacturer, producer, or wholesaler may file with him a notice that he desires to protest the classification or the rate of duty imposed upon the merchandise, and upon receipt of such notice the Secretary shall furnish him with such information as to the entries and consignees of such merchandise, entered after the expiration of thirty days after the publication of the decision of the Secretary, at the port of entry designated by the manufacturer, producer, or wholesaler in his notice of desire to protest, as will enable him to protest the classification of or the rate of duty imposed upon such merchandise when liquidated at such port. The Secretary shall direct the collector at such port to notify such manufacturer, producer, or wholesaler immediately upon the liquidation of the first of such entries to be liquidated. Such manufacturer, producer, or wholesaler may file, within thirty days after the date of such liquidation, with the collector of such port a protest in writing setting forth a description of the merchandise and the classification and the rate of duty he believes proper. Upon the filing of any such protest the collector shall notify the Secretary of the Treasury who shall order the suspension, pending the decision of the United States Customs Court upon such protest, of the liquidation at all ports, of all unliquidated entries of such merchandise imported or withdrawn from warehouse after the expiration of thirty days after the publication of the Secretary's decision. All entries of such mer-

chandise so imported or withdrawn shall be liquidated, or if already liquidated, shall, if necessary, be reliquidated, in conformity with such decision of the United States Customs Court. If, upon appeal to the Court of Customs and Patent Appeals, the decision of the United States Customs Court is reversed, the classification of the merchandise and the rate of duty imposed thereon shall be in accordance with the decision of the Court of Customs and Patent Appeals, and any necessary reliquidation shall be made. The provisions of this subdivision shall apply only in the case of complaints filed after the effective date of this Act."

The same provision first appeared as section 516 (b) of the Tariff Act of 1922. Up to that time the right of a manufacturer or producer to go into customs court and protest a classification or rate of duty was doubtful, notwithstanding that an importer had such right. The testimony contained in the report of the hearings before the appropriate committees of Congress preceding the enactment of the 1922 Tariff Act contains many illuminating references to the need for such a provision. But this is done away with under the provisions of the Trade Agreements Act and producers among others are left to the mercy of those who negotiate these pacts. They not only do not have recourse through the courts but the right of representation by the Senate has been denied them and other citizens.

In this connection it is well to quote from a comparatively recent decision of the Court of Customs and Patent Appeals, viz: *Fletcher v. United States*, 92 F. (2d) 713, decided November 22, 1937. This case involved the protest of an importer who protested the rate of duty assessed on pineapples which he was importing. He claimed the duty was too low. The duty assessed was that established under the Trade Agreement Act with Cuba. He claimed the unconstitutionality of the act. The court held it had no jurisdiction and the holding was affirmed by the Customs and Patent Appeals Court. The reason assigned was that the Tariff Act of 1930 made no provision for an importer to protest a too-low rate of duty. But important to the American manufacturer and importer is the following quoted from the opinion (p. 716):

"In the Tariff Act of 1922, as a means of protecting American manufacturers, producers, or wholesalers, Congress provided that they should have the right to protest the assessment by the collector of a rate of duty which was believed to be erroneous. This, of course, included a rate which was regarded as being too low. Definite provisions in section 516 (42 Stat. 970) were made to that effect. In the Tariff Act of 1930 substantially the same provision as far as is material here was reenacted. In 1934 Congress expressly withdrew the right of the so-called American producer to protest in event of a rate having been fixed by virtue of the so-called Reciprocal Trade Agreements Act. Obviously, by its express amendment of the 1930 act, it did not intend that the producer could do indirectly what it denied him the right to do directly. If a producer, such as the appellant, could make an importation and accomplish the same purpose by protesting the rate fixed under the amended Tariff Act of 1930, the amendment to the act would amount to a nullity."

As authority for the proposition that section 516 (b) would include a protest on rate of duty or classification on the ground that a Presidential proclamation was invalid. See *Feltex Corporation v. Dutchess Hat Works*, 71 F. (2d) 322, decided in 1934. The court said, at page 328:

"It is our view that the proceeding before us is primarily a suit against the Government, *State of Louisiana v. McAdoo*, 234 U. S. 627, 34 S. Ct. 938, 58 L. Ed. 1506. We hold that such suit is expressly authorized by section 516 (b) of the Tariff Act of 1930, and that such authorization of a Presidential proclamation under section 336 of the Tariff Act of 1930 (19 U. S. C. A. 1336). We further hold that appellee's protest properly raises the question of the validity of the proclamation herein involved."

On analogy the same rule would obtain in a case based upon the alleged invalidity of a Presidential proclamation under the provisions of the Trade Agreements Act as amendatory of the Tariff Act of 1930. Congress, however, has dissipated the right of a producer, among others, to avail himself of the duly constituted tribunal established to arbitrate customs disputes by the passage of the Trade Agreements Act. His right of redress gone, it devolves upon the Congress, in this instance, to protect his rights and strike down an unconstitutional law that has prevailed for more than 5 years.

CONCLUSION

We have attempted in this brief to show fairly that both the legislative and judicial precedents which have consistently been cited to sustain the validity of the grant of legislative power contained in the Trade Agreement Act cannot be

relied upon to substantiate the premise. Neither section 3 of the act of 1890 nor section 3 of the act of 1897 parallel the delegation of legislative authority contained in the Trade Agreement Act. The case of *Field v. Clark, supra*, is conclusive of this proposition. Further opposed to such an unfettered grant of power is the recent case of *Panama v. Ryan, supra*, which, in view of the enlightened discussion of delegation of legislative power without standards contained in that opinion, is commended to the earnest consideration of the committee.

Accordingly we submit that the delegation of legislative authority contained in the Trade Agreements Act constitutes a flagrant violation of constitutional mandates. It impinges on the revenue-making power lodged in the Congress. The execution of the power results in a change of existing law and consequently as a form of international-agreement-making mechanism offends against the express direction of the Constitution that treaties be negotiated with the advice and consent of the Senate and receive that body's concurrence.

Unlike the court's attitude in the *Panama case, supra*, the question of the validity of the Trade Agreements Act is of intrinsic importance. In the case of the act of Congress there involved, viz, the National Industrial Recovery Act, citizens could at least get into court to test the constitutional processes involved in that legislation. Here they have no such recourse. Meanwhile the executive branch has negotiated some 21 agreements under the doubtful authority of an act that has once been extended with seeming wanton disregard of "the constitutional processes of legislation which are an essential part of our system of government."

(The 11 tables introduced by Mr. Holman are as follows:)

TABLE 1.—Total concessions we received and gave on all products in terms of 1938 trade

[In thousands of dollars]

Trade-agreement country	Total exports	Total imports	Exports, total duty concessions		Imports, total duty concessions		Net gain to the United States on total duty concessions
			Amount	Percent of total	Amount	Percent of total	
Belgium	86,480	42,029	17,989	20.8	10,169	24.2	+7,820
Brazil	71,520	97,748	24,517	35.2	86,090	88.6	-62,572
Canada	424,010	256,046	186,565	44.0	224,649	87.5	-38,084
Colombia	45,669	49,378	16,182	35.5	48,813	98.9	-52,631
Costa Rica ¹	5,414	5,060	1,367	25.2	3,544	70.0	-2,177
Ecuador ¹	5,352	2,570	1,628	28.6	2,228	86.7	-700
El Salvador	3,644	5,672	447	12.8	5,598	98.6	-5,151
Finland	19,250	21,790	10,421	51.1	16,656	67.2	-6,235
France ¹	151,890	54,374	9,875	6.5	21,766	40.0	-11,891
Guatemala	7,400	6,530	1,958	26.1	8,731	91.0	-6,773
Haiti ¹	3,600	2,961	857	15.5	2,332	78.7	-1,775
Honduras ¹	6,252	5,677	867	13.9	5,220	91.9	-4,353
Netherlands ¹	84,370	30,117	10,338	22.9	11,152	37.0	+8,186
Sweden	85,290	45,067	44,216	51.8	33,104	73.5	+11,112
Switzerland	28,650	22,773	8,340	29.1	15,584	68.4	-7,244
Turkey ¹	13,195	14,603	1,604	12.2	13,320	91.2	-11,716
United Kingdom ²	513,955	118,365	308,438	60.0	86,402	73.0	+222,036
Venezuela	62,278	20,652	18,712	35.8	17,759	88.6	+953
Total trade-agreement countries ³	1,068,162	807,395	672,921	41.8	613,726	76.0	+59,195
Total trade-agreement colonies ⁴	105,483	-----	20,334	19.3	-----	-----	+20,334
Total non-trade-agreement countries ⁵	1,268,384	1,036,785	-----	-----	5,641,263	61.9	-641,263
Total, all countries ⁶	2,082,019	1,844,180	693,255	23.2	1,254,989	68.1	-561,734
Cuba	75,150	105,444	65,601	87.3	13,235	12.6	+32,366

¹ Exports from U. S. Department of Commerce.

² Excludes colonies.

³ Except Cuba.

⁴ Exports include British colonies and Netherland Indies, which were the only colonies that gave us concessions on exports. Imports from all colonies included in total for non-trade-agreement countries.

⁵ Includes imports of all items on which duties were automatically reduced as bound by virtue of our policy of generalizing tariffs.

Source: Exports from statistics of foreign countries; imports from U. S. Department of Commerce.

TABLE 2.—Total concessions we received and gave on industrial products in terms of 1933 trade

(In thousands of dollars)

Trade-agreement country	Total exports	Total imports	Exports—total duty concessions		Imports—total duty concessions		Net gain to the United States on duty concessions
			Amount	Percent of total	Amount	Percent of total	
Belgium.....	48,861	38,229	12,268	25.1	8,127	21.3	4,141+
Brazil.....	69,517	78,762	23,346	33.6	479	.6	22,967+
Canada.....	336,240	234,503	151,677	45.1	209,802	89.5	58,125+
Colombia.....	42,363	46,871	14,122	33.3	603	1.3	13,510+
Costa Rica ¹	4,471	2,785	501	11.2	12	.4	489+
Ecuador ¹	4,701	1,435	1,002	21.3	259	18.0	743+
El Salvador.....	2,982	5,665	215	7.2	43	.8	172+
Finland.....	13,302	24,186	5,833	43.9	10,293	67.4	10,460-
France ¹	107,842	43,020	4,769	4.4	15,746	36.6	10,977-
Guatemala.....	6,494	4,917	1,266	19.5	40	.8	1,226+
Haiti ¹	2,880	1,705	423	14.7	40	2.3	383+
Honduras ¹	5,592	411	603	10.8	5	1.1	598+
Netherlands ¹	60,493	10,122	8,283	13.6	2,303	12.0	5,980-
Sweden.....	69,426	44,410	32,322	46.0	32,000	74.1	678-
Switzerland.....	22,404	20,034	5,001	22.3	13,298	66.3	8,207-
Turkey ¹	12,987	2,377	1,479	11.4	611	25.7	898+
United Kingdom ¹	250,787	112,027	45,993	18.3	81,250	72.5	35,257-
Venezuela.....	46,097	19,833	14,230	39.3	14,976	75.5	746-
Total, trade-agreement countries ²	1,108,339	700,328	323,333	29.2	390,787	56.7	73,454+
Total, trade-agreement colonies ³	91,172		16,707	18.3			16,707+
Total, non-trade-agreement countries ⁴	975,854	286,234			* 382,672	13.4	382,672-
Total, all countries ⁵	2,175,365	986,562	310,040	15.0	770,459	79.0	430,410-
Cuba.....	54,258	7,542	45,043	84.7	1,530	20.3	44,413+

¹ Exports from U. S. Department of Commerce.² Excludes colonies.³ Except Cuba.⁴ Exports include British colonies and Netherlands Indies, which were the only colonies that gave us concessions on exports. Imports from all colonies included in total for non-trade-agreement countries.⁵ Includes imports of all items on which duties were automatically reduced or bound by virtue of our policy of generalizing tariffs.

Source: Exports from statistics of foreign countries; imports from U. S. Department of Commerce.

TABLE 3.—Concessions we received and gave on agricultural products in terms of 1938 trade

(Amounts in thousands of dollars)

	Total exports	Total imports	Exports—Total duty concessions		Competitive Imports—Total duty concessions		Net gain to the United States on duty concessions
			Amount	Percent of total	Amount	Percent of total	
Belgium.....	37,619	3,500	5,721	15.2	2,042	53.7	3,679+
Brazil.....	2,003	18,946	1,171	58.5	10,528	55.4	9,357-
Canada.....	87,770	22,143	34,888	39.7	14,847	67.1	20,941+
Colombia.....	3,267	2,507	2,060	62.7	2,379	94.9	319-
Costa Rica ¹	945	2,275	806	91.6	2,275	100.0	1,409-
Ecuador ¹	651	1,135	527	81.0	1,003	88.4	470-
El Salvador.....	522	7	232	44.4	5	71.4	227+
Finland.....	5,948	583	4,538	77.1	363	62.3	4,225+
France ¹	44,048	11,352	5,106	11.6	4,773	42.0	333+
Guatemala.....	996	4,613	693	69.6	4,590	99.6	3,903-
Haiti ¹	720	1,250	134	18.6	686	54.6	552-
Honduras ¹	660	5,216	264	40.0	5,141	98.2	4,877-
Netherlands ¹	23,877	10,995	11,555	48.4	7,380	77.1	3,175+
Sweden.....	15,864	687	11,894	75.0	204	31.0	11,690+
Switzerland.....	6,248	2,739	3,339	53.5	2,280	83.5	1,039+
Turkey ¹	209	12,226	126	60.6	12,221	99.9	12,095-
United Kingdom ¹	263,168	6,338	262,445	99.7	3,968	62.0	252,477+

See footnotes at end of table.

TABLE 3.—*Concessions we received and gave on agricultural products in terms of 1938—Continued*

[Amounts in thousands of dollars]

	Total exports	Total imports	Exports—Total duty concessions		Competitive imports—Total duty concessions		Net gain to the United States on duty concessions
			Amount	Percent of total	Amount	Percent of total	
Venezuela	5,281	219	4,482	84.9	30	13.7	4,452+
Total, trade-agreement countries ¹	499,813	107,097	350,091	70.0	74,727	69.8	275,361+
Total, trade-agreement colonies ²	14,311	-----	3,627	25.3	-----	-----	3,627+
Total, non-trade-agreement countries ³	292,530	272,305	-----	-----	\$ 140,387	51.6	140,387-
Total, all countries ⁴	806,654	379,372	353,718	43.9	215,114	56.7	138,604-
Cuba	20,802	97,273	19,658	94.1	11,705	12.0	7,953+

¹ Exports from U. S. Department of Commerce.

² Excludes colonies.

³ Except Cuba.

⁴ Exports include British colonies and Netherland Indies, which were the only colonies that gave us concessions on exports. Imports from all countries included in total for non-trade-agreement countries.

⁵ Includes all items on which duties were automatically reduced or bound by virtue of our policy of generalizing tariffs.

Source: Exports from statistics of foreign countries; imports from U. S. Department of Commerce.

TABLE 3a.—*Duty reductions we received and gave on all products in terms of 1938 trade*

[Amounts in thousands of dollars]

Trade-agreement country	Total exports	Total imports	Exports—duty reductions		Imports—duty reductions		Net gain to United States on duty reductions
			Amount	Percent of total	Amount	Percent of total	
Belgium	80,480	42,029	5,623	3.5	7,794	18.6	2,171-
Brazil	71,520	97,748	17,718	24.8	4,707	4.9	12,951+
Canada	424,010	250,640	131,870	31.1	53,583	20.9	78,287+
Colombia	45,650	49,378	11,115	25.0	18	(¹)	11,397+
Costa Rica ¹	5,416	5,090	595	11.0	(²)	(¹)	595+
Ecuador ¹	5,352	2,370	890	16.4	238	10.0	642+
El Salvador	3,504	5,672	138	3.9	43	8	95+
Finland	19,250	24,769	1,323	6.9	1,174	4.7	149+
France ³	151,890	54,378	5,778	3.8	21,308	39.3	15,590-
Guatemala	7,490	9,530	471	6.3	(⁴)	(¹)	471+
Haiti ¹	3,600	2,961	124	3.4	7	.2	117+
Honduras ¹	0,252	5,677	207	4.8	5	.1	292+
Netherlands ⁵	84,370	30,117	2,794	3.3	8,425	28.0	5,631-
Sweden	85,290	45,067	337	(¹)	2,756	6.1	2,419-
Switzerland	28,650	22,773	858	0.3	14,087	61.9	13,229-
Turkey ¹	13,195	14,603	1,604	12.2	11,727	78.2	10,123-
United Kingdom ⁴	513,955	118,365	45,089	8.8	28,585	24.2	16,504+
Venezuela	52,278	20,052	5,122	9.8	14,996	75.0	9,874-
Total, trade-agreement countries ¹	1,608,152	807,195	232,036	14.4	169,573	21.0	62,463
Total, trade-agreement colonies ^{2,5}	105,483	-----	4,874	4.6	-----	-----	4,874+
Total, non-trade-agreement countries ³	1,268,384	1,030,985	-----	-----	⁷ 137,757	13.3	137,757-
Total all countries	2,982,019	1,884,180	236,910	7.9	307,330	16.7	70,420-
Cuba	76,160	105,444	41,674	65.5	13,235	12.6	28,294+

¹ Exports from U. S. Department of Commerce.

² Excluding colonies.

³ Less than \$1,000.

⁴ Less than one-tenth of 1 percent.

⁵ Except Cuba.

⁶ Exports include British colonies and Netherland Indies, which were the only colonies that gave us concessions on exports. Imports from all colonies included in total for non-trade-agreement countries.

⁷ Includes imports of all items on which duties were automatically reduced by virtue of our policy of generalizing tariffs.

Source: Exports from statistics of foreign countries; imports from U. S. Department of Commerce.

TABLE 4.—Duty reductions we gave and received on agricultural products in terms of 1938 trade

[In thousands of dollars]

Trade-agreement country	Total exports	Total competitive imports	Exports, duty reductions		Competitive imports, duty reductions		Net gain to United States on duty reductions
			Amount	Percent of total	Amount	Percent of total	
Belgium	37,619	3,890	2,059	5.5	3,373	9.8	1,686+
Brazil	2,003	18,986	172	8.6	4,517	23.8	4,345+
Canada	87,770	22,143	15,015	17.1	12,431	56.1	2,614+
Colombia	3,287	2,507	1,877	57.1			1,877+
Costa Rica ¹	945	2,275	278	29.4	(9)	(9)	275+
Ecuador ¹	651	1,135	517	79.4	(9)	(9)	514+
El Salvador	522	7	57	10.9			57+
Finland	5,048	588	1,178	19.8	4,863	62.3	815+
France ²	44,038	11,352	3,030	6.9	4,685	41.3	1,646+
Guatemala	986	4,615	55	5.6	(9)	(9)	35+
Haiti ¹	720	1,250	55	7.6	(9)	(9)	55+
Honduras ¹	650	5,230	130	19.7	(9)	(9)	130+
Netherlands ³	23,877	10,995	2,794	11.7	7,224	65.7	4,430+
Sweden	15,864	657	2,327	14.7			2,327+
Switzerland	6,216	2,730	218	3.5	2,280	83.5	2,068+
Turkey ¹	208	12,226	126	60.8	11,601	95.0	11,695+
United Kingdom ²	263,168	6,338	30,152	11.5	3,029	57.3	26,524+
Venezuela	5,281	210	2,508	47.5			2,508+
Total, trade-agreement countries ⁴	199,813	107,067	62,587	12.5	47,202	44.1	15,385+
Total, trade-agreement colonies ⁵	14,311		90	.7			99+
Total, non-trade-agreement countries ⁶	292,530	272,305			7,573	21.2	57,753-
Total, all countries ⁷	808,654	379,372	62,686	7.8	104,955	27.6	42,260-
Cuba	20,892	97,273	12,875	61.6	11,705	12.0	1,170+

¹ Exports from U. S. Department of Commerce.² Excludes colonies.³ Less than \$1,000.⁴ Less than one-tenth of 1 percent.⁵ Except Cuba.⁶ Exports include British colonies and Netherland Indies, which were the only colonies that gave us concessions on exports. Imports from all colonies included in total for non-trade-agreement countries.⁷ Includes imports of all items on which duties were automatically reduced by virtue of our policy of generalizing tariffs.

Source: Exports from statistics of foreign countries; imports from U. S. Department of Commerce.

TABLE 5.—Duty reductions we gave and received on industrial products in terms of 1938 trade

[In thousands of dollars]

Trade agreement country	Total exports	Total imports	Exports—duty reductions		Imports—duty reductions		Net gain to United States on duty reductions
			Amount	Percent of total	Amount	Percent of total	
Belgium	48,861	38,229	3,594	7.3	7,422	19.4	-3,855
Brazil	69,517	78,762	17,546	25.2	251	.3	+17,295
Canada	336,240	234,503	110,825	34.7	41,162	17.5	+75,673
Colombia	42,363	46,871	9,539	22.5	18,126	38.7	-8,588
Costa Rica ¹	4,471	2,785	318	7.1			+318
Ecuador ¹	4,701	1,435	363	7.7	234	16.3	+129
El Salvador	2,982	5,695	81	2.7	43	.8	+38
Finland	13,302	24,186	145	1.1	812	3.4	-667
France ²	107,842	43,028	2,739	2.6	15,437	35.8	-12,698
Guatemala	6,494	4,917	417	6.4			+417
Haiti ¹	2,880	1,705	69	2.4			+69
Honduras ¹	5,692	441	167	3.0			+167
Netherlands ³	60,493	19,122			830	4.3	-830
Sweden	69,426	44,410	1,042	1.5	2,750	6.2	-1,714
Switzerland	22,404	20,034	610	2.9	11,802	58.9	-11,192
Turkey ¹	12,987	2,377	1,479	11.4	31	1.3	+1,448
United Kingdom ²	250,787	112,027	14,938	6.0	24,956	22.3	-10,018

See footnotes at end of table.

TABLE 5.—Duty reductions we gave and received on industrial products in terms of 1933 trade.—Continued

[In thousands of dollars]

Trade agreement country	Total exports	Total imports	Exports—duty reductions		Imports—duty reductions		Net gain to United States on duty reductions
			Amount	Percent of total	Amount	Percent of total	
Venezuela.....	46,997	10,833	2,014	5.0	14,365	75.5	-12,351
Total, trade agreement countries ¹	1,108,330	700,328	172,485	15.6	138,820	19.8	+33,658
Total, trade agreement colonies ²	91,172		4,775	5.2			+4,775
Total, non-trade-agreement countries ³	976,854	286,234			* 77,400	27.1	-77,460
Total, all countries ³	2,175,365	986,562	177,250	8.1	216,289	21.9	-39,039
Cuba.....	54,258	7,542	28,799	53.1	1,530	20.3	+6,012

¹ Exports from U. S. Department of Commerce.

² Excludes colonies.

³ Except Cuba.

⁴ Exports include British colonies and Netherlands Indies, which were the only colonies that gave us concessions on exports. Imports from all colonies included in total for non-trade-agreement countries.

⁵ Includes imports of all items on which duties were automatically reduced by virtue of our policy of generalizing tariffs.

Source: Exports from statistics of foreign countries; imports from U. S. Department of Commerce.

Summary of changes in balance of trade with trade agreement and nontrade agreement countries

[Values in thousands of dollars]

Item	2 years before ¹	2 years after ¹	Change	
			Amount	Percent
Excess of total exports over total imports:				
Trade countries ²	29,500-	104,000+	133,500+	³
Nontrade countries ⁴	363,654+	594,310+	230,656+	63.4+
Total world.....	334,154+	698,310+	364,156+	109.0+
Excess of industrial exports over industrial imports:				
Trade countries ²	151,000+	340,500+	198,500+	131.5+
Nontrade countries ⁴	388,654+	803,718+	415,064+	106.8+
Total world.....	539,654+	1,153,218+	613,564+	113.7+
Excess of all agricultural exports over competitive agricultural imports:				
Trade countries ²	39,000-	92,000-	56,000-	155.6-
Nontrade countries ⁴	276,284+	232,050+	44,214-	16.0-
Total world.....	240,284+	140,050+	100,214-	41.7-

¹ For trade-agreement countries captions "2 years before" and "2 years after" denote the averages of 2 years prior and 2 years after the year in which a trade agreement became first effective. For nontrade countries the "2 years before" is the average of 1934-35, and the "2 years after" is the average of 1937-38.

² Only includes all 13 countries with which agreements were made prior to 1937; as it is impossible to make an adequate comparison of trade-agreement countries signed later than 1936. The following trade countries have not been included: El Salvador, Costa Rica, Czechoslovakia, Ecuador, Nicaragua, Turkey, United Kingdom, and Venezuela.

³ Not possible to compute.

⁴ Includes all countries with which trade agreements were not made prior to 1937.

Source: All basic data compiled from U. S. Department of Commerce and U. S. Department of Agricultural statistics.

TABLE 8.—Value of United States agricultural exports and competitive agricultural imports 2 years before and 2 years after trade agreements ¹

[All values in millions of dollars]

Country	Year agreement was made	Agricultural exports				Agricultural competitive imports				Excess of agricultural exports over agricultural competitive imports	
		Before	After	Change		Before	After	Change		Before	After
				Amount	Percent			Amount	Percent		
Belgium	1935	19.0	21.0	8.0+	50.0+	2.5	8.5	6.0+	24.0+	13.5+	15.5+
Brazil	1930	1.5	2.0	0.5+	33.3+	12.0	24.0	12.0+	100.0+	10.5+	22.0+
Canada	1936	44.0	80.0	36.0+	81.8+	57.0	50.5	6.5-	11.4-	13.0-	20.5+
Colombia	1936	1.5	3.0	1.5+	100.0+	2.5	2.5			1.0-	0.5+
Cuba	1934	7.5	15.0	7.5+	100.0+	54.0	115.0	61.0+	113.0+	48.5+	100.0+
Finland	1936	3.0	4.0	1.0+	33.3+		1.0	1.0+		3.0+	3.0+
France and colonies	1936	48.5	52.5	4.0+	8.2+	15.5	23.0	7.5+	48.4+	33.0+	29.5+
Guatemala	1930	1.0	1.0			2.5	4.5	2.0+	89.0+	1.5-	3.5-
Haiti	1935	1.0	1.0			0.5	1.0	0.5+	100.0+	0.5+	
Honduras	1936	1.0		.6-	50.0-	7.0	6.0	1.0-	14.3-	6.0-	5.5-
Netherlands and colonies	1936	19.0	41.5	22.5+	118.4+	34.0	91.0	57.0+	167.0+	15.0-	49.5-
Sweden	1935	9.0	12.5	3.5+	38.9+	1.0	1.0			8.0+	11.5+
Switzerland	1936	1.5	2.0	.5+	33.3+	2.0	3.0	1.0+	50.0+	.5-	1.0-
Total		154.5	239.0	84.6+	54.5+	190.5	331.0	140.5+	73.8+	36.0-	92.0-

¹ Only includes countries with which agreements were made prior to 1937. "Before" and "After" captions denotes the average of 2 years prior and 2 years after the year in which an agreement with each individual country was first made.

Source: Compiled from U. S. Department of Commerce yearbooks and work sheets of the U. S. Department of Agriculture. Classification of agricultural exports and competitive agricultural imports is the same as endorsed by the U. S. Department of Agriculture except that bananas have been added to competitive agricultural imports. However, imports of bananas "before" and "after" only increased 2.5 millions or 19.2 percent whereas all competitive agricultural imports increased 73.8 percent.

TABLE 9.—Value of United States industrial exports and industrial imports 2 years before and 2 years after trade agreements ¹

[All values in millions of dollars]

Country	Year agreement was made	Industrial exports				Industrial imports				Excess of exports over imports	
		Before	After	Change		Before	After	Change		Before	After
				Amount	Percent			Amount	Percent		
Belgium	1935	30.0	52.5	22.5+	75.0+	22.0	58.0	36.0+	163.6+	8.0+	5.5-
Brazil	1930	40.0	63.0	23.0+	57.5+	2.5	4.5	2.0+	80.0-	37.5+	58.5+
Canada	1936	253.5	332.0	138.5+	54.6+	199.5	275.0	75.5+	37.8+	54.0+	117.0+
Colombia	1936	20.0	37.0	17.0+	85.0+	5.5	1.5	4.0-	72.7-	14.6+	35.5+
Cuba	1934	19.0	48.0	29.0+	152.6+	3.5	5.0	1.5+	42.8+	15.6+	43.0+
Finland	1936	3.0	8.0	5.0+	166.6+	10.5	17.0	6.5+	61.9+	7.5-	9.0-
France and colonies	1936	74.5	109.5	35.0+	46.9+	45.0	50.0	5.0+	11.1+	29.5+	59.5+
Guatemala	1930	3.0	6.0	3.0+	100.0+		1.0	1.0+		3.0+	5.0+
Haiti	1935	2.5	3.0	0.5+	20.0+					2.5+	3.0+
Honduras	1936	5.0	5.0	.0						5.0+	6.0+
Netherlands and colonies	1936	55.5	116.5	61.0+	100.0+	43.0	53.5	10.5+	24.4+	12.5+	63.0+
Sweden	1935	18.5	41.0	24.5+	148.4+	32.5	52.5	20.0+	61.5+	16.0-	11.5-
Switzerland	1936	6.0	7.5	1.5+	25.0+	13.5	21.5	8.0+	59.2+	7.5-	14.0-
Total		528.5	889.0	360.5+	68.2+	377.5	539.5	162.0+	42.9+	151.0+	349.5+

¹ Only includes countries with which agreements were made prior to 1937. "Before" and "After" captions denote the average of 2 years prior and 2 years after the year in which an agreement with each individual country was first made.

Source: Compiled from U. S. Department of Commerce yearbooks and work sheets of the U. S. Department of Agriculture. Classifications of imports are the same as endorsed by the U. S. Department of Agriculture except that rubber has been added to industrial imports.

TABLE 10.—United States domestic exports, industrial production, and wholesale commodity prices

Calendar year—	Industrial production (1923-25=100)		Total United States exports (1923-25=100)	Wholesale prices (1924-29=100)		Total United States exports (1924-29=100)
	United States	Foreign countries		United States	Foreign countries	
1929.....	119	135.6	115.3	97.1	94.4	109.8
1930.....	96	124.0	84.6	88.0	82.6	78.3
1931.....	81	110.0	53.2	74.3	71.9	49.2
1932.....	84	97.0	35.3	60.1	68.0	32.6
1933.....	70	107.2	36.9	67.2	68.2	34.1
1934.....	79	116.4	47.1	76.4	69.0	43.5
1935.....	90	124.3	50.2	81.5	70.1	46.4
1936.....	105	132.0	54.1	82.3	74.9	50.1
1937.....	110	144.1	73.8	87.9	87.6	68.3
1938.....	86	141.1	68.4	80.0	86.5	63.3
1939.....	105	160.0	69.9	78.4	(*)	64.7

* Preliminary.
 † Not available.

Source: Industrial production and wholesale prices from 1940 Agricultural Outlook; Exports from U. S. Department of Agriculture.

TABLE 11.—United States exports of domestic merchandise before and after deducting foreign countries' profit from the United States gold buying program

Calendar year	Net gold imports		Advantage to other countries	Domestic merchandise exports	
	Actual value	All at \$20.67 per ounce		Gross value	Net value
1929.....	\$175,066,000	\$175,066,000	.....	\$5,157,083,000	\$5,157,083,000
1930.....	290,807,000	290,807,000	.....	3,781,172,000	3,781,172,000
1931.....	145,325,000	145,325,000	.....	2,377,982,000	2,377,982,000
1932.....	1,446,213,000	1,446,213,000	.....	1,576,151,000	1,576,151,000
1933.....	1,173,455,000	1,102,338,000	\$71,117,000	1,647,220,000	1,718,337,000
1934.....	1,131,894,000	687,876,000	444,118,000	2,100,135,000	1,636,017,000
1935.....	1,739,019,000	1,028,021,000	712,998,000	2,244,081,000	1,530,083,000
1936.....	1,116,684,000	658,785,000	457,799,000	2,418,969,000	1,961,170,000
1937.....	1,685,603,000	935,447,000	650,056,000	3,298,929,000	2,648,873,000
1938.....	1,973,569,000	1,164,406,000	809,163,000	3,057,160,000	2,248,006,000
1939.....	3,574,151,000	2,108,749,000	1,465,402,000	3,123,859,000	1,658,467,000
1929-33.....	13,838,000	10,385,000	14,223,000	2,907,921,000	2,922,144,000
1935-39.....	1,997,765,000	1,178,682,000	819,083,000	2,828,403,000	2,069,320,000
1934-35.....	1,435,507,000	846,948,000	588,559,000	2,171,808,000	1,583,049,000
1937-38.....	1,779,536,000	1,049,926,000	729,610,000	3,178,049,000	2,448,439,000

* Denotes red figures.

Source: Net gold imports, from Federal Reserve Board; exports of merchandise, from U. S. Department of Agriculture.

The CHAIRMAN. I should like to place in the record, following the testimony of Mr. Holman, the text of a letter addressed by the Secretary of State to the Honorable Phil Ferguson. In this letter, which was printed in the Congressional Record of January 25, 1940, the Secretary of State categorically denies that the trade agreements in any way circumscribe the right of the United States to adopt and enforce any sanitary laws or regulations which may be deemed necessary.

(The text of the letter follows:)

DEPARTMENT OF STATE,
 Washington, January 25, 1940.

The Honorable PHIL FERGUSON,
 House of Representatives.

MY DEAR MR. FERGUSON: I have received your letter of January 22, 1940, and I am pleased to confirm your impression that there is no relationship between the proposed sanitary convention with Argentina and trade agreements.

No trade agreement entered into with any foreign country has affected or in any way relaxed the laws governing sanitary regulations and inspection of food products imported into the United States. As a matter of fact, it is customary to include in trade agreements a provision making clear that sanitary measures are not affected. For example, article XII of the present trade agreement with Canada reads in part as follows:

"2. Subject to the requirement that, under like circumstances and conditions, there shall be no arbitrary discrimination by either country against articles the growth, produce or manufacture of the other country in favor of the like articles the growth, produce or manufacture of any other foreign country, the provisions of this agreement shall not extend to prohibitions or restrictions. * * *

"(b) Designed to protect human, animal, or plant health or life * * *."

Substantially similar provisions are included in other trade agreements.

In response to your question concerning chilled and frozen beef, no concession has been granted on these products in any trade agreement so far concluded nor is any concession under consideration.

Sincerely yours,

CORDELL HULL.

The CHAIRMAN. There will be inserted in the record, a statement submitted to the committee by Mr. John B. Gordon, Washington representative of the Bureau of Raw Materials for American Vegetables Oils and Fats Industries.

STATEMENT OF JOHN B. GORDON, WASHINGTON REPRESENTATIVE OF THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES, IN SUPPORT OF HOUSE JOINT RESOLUTION 407 TO EXTEND RECIPROCAL TRADE AGREEMENTS ACT, BEFORE SENATE FINANCE COMMITTEE, MARCH 5, 1940

Mr. Chairman and members of the committee, we believe that the Trade Agreements Act has been a definitely constructive force in our national economy. It has served to build up the foreign commerce of the United States in farm and factory products. It has served as an ameliorating influence in reducing excessive tariff barriers throughout the world. When peace is restored, it will be one of the effective contributions which our country can make toward rehabilitation. We are, therefore, for the renewal of the Trade Agreements Act without crippling amendments, such as Senate ratification.

The 22 trade agreements already negotiated have been of benefit to various of the vegetable oil industries. Paint, varnish, enamel, and lacquer makers specifically have secured enlarged export outlets on paint in agreements with six countries. Nine countries have granted concessions on our varnish exports. Seven countries have reduced import rates on our lacquers, and five have admitted our enamels at lower duties.

Our exports of lacquers, ready-mixed paints, enamels and varnishes increased to countries with which we had trade agreements to 1,225,949 gallons in 1938 from 629,494 gallons in 1933, or an increase of 94.8 percent, while during this same period our exports to non-trade-agreement countries increased only 68.5 percent from 1,261,867 gallons in 1933 to 2,126,650 gallons in 1938. Total exports in 1938 amounted to 3,352,599 gallons, valued at \$6,211,000.

In the soap, cosmetic, and toilet preparations field 12 trade agreements negotiated with foreign nations accord improved trade treatment of these articles, and 13 contain tariff concessions. Exports of soap in 1939 totaled 28,639,000 pounds, an increase of 7,000,000 pounds over 1933, the year prior to the adoption of the reciprocal trade-agreements program. There are no figures available for the entire year of 1939 covering destination of exports, but it is of interest to note that exports of soap to trade-agreement countries in the year 1938 increased 36.1 percent, as compared to 1933, while exports to non-trade-agreement countries declined 17.77 percent. Total exports of soap in 1938 were 22,489,364 pounds.

In the naval-stores industry, which is closely allied with the vegetable oil industries, particularly the paint, varnish, and soap industries, reductions in import duties have been granted by three countries which are parties to trade agreements. Naval stores were bound on the free list in the trade agreement with Great Britain, which is a consideration of importance, as Great Britain takes one-fourth of the annual exports of rosin and turpentine from the United States.

Several of the members of this association process oils for use in the tanning industry. They are favorably affected, therefore, by the 19 reciprocal trade agreements containing tariff concessions on leather and leather products.

Some of the firms which I represent process oil for use in the manufacture of textiles. These firms have been beneficially affected by increased exports gained by the textile industry through tariff concessions in eight or more reciprocal trade agreements.

Another product on which tariff concessions have been granted in 15 or more agreements, which is of interest to the vegetable oil industries, is rubber tires and other rubber products, as zinc laurate made from coconut oil is used in the manufacture of rubber goods.

RECIPROCAL TRADE-AGREEMENTS PROGRAM HAS SERVED USEFUL FUNCTION IN STABILIZING PRICES OF RAW MATERIALS OF AMERICAN INDUSTRY

In addition to providing enlarged export outlets, the trade-agreements program has served a useful function in stabilizing the prices of the raw materials of practically every branch of American industry. As an illustration, I will mention that concessions granted by the United States on imports from trade agreement countries have included reductions in rates of duty applicable to more than twenty raw materials employed in the making of paint, varnish, enamel and lacquers although only one of these concessions involved an oil or fat. In the Brazilian trade agreement the duty on castor beans, from which castor oil is made, was reduced from one-half to one-quarter cents per pound. This change was most fortunate, as the war in China has made it impossible to secure an adequate supply of tung or wood oil, and dehydrated castor oil is the most generally used substitute material. It is also indispensable in the role of plasticizer in making lacquers.

The National Cooperative Milk Producers' Federation has taken objection in a brief filed with the Ways and Means Committee to censure those in charge of the reciprocal trade agreements program for having been engaged, in the words of the Milk Producers' Federation, in "breaking down the oils and fats price structure." Examination of the charges made reveal that the source of the complaint appears to be as follows:

"The duty on edible palm-kernel oil has been reduced from one to one-half a cent per pound. Expressed or extracted palm and babassu oils, and inedible palm-kernel oil have been bound on the duty-free list in their duty-free status. The 20 percent ad valorem rate on shark and shark liver oils has been reduced to 10 percent. The duty on crude sperm oil has been reduced from 5 to 2½ cents per gallon. Babassu nuts and kernels, palm nuts and palm nut kernels and copra have been found on the free list. In the course of a year we import in terms of oil approximately 300,000,000 total pounds of the above-listed commodities."

With your kind indulgence I will review briefly the changes which have been made in the oils and fats tax and tariff rates. I should state in the beginning that the changes are so trivial that it is quite unusual that anyone should have thought it worthwhile to comment on them.

The first change in tariff rate referred to by the milk producers is the cut in the duty on edible palm-kernel oil from one cent to a half cent per pound. This reduction was made in the British trade agreement and became effective January 1, 1939. In the first full year of the operation of the British agreement, the imports of edible palm-kernel oil into the United States totaled 1,911,000 pounds, as contrasted to imports of 2,383,000 pounds in 1938, a decrease of 472,000 pounds. Our domestic consumption of all oils and fats totals 9,800,000,000 pounds per annum. It may be seen, therefore, that the concession on edible palm-kernel oil to Great Britain could have had not even the most trivial effect on domestic oils and fats prices.

The second change made, of which the Milk Producers' Federation complains, is the reduction in the 20 percent ad valorem rate on shark and shark liver oil to 10 percent, made in the second Canadian agreement. It is even more remarkable that any mention was made of this cut in rate of duty, as there have been imports of only seven tank cars of shark liver oil from Canada since this concession was made, compared to none prior thereto, and a few thousand pounds have come in from Mexico. Total imports for 1939 were 467,480 pounds. Such imports as have been made, have been employed in the production of oils for sale to stock feeders and chicken feeders, the usage for which purpose could not have been of the remotest interest to the Milk Producers' Federation. Shark and shark liver oils are high vitamin potency oils, which are valuable for the same purposes for which cod liver oil is employed, and cod liver oil, it should be stated, has been on the free list for many years because of its great value to livestock and chicken feeders.

The third change in rate of duty to which the brief of the milk producers, as filed with the Ways and Means Committee, takes exception is the cut on crude

sperm oil from 5 to 2½ cents per gallon. This concession was made in the first Canadian trade agreement, effective January 1, 1936. Imports of crude sperm oil in the year 1939 totaled 2,496,980 pounds. Imports in 1935, the year prior to that in which the concession was granted in the Canadian agreement, totaled 2,337,638 pounds.

It is hardly understandable that these relatively small imports of an oil, which is used mainly in the manufacture of lubricating oil for rapid-running light machinery, also for leather dressing and for the tempering of steel, could be of any interest whatsoever in a competitive way to milk producers. It would appear that the Milk Producers' Federation is hard put to it to find ground for criticism of the reciprocal trade agreements program in mentioning these trivial changes which have been made in fats and oils rates.

OILS AND FATS RATE CHANGES TRIVIAL

It will be noted that at the bottom of the paragraph which I have quoted from the National Cooperative Milk Producers' Federation's brief, it is stated that "In the course of a year we import in terms of oil approximately 300,000,000 total pounds of the above-listed commodities." In this connection, it should be pointed out that the three rate changes which we have discussed are the only rate changes which are enumerated in the brief of the Milk Producers' Federation as having been made in oils and fats duties. It is obvious, therefore, that the imports of 300,000,000 pounds in terms of oil come in in the form of oils and fats or oil-bearing materials which were merely bound on the free list, where those in charge of the reciprocal trade-agreements program found them. In other words, absolutely no change whatever was made in rates of duty on oils and fats which resulted in an increase of imports, with the exception of the almost infinitesimal increase in the imports of crude sperm oil, a lubricating oil, and the even more infinitesimal increase in the imports of the high-vitamin-potency oils—shark and shark liver. This, of course, is an unfortunate defect in the program, as the import taxes on many oils and fats are high beyond the realms of reason and could properly have been made the basis of trade-gaining concessions, but our reason for considering it as a defect is quite different from those advanced by the milk producers.

As previously mentioned, those in charge of the reciprocal trade-agreements program bound palm and babassu oils and inedible palm-kernel oil on the duty-free list, where they had been placed by Congress. They also bound babassu nuts and kernels, palm nuts and palm kernels, and copra on the free list, where they found them. It should be stated, however, that this binding on the free list was more apparent than real in respect to all of these materials, with the single exception of babassu kernels, as all of the oils involved except babassu bear a processing tax of 3 cents per pound, which is equivalent to an import tax of 100 percent ad valorem or greater. Obviously, this rate is higher than most any tariff rate which is in effect against any commodity or article which is imported into the United States when considered on an ad valorem basis. The average ad valorem equivalent of the rates in the Smoot-Hawley Tariff Act was 75 percent, when enacted in 1930. We do not believe that the reciprocal trade-agreements negotiators can be justifiably criticized for acceding to the request of the Netherlands and Great Britain that palm and palm-kernel oils be bound against further increase in rate of excise tax, in view of the fact that this excise tax constituted a tariff duty higher than almost any tariff duty on our list of dutiable articles in the Tariff Act of 1930.

CANCELANON OF ONE ITEM MEANS ENTIRE AGREEMENT MUST BE RENEGOTIATED

It has been urged before this committee that the binding of palm and palm-kernel oils at the present rate of excise tax and the binding of babassu kernels and oil on the free list in the Brazilian trade agreement be canceled. This would be tantamount, of course, to cancelation of the trade agreements with these three countries, for, as was pointed out in the testimony of the Secretary of State, Cordell Hull, on February 26, it is impossible to cancel a single item in a trade agreement without throwing the entire agreement open to renegotiation. Since the trade agreements with Great Britain, the Netherlands, and Brazil are among the most important in effect, it can be seen that great risk would be attached to a move which would result in absolutely no benefit to anyone.

The 100-percent ad valorem excise taxes on oils and fats have been in effect since the year 1934. In this 6-year period it has been possible to make a careful study of these excise taxes, and it is the carefully considered opinion of those experienced

in the trading of oils and fats that the excise taxes have done far more harm to the domestic producers of oils and fats than they have brought benefit to them.

The effect of the excise taxes has been manifested in the main in two directions. First, they have reduced the value of the oils and fats against which they were levied in international markets, with the result that whenever domestic producers of oils and fats export their lard, their soybean oil in the form of soybeans, etc., into the markets of the world, they encounter the competition of these oils and fats in far more intensified form than they ever would have had the taxes not been placed. The effect of these excise taxes on palm, palm-kernal, and coconut oils has been to force our chief export fat, lard, so low in price that frequently during the past year and at present it is in competition with low-grade inedible animal fats and greases in the soap kettle. This was the direct result of the low prices at which export lard has been forced to sell in European markets during the past year as the result of the competition of the oils and fats, on which we had levied excise taxes.

EXCISE TAXES ON IMPORTED VEGETABLE OILS HAVE DONE MORE HARM THAN GOOD

That the excise taxes levied in 1934 had the effect of reducing the prices at which the oils and fats to which they were applicable sold in international markets, is readily obvious from the fact that almost immediately following the imposition of these excise taxes, the prices of these oils and fats broke away from the general average value of all oils and fats and sold considerably below the general price average. Whereas prior to the imposition of the excise taxes there was a close relationship between the price index numbers of palm, palm-kernel, and coconut oils and the average price index number of all oils and fats sold in international markets, after the excise taxes were levied in 1934 there was a marked divergence in the price index lines of the three oils in question from the average price-index number of all oils and fats sold in international markets, due to the fact that these three oils sold at prices considerably below those at which oils and fats not affected by the American excise taxes sold in international markets.

It is the settled conviction of those who have had experience in dealing in oils and fats in international markets that if, by any circumstance, the Congress should ever decide to increase the excise taxes on oils and fats, we might as well say good-bye permanently to any export business which this country possesses in oils and fats. The effect of these increased excise taxes would be to diminish further the prices of competitive oils and fats in international markets and make it even more difficult to sell lard in competition therewith in European markets. In place, therefore, of "preventing domestic producers from using the tariff and internal tax method of fortifying their incomes," as claimed in the brief of the National Cooperative Milk Producers' Federation as filed with the Ways and Means Committee, the administrative agencies in charge of the reciprocal trade-agreements program when they bound the rates of excise tax on palm and palm kernel oils and, inferentially, that on coconut oil when copra, the raw material from which it is made, was bound on the free list in the British agreement, they merely protected these producers from further injury in saving for them what was left of the domestic export market.

EXCISE TAXES ON VEGETABLE OILS HAVE REDUCED PURCHASING POWER OF IMPORTANT EXPORT MARKETS

A second effect of the excise taxes levied in 1934 has been to decrease the purchasing power of the areas from whence come the oils and fats against which the taxes were levied. For illustration, the Netherland East Indies, which bought more than \$35,000,000 worth of American merchandise in 1939, could in all probability have purchased an additional \$4,500,000 worth of American-produced merchandise had the excise tax of 3 cents per pound not been in effect on palm oil with corresponding diminishment of the ability of palm-oil consumers in the United States to pay a proper price for the palm-oil supplies which they purchased.

It must be obvious that the consumer of palm oil in the United States who is forced to pay into the United States Treasury 3 cents on every pound of palm oil which he utilizes in the manufacture of soap or other industrial product cannot pay in addition thereto the normal price of the oil. Since the United States is the largest consumer in the world of oils and fats, it is obvious that the price which it pays must set the price in world markets of oils such as palm and coconut, of which it is the world's largest consumer.

The Philippine Islands, which in 1939 purchased \$100,000,000 worth of American merchandise and ranked fifth in the order of importance in our export markets,

could have purchased a considerably larger volume of American-produced merchandise had the 3-cent-per-pound excise tax collected on Philippine coconut oil not reduced the coconut-producing provinces of the Philippines to a state of impoverishment. Whereas these areas were formerly among the heaviest consumers in the islands of American exports, such as canned milk, flour, textiles, etc., their buying power now is almost nothing. The fact that we return to the Philippines in the vicinity of \$15,000,000 per annum in the form of the collections made on the processing tax on coconut oil does not aid the purchasing power of the quarter of the population of the Philippines which is dependent upon the coconut industry for its livelihood, as, under the terms of the Revenue Act of 1934, none of the proceeds of this tax may be remitted to the coconut producers.

The purchasing power of the areas on the west coast of Africa, from whence come important supplies of palm oil and palm kernels, has been diminished to an important degree by the 3-cent excise tax levied on palm and palm-kernel oils.

Since the chief usage of palm, palm-kernel, and coconut oils in the United States is in the manufacture of nonedible industrial products, we take occasion to again suggest to this committee that the proper solution of the argument as to the admission of these necessary oils into the United States market is to permit the excise tax-free usage of such of them as are employed for industrial usage. Had Congress followed such a procedure in the past, it is easily demonstrable of proof that the industrial users of oils and fats in the United States would have kept the price levels of these oils in international markets at their former levels as compared to the price levels of other oils and fats, which is something they cannot do at present in view of the fact that they must pay 100 percent ad valorem tax before they can use a single pound of them in manufacturing their industrial products.

The producers of oils and fats in the United States are engaged mainly in the production of oils and fats for edible usage. Oils and fats imported for edible usage can pay the 3-cent-per-pound excise tax now collected on their first domestic processing without injury to the domestic oils and fats price structure, as the consumers of edible products will pay a higher price than consumers of industrial products, but when the heavy hand of the tax collector, in addition, is laid upon the raw materials of the manufacturer of inedible products, the immediate result is a very definite injury to the domestic oils and fats price structure.

OILS AND FATS PRODUCERS LOOK TO RECIPROCAL TRADE PROGRAM TO RESTORE LOST EXPORT MARKETS

The more foresighted oils and fats producers in the United States have looked favorably upon the reciprocal trade-agreements program, regarding it as they do as a means of reversing the downward trend in the sale in export markets of our huge surplus of edible oils and fats. It should be stated that the export markets for cottonseed oil and cottonseed meal and cake, which the United States once possessed, were lost through the effects of the Tariff Act of 1922. This export business in cottonseed products was not a World War baby. It existed long prior thereto.

Our exports of cottonseed oil for the 1911 fiscal year totaled 1,000,000 barrels. Those for the fiscal year 1912 were not far short of 800,000 barrels. Lard exports in the same years exceeded 500,000,000 pounds per annum. Combined exports of all oils and fats was well in excess of 1,000,000,000 pounds per annum, but our domestic producers became avaricious. Following the World War they said "Let's shut out the foreign competition and then we will have both the domestic and the foreign market."

When the Fordney-McCumber tariff bill was passed in 1922 many of the domestic producers over the vigorous protest of others prevailed upon Congress to shut out foreign competition in the form of soybean oil, peanut oil, and cottonseed oil. Even the rate on olive oil, our domestic production of which amounted to about 1 percent of our domestic consumption, was raised to 7½ cents per pound, as contrasted to a rate of only 30 cents per gallon in the Tariff Act of 1913.

Following the passage of the Tariff Act of 1922 there was a wave of retaliation in European countries, particularly in Italy and France and her dependencies, against American-produced cottonseed oil. American refiners of cottonseed oil when they lost contact with the Oriental oils in the American market, simultaneously lost their ability to mesh their buying and selling policy with the markets of the outside world. The oils and fats which had been shut out of the United States moved around us to Europe, and our exports of cottonseed oil diminished until they became the merest trickle.

EXPORT MARKETS FOR COTTONSEED CAKE LOST ALONG WITH COTTONSEED OIL
FOREIGN OUTLETS

We lost not only our export business in cottonseed oil, but with it went our exports of cottonseed cake and meal. Whereas in the crop year 1911 we exported 646,000 tons of cottonseed cake and meal and 564,000 tons in the 1912 crop year, exports sank to a much lower level following the passage of the Tariff Act of 1922 and as the downward tendency persisted, it was found impossible to export more than five or ten thousand tons per annum. In the 1938 fiscal year exports amounted to only 13,440 tons. The reason for the enormous decline in the exports of cottonseed cake and meal was that once the United States placed itself in a position where the cottonseed oil trade of Europe was lost, it provided the European crushers not only with the opportunity to supply substitutes for our cottonseed oil but to supply substitutes for our cottonseed cake and meal in the form of protein concentrates obtained by crushing soybeans, peanuts, cottonseed, etc., in their own mills.

The United States export trade in hog lard survived the Tariff Act of 1922 and continued in good volume until the drought cycle, which began in 1934, diminished the supply of lard available for export. Added to the diminished lard supply was the effect of the excise taxes levied on palm, palm kernel, and coconut oils levied in 1934, as exporters of lard were discouraged because the depreciated value in international markets of these oils furnished intensified competition for our hog lard in European and other markets.

Our lard-export market following 1930 had also begun to diminish because of the tendency of our former customers to enter into bilateral trade agreements, to engage in barter arrangements, and in the case of the British market the system of inter-Empire preferences set up under the Ottawa agreement seriously cut in on our lard trade. When, therefore, under the reciprocal trade-agreements program, a comprehensive effort was made to regain the United States market for lard, it was greeted with the full approval of the oils and fats industries of the United States.

TRADE AGREEMENTS ARREST DOWNWARD TENDENCY

A profitable market for its lard exports has been restored to the United States in Cuba. Lard exports to Cuba in 1939 totaled 55,431,252 pounds, as compared to 10,908,351 pounds in 1933, the year prior to the consummation of the Cuban trade agreement. Concessions on lard have been obtained to date in 12 additional trade agreements with foreign countries, the most important of which was the removal of the 10-percent ad valorem duty on lard applying against imports into Great Britain. Exports of lard to Great Britain in 1939, the first complete year of its operation, totaled 150,220,644 pounds, as compared to 124,809,862 pounds in 1938. Exports would have been much larger had it not been for the outbreak of war.

Concessions on oleo oil, stock and stearine exports have been obtained in trade agreements with four countries. Exports of oleo oil, which once exceeded 100 million pounds per annum, may again become an item of importance in our foreign commerce. Duty reductions on cottonseed oil, corn and soybean oils were obtained in the Cuban agreement. Concessions were granted on hydrogenated vegetable oils and on fats imported for soap-making purposes, inclusive of soap stock obtained from the refining of cottonseed oil.

The oils and fats producers of the United States major need is enlarged export markets for their production of edible oils and fats. Exports in 1939 totaled 500 million pounds (inclusive of the oil content of exported soybeans), but the volume of domestic production being the largest on record, an exportation of one billion pounds would have been warranted. Only by the restoration of their export markets will the oils and fats producers of this country be able to obtain higher prices for their production of fine edible fats, such as pure lard, cottonseed oil, corn oil, etc. It is the earnest recommendation, therefore, of this association, that for this reason as well as for the others which we have enumerated, House Joint Resolution 407 be passed by the Senate without amendment and the reciprocal trade-agreements program extended for an additional 3 years.

The CHAIRMAN. The committee will recess until 10 o'clock tomorrow morning.

(Whereupon, at 3:30 p. m., a recess was taken until 10 a. m., Wednesday, March 6, 1940.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

WEDNESDAY, MARCH 6, 1940

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, in the Finance Committee room, at 10 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will come to order.

Senator DAVIS. Mr. Chairman, Mr. Millard D. Brown, of the Continental Mills, Inc., manufacturers of textiles, Philadelphia, Pa., wrote me a letter under date of March 5, that I received this morning, as follows:

In questioning Mr. Gaunt yesterday, Senator Harrison intimated that the protection for the wool industry ran as high as 101 percent. This is an erroneous idea, and I would like to correct it so far as you are concerned, at least. He is including in his figures specific duty which was provided to protect the wool grower, but if you will look at the trade-agreement rates we had in our treaty with Great Britain, you will find that protection for our workers in the wool-textile industry runs from 35 percent to 45 percent ad valorem, which as illustrated in my brief, is too low, particularly under depreciated exchange.

Also, I would like to have put into the record a letter from Theodor G. Weihs to Mr. W. L. Monro, president of the American Window Glass Co., Pittsburgh, Pa.

The CHAIRMAN. Without objection, that will be done.
(The same is as follows:)

JANUARY 3, 1939.

Mr. W. L. MONRO,
President, American Window Glass Co.,
Pittsburgh, Pa.

DEAR SIR: Referring to our recent conversation in reference to the Czechoslovakian sheet-glass industry, I beg to give you in the following a general review of that conversation.

For this purpose I will subdivide my report into two sections dealing:

(a) The situation previous to the annexation of the Sudetenland by Germany; and (b) after this event.

(a) Situation previous to the annexation of the Sudetenland by Germany:

You recall that the Sudetenland, as well as the remaining part of Czechoslovakia, formed part of the Austro-Hungarian Empire until 1918. It should be noted that all five operating sheet-glass factories in Czechoslovakia, some of which are more than 100 years old, were located within the Sudeten area which was ceded to Germany. Until the end of the World War, they supplied mainly the Empire, which counted about 60,000,000 inhabitants. In all these many years, there was hardly any serious attempt made to export sheet glass, the world markets being dominated by the Belgians.

Only after the World War, when those factories with their great productive capacity could no longer find sufficient outlets in the reduced area comprising Czechoslovakia, which counted only about 13,000,000 inhabitants, export was started on a large scale. At this period such a proposition seemed also most inviting, owing to the general shortage in merchandise in the whole world shortly

after the war. Under such circumstances, prices could not be otherwise but satisfactory and, besides, the present tariff walls in most countries were just being built up at that time and the now prevailing self-sufficiency tendency was only at its very beginning.

The Czechoslovakians could count on a further asset, having developed faster than other countries the mechanical glass-manufacturing system, and all these factors together enabled them to build up within a few years a widespread export organization.

Already in about 1929 serious set-backs were felt. Various countries started an energetic drive toward self-sufficiency, and in this effort, many factories have been created artificially for domestic consumption and, had it not been for very high duties, these factories could not have continued in operation. Furthermore, the technical development in other sheet-glass producing and exporting countries, and particularly Belgium, was gradually reaching the Czechoslovakian standard, and naturally the shortage of merchandize had disappeared by then.

The logical consequence was an outbreak of a steadily intensified competition in the various markets, European manufacturers fighting each other and sometimes also the domestic plants. Before long the prices dropped to cost price and even below, while on the other hand the technical progress allowed much greater production without increase in the number of working units, so that outlets for these additional quantities had to be found. Furthermore, the unemployment problem was becoming serious, and the Government would no more allow dismissal of workers.

At this stage the Czechoslovakian manufacturers claimed that there existed but one solution, namely, to finance their exports by demanding a compensation in higher prices on the domestic market, which was always closely watched by the Government. The latter had to assent and from then on, since 1930, export was more and more assisted by the higher selling prices in the domestic market.

At this point I wish to call your attention to the fact that over the period from 1930 to 1937, the sheet glass production averaged roughly 10,000,000 to 14,000,000 square meters per year (about 2,000,000 to 2,800,000 boxes) of which only about 2,500,000 square meters (about 500,000 boxes) could be sold on the domestic market. You will easily realize how much higher prices had to be secured for this comparatively small amount in order to make good for the growing losses on the glass exported.

As a result of all these conditions, the following facts are not surprising. In 1937, for example, a total of about 2,000,000 boxes were sold. The domestic price reached a peak of about 15 to 16 Czech. kronen (\$2.30-\$2.74 a box) while the average net selling price of the export, heavy drawn sheet glass included, had declined to about 5.50 Czech. kronen per square meter (\$0.88 per box) which is about 1 kronen per square meter (about \$0.16 per box) lower than the average cost of production during this period. About one year earlier, in 1936, the price had averaged 11 to 13 Czech. kronen (\$1.68 to \$2 per box) while cost price has remained practically unchanged for at least 3 years in spite of variations in the value of the Czech. kronen.

It might surprise you that the government continued to assent to a constant increase of prices on the domestic market, which, I believe, were at that time among the highest in the world, comprising the countries without domestic production, and allowing on the other hand to extend Dumping so far, that the prices obtained, for instance, in the Philippines, were as low as 1.30 Czech. kronen f. o. b. Czech. border (\$0.21 per box).

The main reason for the Government permitting such excesses was by far not so much the fear of additional unemployment, but the adverse trade balance, the shortage of coverage for the domestic currency, the ever decreasing foreign appraisal of the Czech. kronen and the ensuing difficulties to import even the goods considered as prime necessities, namely, all the purchases of the material for armament purposes.

It should be noted that there are still a few small hand blowing furnaces within the present boundaries of Czechoslovakia but none of these have been operated in the manufacture of window glass during the past 15 years.

The window glass sold by the Czechoslovakian manufacturers through their sales corporation for export to the United States, for many years prior to the new Czechoslovakian trade agreement, was sold at approximately their cost of production.

Naturally the reduction of 30 percent in the duty on window glass as provided in the Czechoslovakian reciprocal trade agreement effective April 16, 1938, materially increased the ability of the Czechoslovakian manufacturers to ship window glass into the United States.

However, in 1937 they succeeded in convincing the Government after long sessions, conducted by Mr. Fritz Heller, that all these fixed prices and duty concessions had become insufficient to offset their losses on export and obtained direct subsidy for the entire glass industry, of which about 8,000,000 Czech. kronen (about \$275,000) were allotted to the sheet-glass industry in form of refund of taxes. Only by such means was it possible to maintain an adequate volume of export business.

After the Czechoslovakian reciprocal trade agreement with the United States went into effect, the Czechoslovakian window-glass manufacturers, through their sales organization, continued to maintain their domestic selling price at from 15 to 17 Czech. kroners per square meter (\$2.30-\$2.74 per box).

My report on the situation after the annexation of the Sudetenland by Germany (subject b) is set forth on the subsequent pages.

THEODOR G. WEHRS.

(b) AFTER THE ANNEXATION OF THE SUDETENLAND

The sheet-glass production in Germany amounted in 1937, if the figures I heard are correct, to about 19,000,000 square meters (about 3,800,000 boxes) of which only about 3,500,000 square meters (about 700,000 boxes) were exported. The German Government had so far never consented to price excesses but also, as we all know, the situation of the German Reichsbank is a very precarious one. Only towards the end of 1937 did the German Government start to exercise pressure on the DETAG (the leading German sheet-glass manufacturers union) in view of starting operations again at the plant of Torgau, which had been lying idle for over 6 years.

The Detag, together with the Rezag, another German firm, bought up all shares (which, by the way, is also the reason why I am particularly well informed on the subject, having represented personally one of the main shareholders in these negotiations) and set up an agreement with the Government which visualized not only the well-known export premium, granted, I believe, practically to all German exporters, but also a certain adjustment of the domestic prices, with the understanding that Torgau, working exclusively for so-called supplementary export, could never hope to cover the expenses of operation.

I do not know whether work has already been resumed, especially as in the meantime the Czechoslovakian glass factories have fallen into Germany's lap, which causes him, as the Reichsfuehrer of the German sheet glass industry, Mr. Otto Seeling, told me personally, much concern because he was well aware how difficult it would become to sell these goods from now on under the German flag; even more difficult than it had already previously been in Czechoslovakia.

No wonder then, if ideas like the one I already communicated to you, could be born. I beg to recall to your attention some paragraphs of my letters dated October 21st and November 8th, 1938, namely:

"The new authorities are fully aware, that export, for instance to the U. S. A., will show a sharp decline, owing to hostility against the purchase of German goods, thus favoring home manufacturers in the respective countries.

"In trying to find a way out of this difficulty the Germans intend, as I was told, setting up such an agreement with the Czech Government concerning sheet glass that the sales office in Prague would be maintained and would go on working in the same way as it did until now. This should lead the customers to believe that they are still receiving Czechoslovakian goods and furthermore, the trademark "Made in Czechoslovakia" should also be used as formerly."

"I beg to attach to the present letter a cut of the semi-official bulletin of the German manufacturers union 'Industrie' No. 41, 1938, which was issued a few days ago."

"The article deals with the consequences due to the annexation of the Sudeten area on the German glass trade, especially with bottle and window glass. The following is the translation of a few outstanding paragraphs:

"The capacity of the plants is insufficiency utilized. About 70 percent of the production was exported. About one-third of the export went to U. S. A., one-fifth to England, and the rest to France, Germany, Austria, Holland, Belgium, etc. The capacity of the plants of the old Reich (Germany before the annexation of Austria and Sudeten) is about three times as large and naturally much better utilized.

"The enormous increase which Germany requires through the Sudeten glass industry, places Germany's glass business in front of a huge task.

"Time will show, if the Sudeten industry, which even before the annexation was not sufficiently employed, will be able to continue her export to America, France, and to supply the present Czechoslovakian districts * * *

"* * * It thus means that steps must be taken in advance to prevent the loss of business for the Sudeten plants, as neither the Altreich (former Germany) nor Austria could absorb the surplus.

"* * * It can be expected in full confidence that the skilled representatives of the German Government will be able to transform the former contracts of Czechoslovakia with her export countries in such a way, that a considerable loss for the Sudeten plants will be avoided" * * *.

"Said article, in spite of its rather careful wording, sounds to me as a partial confirmation of the suspicion I outlined in my letter of October 21."

Naturally such set-ups are sentenced in advance, but nevertheless the fact remains true that sheet glass exports from former Sudetenland, now Germany, can only be maintained by keeping up an economically unjustifiable, artificial construction: this on behalf of a country which claims not only to have no unemployed, but even a shortage in workmen. Hence, with a visible aim of solely counteracting, regardless of sacrifice, an unfavorable trade balance, in which the overcharge is due, as we all know, in a substantial part to the purchases of raw material for war purposes.

I beg to remain, dear sir,

Respectfully yours,

THEODOR G. WEIHS.

The CHAIRMAN. The first witness this morning is Mr. Hackworth.

**STATEMENT OF GREEN H. HACKWORTH, LEGAL ADVISER,
DEPARTMENT OF STATE**

The CHAIRMAN. Mr. Hackworth, have you some material that you desire to incorporate in the record for consideration by committee members? I understood that you have a memorandum regarding the constitutionality of the trade agreements program.

Mr. HACKWORTH. There is a letter from the Attorney General to the Secretary of State enclosing a memorandum prepared in the Department of Justice on the constitutionality of the Trade Agreements Act.

The CHAIRMAN. Will you place that in the record?

Mr. HACKWORTH. I will be glad to do that, Senator.

The CHAIRMAN. Thank you very much, Mr. Hackworth.

Senator DAVIS. Is that from the present Attorney General?

Mr. HACKWORTH. From the present Attorney General.

(The same is as follows:)

MARCH 4, 1940.

The Honorable the SECRETARY OF STATE:

MY DEAR MR. SECRETARY: Complying with your informal request, I am transmitting herewith a memorandum prepared in this Department concerning the constitutionality of the Foreign Trade Agreement Act.

It sets forth the authorities and principles which sustain a strong personal conviction on my part that there is no constitutional objection to this Act, and that agreements executed under it are constitutionally unassailable.

Respectfully,

ROBERT H. JACKSON, *Attorney General.*

Enc. 487894.

ENCLOSURE NO. 487894 FROM DEPARTMENT OF JUSTICE

FEBRUARY 29, 1940.

MEMORANDUM RE CONSTITUTIONALITY OF THE TRADE AGREEMENT ACT

The administrative provisions of the Foreign Trade Agreement Act combine two basic principles, namely, (1) executive bargaining with foreign nations with respect to foreign commerce, and (2) flexible adjustments of tariff rates by the Executive.

Executive bargaining with foreign nations with respect to foreign commerce, conducted pursuant to acts of the Congress, is as old as the Government and has been used extensively and effectively during the entire period of our national existence. In fact, in the early days of the Government it was probably the most effective instrument resorted to in connection with the regulation of foreign commerce. This resulted naturally from the conditions existing and from the measures adopted by the Congress to meet those conditions.

To understand fully the conditions confronting the United States in its early history it must be remembered that so long as the colonies remained under the dominion of Great Britain they were permitted to have no commerce except such as the British Government considered to be in its interests. No manufacturing whatever was allowed in the colonies. The attitude of the British Government to American manufacturing was truly expressed in Lord Chatham's declaration that he would not permit the colonists to make even a hobnail or horseshoe for themselves. So effectively was this country prevented from developing manufacturing that John Dickinson, of Pennsylvania, could truthfully say in 1777: "We are tillers of the earth from Nova Scotia to west Florida."

After the Colonies gained their independence the British Government continued its policy of attempting to stifle and prevent the development of the commerce of the United States. Harsh and burdensome discriminating practices against our commerce were adopted. England at that time was the strongest nation commercially in the world, and, probably due to her example and influence, other commercial nations, particularly France and Spain, also began to discriminate against our commerce.

As a result of these discriminations the Congress passed numerous retaliatory acts imposing heavy duties and restrictions upon the commerce of those nations which discriminated against the commerce of the United States. Many of those acts vested in the President the power and discretion to either suspend or make applicable the restrictions imposed by the acts with respect to any country dependent upon whether it discontinued or refused to discontinue its discrimination against the commerce of the United States. The nature of these acts and the power and discretion vested in the President thereunder may be illustrated by the following examples:

The act of June 4, 1794, c. 41, 1 Stat. 372, empowered the President "whenever, in his opinion, the public safety shall so require" to lay an embargo upon all commerce with the United States, and to continue or revoke such embargoes whenever he should think proper.

The act of June 13, 1798, c. 53, 1 Stat. 565, suspended all commercial intercourse between the United States and France and its dependencies, with the provision that if the Government of France should "clearly disavow" and should "refrain from the aggressions, depredations and hostilities" against the vessels and property of citizens of the United States and against their national rights and sovereignty and should "acknowledge the just claims of the United States to be considered in all respects neutral," then the President "being well ascertained of the premises" was authorized to discontinue the prohibitions and restraints imposed by the act and to make proclamation thereof.

The act of February 9, 1799, c. 2, 1 Stat. 613, further suspended the commercial intercourse with France and its dependencies, with the provision:

That at any time after the passing of this act, it shall be lawful for the President of the United States, if he shall deem it expedient and consistent with the interest of the United States, by his order, to remit and discontinue, for the time being, the restraints and prohibitions aforesaid * * *; and also to revoke such order, whenever, in his opinion, the interest of the United States shall require: and he shall be, and hereby is authorized to make proclamation thereof accordingly.

The act of February 27, 1800, c. 10, 2 Stat. 7, also further suspended commercial intercourse between the United States and France, provided:

That at any time after the passing of this act, it shall be lawful for the President of the United States, by his order to remit and discontinue for the time being, whenever he shall deem it expedient, and for the interest of the United States, all or any of the restraints and prohibitions imposed by this act * * *; and also it shall be lawful for the President of the United States, whenever he shall afterward deem it expedient, to revoke such order, and hereby to reestablish such restraints and prohibitions. And the President of the United States shall be, and he is hereby, authorized to make proclamation thereof accordingly.

The act of April 18, 1806, c. 29, 2 Stat. 379, prohibited the importation from Great Britain or Ireland of certain articles of merchandise therein enumerated from and after the 10th day of November 1806. The act of December 19, 1806, c. 1, 2 Stat. 411, suspended the operation of the former act until July 1, 1807, and section 3 of the later act provided:

That the President of the United States be, and he is hereby, authorized further to suspend the operation of the aforesaid act, if in his judgment the public interest should require it: *Provided*, That such suspension shall not extend beyond the second Monday in December next.

The act of March 1, 1809 (C. 24, 2 Stat. 528), again prohibited all commercial intercourse between the United States and Great Britain and France and their dependencies. Section 11 of that act provided:

That the President of the United States be, and he hereby is authorized, in case either France or Great Britain shall so revoke or modify her edicts, as that they shall cease to violate the neutral commerce of the United States, to declare the same by proclamation; after which the trade of the United States, suspended by this act, and by the act laying embargo on all ships and vessels in the ports and harbors of the United States, and the several acts supplementary thereto, may be renewed with the nation so doing.

The provisions of the foregoing act were terminated by the act of June 28, 1809 (C. 9, 2 Stat. 550), as of the end of the next session of Congress, but section 4 of the act of May 1, 1810 (C. 39, 2 Stat. 605), provided that in case either Great Britain or France should before the 3d day of March thereafter so revoke or modify her edicts

as to cease to violate the neutral commerce of the United States, the President should declare such fact by proclamation, and if the other nations should not within 3 months thereafter so revoke or modify her edicts in like manner then the provisions of the act of June 28, 1809, should be revived and have full force and effect against the nation thus refusing or neglecting to revoke or modify her edicts. To like effect, insofar as it related to Great Britain, was the act of March 2, 1811 (C. 29, 2 Stat. 651). The validity of this act was sustained by the Supreme Court in *The Brig Aurora* (7 Cranch. 382).

The act of April 27, 1816 (c. 167, 3 Stat. 310), provided a schedule of duties upon certain goods imported into the United States. Section 3 of the act provided that an additional 10 percent should be added to the rate of duties specified and imposed in respect to all goods imported in foreign vessels other than such as are entitled by treaty or by any act or acts of Congress to be entered in the ports of the United States on the payment of the same duties as are paid on goods, wares, merchandise imported in ships or vessels of the United States. The act of April 18, 1818 (c. 70, 3 Stat. 432), closed all ports of the United States to vessels of Great Britain coming or arriving from ports closed to American vessels. The act of March 1, 1823 (c. 22, 3 Stat. 740), suspended the provisions of the act of April 18, 1818, as to certain British ports therein enumerated, but provided that until proof shall have been given the President satisfactory to him that vessels of the United States admitted into the enumerated British ports were required to pay no higher tonnage or imposts duties than those exacted from British vessels on like goods, British vessels coming from the ports enumerated should pay the additional 10 percent tonnage duties provided by the act of April 27, 1816.

The act of January 7, 1824 (c. 4, 4 Stat. 2), provided that—

* * * upon satisfactory evidence being given to the President of the United States, by the government of any foreign nation, that no discriminating duties of tonnage or imposts are imposed or levied within the ports of the said nation, upon vessels wholly belonging to citizens of the United States, or upon merchandise, the produce or manufacture thereof, imported in the same, the President is hereby authorized to issue his proclamation, declaring that the foreign discriminating duties of tonnage and imposts within the United States, are, and shall be, suspended and discontinued, so far as respect the vessels of the said nation, and the merchandise of its produce or manufacture, imported into the United States in the same; the said suspension to take effect from the time of such notification being given to the President of the United States, and to continue so long as the reciprocal exemption of vessels belonging to citizens of the United States, and merchandise as aforesaid, thereon laden, shall be continued, and no longer.

The provisions of section 4 of the act of January 7, 1824, were re-enacted in substantially the same language in section 1 of the act of May 24, 1828 (c. 3, 4 Stat. 308), and were later preserved in section 4228 of the Revised Statutes.

Of similar import was the act of May 29, 1830 (c. 207, 4 Stat. 419), as relating to commerce with the British ports in the West Indies on the continent of South America, the Bahama Islands, and other islands named.

The act of May 31, 1830 (c. 219, 4 Stat. 425), repealed all acts imposing tonnage duties upon vessels of foreign nations, provided the President should be satisfied that the discriminating or countervailing duties of such foreign nation, so far as they operate to the disadvantage of the United States, had been abolished. The provisions of this act were preserved in section 4219 of the Revised Statutes.

Other acts of similar character to those above enumerated are the act of May 25, 1832 (c. 104, 4 Stat. 517), the act of July 13, 1832 (c. 207, 4 Stat. 578), the act of June 30, 1834 (c. 170, 4 Stat. 741), the act of March 2, 1837 (c. 19, 4 Stat. 152), the act of June 1, 1842 (c. 32, 5 Stat. 489), and the act of March 3, 1845 (c. 66, 5 Stat. 748).

Unquestionably the Congress, in passing the above-mentioned acts, intended that the President should endeavor through negotiations and agreements with foreign governments to effect a discontinuance of the discriminations against the commerce of the United States. The Congress faced a difficult situation. The discriminating practices against our commerce being engaged in by foreign nations, ruinous to the country, were becoming more and more burdensome. Something had to be done. To induce foreign nations to discontinue these discriminatory practices, however, required meticulous negotiations, and the Congress as a legislative body could not carry on such negotiations. It did the only thing it could do. It entrusted the conduct of these negotiations to the President. But the President, as Congress realized, could not carry on such negotiations to a successful conclusion without some basis for bargaining—some power or authority to offer to the foreign nations a quid pro quo for their agreement to discontinue the discriminations.

The Congress met the situation by passing the acts referred to, placing heavy burdens and restrictions on the commerce of foreign nations with power in the Executive to suspend or continue them. It thereby gave to the Executive the means with which to trade and barter. The Executive had something to offer a foreign nation in exchange for its agreement to discontinue its discriminatory practices.

Negotiations naturally and necessarily followed the passage of these acts, and as these negotiations led from time to time to the conclusion of an agreement under which a foreign nation discontinued its discriminating practices this fact was announced by proclamation of the President.

The value and effectiveness of this method of dealing with foreign nations in connection with commercial relations was forcibly expressed by President Jackson in his Annual Message to the Congress December 6, 1830. In this connection he said:

An arrangement has been effected with Great Britain in relation to the trade between the United States and her West India and North American colonies which has settled a question that has for years afforded matter for contention and almost uninterrupted discussion, and has been the subject of no less than six negotiations, in a manner which promises results highly favorable to the parties.

* * * * *

This arrangement secures to the United States every advantage asked by them, and which the state of the negotiation allowed us to insist upon. The trade will be placed upon a footing decidedly more favorable to this country than any on which it ever stood, and our commerce and navigation will enjoy in the colonial ports of Great Britain every privilege allowed to other nations.

The message in question contains a somewhat extensive discussion of the questions involved in the negotiation with Great Britain. That arrangement, which was regarded by both Jackson and his Secretary of State, Martin Van Buren, as a real achievement of diplomacy, did not rest on any treaty. It was effected by unilateral legislative and executive acts on each part, namely, the British statute of July 5, 1825, the order in Council of July 17, 1826, the United States act of May 29, 1830, the Presidential proclamation of

October 5, 1830, and the British order in Council of November 5, 1830. The printed diplomatic correspondence and other papers regarding this arrangement are quite voluminous.

Mr. Van Buren's comments on these acts were:

The effect of these various enactments has been to vest in the President of the United States the power of granting to any foreign nation willing to reciprocate the same benefit to us, the privilege of importing into, or exporting from, our ports, in its own vessels, the produce of its own soil or manufacture, or of the soil or manufacture of any other country, upon equal terms with those imported or exported in vessels of the United States.

Following the long-established practice of dealing with matters pertaining to commercial intercourse with foreign nations through executive agreements, this Government on November 23, 1863, concluded an "informal convention" with France relating to the exportation of tobacco. A similar agreement was concluded with Austria-Hungary December 24, 1863. (Malloy, vol. 1, p. 38.)

Under section 4228 of the Revised Statutes an agreement was entered into with Spain February 13, 1884, providing for reciprocal abolition of certain discriminating duties on goods imported into the United States from Cuba and Puerto Rico and on American goods imported into those islands. The agreement was brought into force by a proclamation of President Arthur dated February 14, 1884 (22 Stat. 835). This proclamation was revoked by proclamation of President Cleveland dated October 13, 1886 (24 Stat. 1028), upon the finding by the President that the agreement was being persistently violated by the Spanish Government. Further agreements with Spain under section 4228 of the Revised Statutes were entered into on October 27, 1886, September 21, 1887, December 21, 1887, and May 26, 1888.

The Tariff Act of 1890 (ch. 1244, 26 Stat. 567), entitled "An act to reduce the revenue and equalize duties on imports, and for other purposes" provided for the imposition of penalty duties upon imports from countries discriminating in their tariff treatment against goods from the United States. Section 3 of the act provided:

That with a view to secure reciprocal trade with countries producing the following articles, and for this purpose, on and after the first day of January eighteen hundred and ninety-two, whenever, and so often as the President shall be satisfied that the government of any country producing and exporting sugars, molasses, coffee, tea, and hides, raw and uncurd, or any of such articles, imposes duties or other exactions upon the agricultural or other products of the United States, which in view of the free introduction of such sugar, molasses, coffee, tea, and hides into the United States he may deem to be reciprocally unequal and unreasonable, he shall have the power and it shall be his duty to suspend, by proclamation to that effect, the provisions of this act relating to the free introduction of such sugar, molasses, coffee, tea, and hides, the production of such country, for such time as he shall deem just, and in such case and during such suspension duties shall be levied, collected, and paid upon sugar, molasses, coffee, tea, and hides, the product of or exported from such designated country as follows, namely:

(Here follows a schedule of duties upon certain enumerated articles to be imposed under the conditions named in lieu of the duties on such articles prescribed in the tariff schedules of the act.)

Under this act a comprehensive program of tariff bargaining by and through Executive trade agreement was inaugurated and trade agreements with foreign nations were concluded as follows: Brazil, June 4, 1891 (proclaimed, Feb. 5, 1892, 26 Stat. 1563); Dominican Republic, June 4, 1891 (proclaimed, Aug. 1, 1891, 27 Stat. 966); Spain, June 16, 1891 (proclaimed, July 31, 1891, 27 Stat. 982); Salvador, December 30,

1891 (proclaimed, Dec. 31, 1891, 27 Stat. 996); Germany, January 30, 1891 (proclaimed, Feb. 1, 1891, 27 Stat. 1004); Great Britain, February 1, 1892 (proclaimed, Feb. 1, 1892, 27 Stat. 999); Nicaragua, March 11, 1892 (proclaimed, Mar. 12, 1892, 27 Stat. 1009); France, April 12, 1892 (informal); Honduras, April 29, 1892 (proclaimed, Apr. 30, 1892, 27 Stat. 1023); Austria-Hungary, May 25, 1892 (proclaimed, May 26, 1892, 27 Stat. 1026); Guatemala, December 30, 1891 (proclaimed, May 18, 1892, 27 Stat. 1025); a second agreement with Salvador (proclaimed, Dec. 27, 1892, 27 Stat. 1056).

Under these agreements the contracting governments agreed to admit certain imports free or at substantially reduced tariff rates fixed therein.

During the time these agreements were being entered into penalty duties were imposed under the act on imports from Colombia, Haiti, and Venezuela, after those countries had failed to respond to requests of this country to negotiate agreements. (See proclamations, Nos. 18, 19, 20, 27 Stat. 1010, 1012, and 1013.)

Section 3 of the Tariff Act of 1897 (ch. 11, 30 Stat. 151, 203), provided:

That for the purpose of equalizing the trade of the United States with foreign countries, and their colonies, producing and exporting to this country the following articles: Argols, or crude tartar, or wine lees, crude; brandies, or other spirits manufactured or distilled from grain or other materials; champagne and all other sparkling wines, still wines, and vermouth; paintings and statuary; or any of them, the President be, and he is hereby, authorized, as soon as may be after the passage of this act, and from time to time thereafter, to enter into negotiations with the governments of those countries exporting to the United States the above-mentioned articles, or any of them, with a view to the arrangement of commercial agreements in which reciprocal and equivalent concessions may be secured in favor of the products and manufactures of the United States; and whenever the government of any country, or colony, producing and exporting to the United States the above-mentioned articles, or any of them, shall enter into a commercial agreement with the United States, or make concessions in favor of the products, or manufactures thereof, which, in the judgment of the President, shall be reciprocal and equivalent, he shall be, and he is hereby, authorized and empowered to suspend, during the time of such agreement or concession, by proclamation to that effect, the imposition and collection of the duties mentioned in this Act, on such article or articles so exported to the United States from such country or colony, and thereupon and thereafter the duties levied, collected, and paid upon such article or articles shall be as follows, namely:

"Argols, or crude tartar, or wine lees, crude, five per centum ad valorem.

"Brandies, or other spirits manufactured or distilled from grain or other materials, one dollar and seventy-five cents per proof-gallon."

Under this act the President concluded executive trade agreements with France, Portugal, Germany, Italy, Switzerland, Bulgaria, the Netherlands, Austria-Hungary, and Great Britain. These agreements were all brought into force by proclamation of the President.

The Tariff Act of 1909 (ch. 6, 36 Stat. 17) provided two schedules of duties, a minimum and a maximum, and authorized the President, when he should be satisfied "in view of the character of the concessions granted by the minimum tariff of the United States, that the government of any foreign country imposes no terms or restrictions, either in the way of tariff rates or provisions, trade or other regulations, charges, exactions, or in any other manner, directly or indirectly, upon the importation into or the sale in such foreign country of any agricultural, manufactured, or other product of the United States, which unduly discriminate against the United States or the product thereof, and that such foreign country pays no export bounty or im-

poses no export duty or prohibition upon the exportation of any article to the United States which unduly discriminates against the United States or the products thereof, and that such foreign country accords to the agricultural, manufactured, or other products of the United States treatment which is reciprocal and equivalent," to so declare by proclamation, and thereafter articles imported into the United States from such foreign country should be admitted under the term of the minimum tariff prescribed. The act further provided that when the President was satisfied that the conditions which lead to the issuance of the proclamation no longer existed he should by proclamation declare that 90 days thereafter the provisions of the maximum tariff should be applied to importations from the foreign country involved. One hundred and thirty-four proclamations were issued under this act and these proclamations practically included the entire commercial world, making applicable the minimum tariff prescribed.

Section IV of the Tariff Act of 1913 (ch. 16, 38 Stat. 114, 192) authorized and empowered the President to negotiate reciprocity agreements with foreign countries, such agreements to be submitted to the Congress for ratification or rejection. The Revenue Act of 1916 (ch. 463, 39 Stat. 756) authorized the President to prohibit the importation of foreign articles when the same or other domestic articles were refused entry into foreign countries. The act also authorized the President to change, modify, revoke, or renew such proclamation in his discretion.

The Tariff Act of 1922 (42 Stat. 858) contained a flexible-tariff provision in all respects similar in principle to the flexible tariff provisions of the Foreign Trade Agreements Act. Section 315 (a) of the 1922 act provides, in part:

That in order to regulate the foreign commerce of the United States and to put into force and effect the policy of the Congress by this Act intended, whenever the President, upon investigation of the differences in costs of production of articles wholly or in part the growth or product of the United States and of like or similar articles wholly or in part the growth or product of competing foreign countries, shall find it thereby shown that the duties fixed in this Act do not equalize the said differences in costs of production in the United States and the principal competing country he shall, by such investigation, ascertain said differences and determine and proclaim the changes in classifications or increases or decreases in any rate of duty provided in this Act shown by said ascertained differences in such costs of production necessary to equalize the same. Thirty days after the date of such proclamation or proclamations such changes in classification shall take effect, and such increased or decreased duties shall be levied, collected, and paid on such articles when imported from any foreign country into the United States or into any of its possessions (except the Philippine Islands, the Virgin Islands, and the islands of Guam and Tutuila): *Provided*, That the total increase or decrease of such rates of duty shall not exceed 50 per centum of the rates specified in Title I of this Act, or in any amendatory Act.

The act also provided that in extreme cases the President could exclude articles of commerce from coming into the United States. Under this act President Coolidge issued 30 proclamations, of which 26 increased and 4 decreased duties on certain classes of articles imported into the United States, and President Hoover issued 32 proclamations of which 16 increased duties and 16 decreased duties.

The provisions of section 315 of the Tariff Act of 1922 were substantially reenacted as section 336 of the Tariff Act of 1930, (c. 497, 46 Stat. 590, 591 (of which act the Foreign Trade Agreements Act is

an amendment), and Executive adjustment of tariff rates thereunder have continued.

The two principles combined in the Foreign Trade Agreements Act have been long and effectively used in connection with the regulation of foreign commerce. Also both have been fully sanctioned by the Supreme Court.

In *Field v. Clark*, 143 U. S. 649, the constitutionality of the Tariff Act of 1890 was before the Court. Section 3 of that act granted to the President the power to engage in tariff bargaining and in connection therewith to enter into Executive trade agreements with foreign nations—a power similar in all respects to the first power granted to the President in the Foreign Trade Agreements Act. The constitutionality of the act was attacked upon two grounds—(1) that it contained an unconstitutional delegation of legislative power to the President, and (2) that it delegated to the President the power to make treaties in violation of the treaty-making power of the Constitution. After an extensive review of the history of congressional delegations of power to the President in connection with the regulation of commerce, the Court said (pp. 690-693):

It would seem to be unnecessary to make further reference to acts of Congress to show that the authority conferred upon the President by the third section of the act of October 1, 1890, is not an entirely new feature in the legislation of Congress, but has the sanction of many precedents in legislation. While some of these precedents are stronger than others, in their application to the case before us, they all show that, in the judgment of the legislative branch of the government, it is often desirable, if not essential for the protection of the interests of our people, against the unfriendly or discriminating regulations established by foreign governments, in the interests of their people, to invest the President with large discretion in matters arising out of the execution of statutes relating to trade and commerce with other nations. If the decision in the case of *The Brig Aurora* had never been rendered, the practical construction of the Constitution, as given by so many acts of Congress, and embracing almost the entire period of our national existence, should not be overruled, unless upon a conviction that such legislation was clearly incompatible with the supreme law of the land. *Stuart v. Laird*, 1 Cranch, 299, 309; *Martin v. Hunter*, 1 Wheat. 304, 351; *Cooley v. Port Wardens*, 12 How. 299, 315; *Lithographic Co. v. Sarony*, 111 U. S. 53, 57; *The Laura*, 114 U. S. 411, 416.

The authority given to the President by the act of June 4, 1794, to lay an embargo on all ships and vessels in the ports of the United States, "whenever, in his opinion the public safety shall so require," and under regulations, to be continued or revoked "whenever he shall think proper;" by the act of February 9, 1799, to remit and discontinue, for the time being, the restraints and prohibitions which Congress had prescribed with respect to commercial intercourse with the French Republic, "if he shall deem it expedient and consistent with the interest of the United States," and "to revoke such order, whenever, in his opinion, the interest of the United States shall require;" by the act of December 19, 1806, to suspend, for a named time, the operation of the non-importation act of the same year, "if in his judgment the public interest should require it;" by the act of May 1, 1810, to revive a former act, as to Great Britain or France, if either country had not, by a named day, so revoked or modified its edicts as not "to violate the neutral commerce of the United States;" by the act of March 3, 1815, and May 31, 1830, to declare the repeal, as to any foreign nation, of the several acts imposing duties on the tonnage of ships and vessels, and on goods, wares, and merchandise imported into the United States, when he should be "satisfied" that the discriminating duties of such foreign nations, "so far as they operate to the disadvantage of the United States," had been abolished; by the act of March 6, 1866, to declare the provisions of the act forbidding the importation into this country of neat cattle and the hides of neat cattle, to be inoperative, "whenever in his judgment" their importation "may be made without danger of the introduction or spread of contagious or infectious disease among the cattle of the United States;" must be regarded as unwarranted by the Constitution, if the contention of the appellants, in respect to the third section of the act of October 1, 1890, be sustained.

That Congress cannot delegate legislative power to the President is a principle universally recognized as vital to the integrity and maintenance of the system of government ordained by the Constitution. The act of October 1, 1890, in the particular under consideration, is not inconsistent with that principle. It does not, in any real sense, invest the President with the power of legislation. For the purpose of scouring reciprocal trade with countries producing and exporting sugar, molasses, coffee, tea, and hides, Congress itself determined that the provisions of the act of October 1, 1890, permitting the free introduction of such articles, should be suspended as to any country producing and exporting them, that imposed exactions and duties on the agricultural and other products of the United States, which the President deemed, that is, which he found to be, reciprocally unequal and unreasonable. Congress itself prescribed, in advance, the duties to be levied, collected and paid, on sugar, molasses, coffee, tea or hides, produced by or exported from such designated country, while the suspension lasted. Nothing involving the expediency or the just operation of such legislation was left to the determination of the President.

The words, "he may deem," in the third section, of course, implied that the President would examine the commercial regulations of other countries producing and exporting sugar, molasses, coffee, tea and hides, and form a judgment as to whether they were reciprocally equal and reasonable, or the contrary, in their effect upon American products. But when he ascertained the fact that duties and exactions, reciprocally unequal and unreasonable, were imposed upon the agricultural or other products of the United States by a country producing and exporting sugar, molasses, coffee, tea or hides, it became his duty to issue a proclamation declaring the suspension, as to that country, which Congress had determined should occur. He had no discretion in the premises except in respect to the duration of the suspension so ordered. But that related only to the enforcement of the policy established by Congress. As the suspension was absolutely required when the President ascertained the existence of a particular fact, it cannot be said that in ascertaining that fact and in issuing his proclamation, in obedience to the legislative will, he exercised the function of making laws. Legislative power was exercised when Congress declared that the suspension should take effect upon a named contingency. What the President was required to do was simply in execution of the Act of Congress. It was not the making of law. He was the mere agent of the law-making department to ascertain and declare the event upon which its expressed will was to take effect. It was a part of the law itself as it left the hands of Congress that the provisions, full and complete in themselves, permitting the free introduction of sugars, molasses, coffee, tea and hides, from particular countries, should be suspended, in a given contingency, and *1*) at in case of such suspensions certain duties should be imposed.

* * * * *
 "The court is of opinion that the third section of the act of October 1, 1890, is not liable to the objection that it transfers legislative and treaty-making power to the President." [Italics supplied.]

In the *Union Bridge Co. v. United States*, 204 U. S. 364, the Court quoted extensively and with approval from *Field v. Clark*. Other cases in which the courts have sustained trade agreements concluded by the President under powers granted him by the Tariff Acts of 1890 and 1897 are *Downs v. United States*, 187 U. S. 496; *Nicholas v. United States*, 122 Fed. 892; *United States v. Tartar Chemical Co.*, 127 Fed. 944; *United States v. Julius Wile Bros. & Co.*, 130 Fed. 331; *United States v. Luyties*, 130 Fed. 333; *Migliavacca Wine Co. v. United States*, 148 Fed. 142; *La Manna, Azema & Garban v. United States*, 144 Fed. 683; and *Mihalovitch, Fletcher & Co. v. United States*, 160 Fed. 988.

The constitutionality of the principle of flexible adjustments of tariff rates by the Executive was before the Supreme Court in *Hampton & Co. v. United States*, 276 U. S. 394. That case involved the constitutionality of section 315 of the Tariff Act of 1922, which was substantially the same as the flexible tariff provisions of the Foreign

Trade Agreement Act. In holding the 1922 statute constitutional, the Court said (pp. 404-410):

First: It seems clear what Congress intended by § 315. Its plan was to secure by law the imposition of customs duties on articles of imported merchandise which should equal the difference between the cost of producing in a foreign country the articles in question and laying them down for sale in the United States, and the cost of producing and selling like or similar articles in the United States, so that the duties not only secure revenue but at the same time enable domestic producers to compete on terms of equality with foreign producers in the markets of the United States. It may be that it is difficult to fix with exactness this difference, but the difference which is sought in the statute is perfectly clear and perfectly intelligible. Because of the difficulty in practically determining what that difference is, Congress seems to have doubted that the information in its possession was such as to enable it to make the adjustment accurately, and also to have apprehended that with changing conditions the difference might vary in such a way that some readjustments would be necessary to give effect to the principle on which the statute proceeds. To avoid such difficulties, Congress adopted in § 315 the method of describing with clearness what its policy and plan was and then authorizing a member of the executive branch to carry out this policy and plan, and to find the changing difference from time to time, and to make the adjustments necessary to conform the duties to the standard underlying that policy and plan. As it was a matter of great importance, it concluded to give by statute to the President, the chief of the executive branch, the function of determining the difference as it might vary. He was provided with a body of investigators who were to assist him in obtaining needed data and ascertaining the facts justifying readjustments.

There was no specific provision by which action by the President might be invoked under this Act, but it was presumed that the President would through this body of advisers keep himself advised of the necessity for investigation or change, and then would proceed to pursue his duties under the Act and reach such conclusion as he might find justified by the investigation, and proclaim the same if necessary.

The Tariff Commission does not itself fix duties, but before the President reaches a conclusion on the subject of investigation, the Tariff Commission must make an investigation and in doing so must give notice to all parties interested and an opportunity to adduce evidence and to be heard.

The well-known maxim "Delegatus potestas non potest delegari," applicable to the law of agency in the general and common law, is well understood and has had wider application in the construction of our Federal and State Constitutions than it has in private law. The Federal Constitution and State Constitutions of this country divide the governmental power into three branches. The first is the legislative, the second is the executive, and the third is the judicial, and the rule is that in the actual administration of the government Congress or the Legislature should exercise the legislative power, the President or the State executive, the Governor, the executive power, and the Courts or the judiciary the judicial power, and in carrying out that constitutional division into three branches it is a breach of the National fundamental law if Congress gives up its legislative power and transfers it to the President, or to the Judicial branch, or if by law it attempts to invest itself or its members with either executive power or judicial power. This is not to say that the three branches are not coordinate parts of one government and that each in the field of its duties may not invoke the action of the two other branches in so far as the action invoked shall not be an assumption of the constitutional field of action of another branch. In determining what it may do in seeking assistance from another branch, the extent and character of that assistance must be fixed according to common sense and the inherent necessities of the governmental coordination.

The field of Congress involves all and many varieties of legislative action, and Congress has found it frequently necessary to use officers of the Executive Branch, within defined limits, to secure the exact effect intended by its acts of legislation, by vesting discretion in such officers to make public regulations interpreting a statute and directing the details of its execution, even to the extent of providing for penalizing a breach of such regulations. *United States v. Grimaud*, 220 U. S. 506, 518; *Union Bridge Co. v. United States*, 204 U. S. 364; *Buttfield v. Stranahan*, 192 U. S. 470; *In re Kollock*, 165 U. S. 526; *Oceanic Navigation Co. v. Stranahan*, 214 U. S. 320.

Congress may feel itself unable conveniently to determine exactly when its exercise of the legislative power should become effective, because dependent on future conditions, and it may leave the determination of such time to the decision of an Executive, or

as often happens in matters of state legislation, it may be left to a popular vote of the residents of a district to be affected by the legislation. While in a sense one may say that such residents are exercising legislative power, it is not an exact statement, because the power has already been exercised legislatively by the body vested with that power under the Constitution, the condition of its legislation going into effect being made dependent by the legislature on the expression of the voters of a certain district. As Judge Ranney of the Ohio Supreme Court in *Cincinnati, Wilmington and Zanesville Railroad Co. v. Commissioner*, 1 Ohio Sta. 77, 88, said in such a case:

"The true distinction, therefore is, between the delegation of power to make the law, which necessarily involves a discretion as to what it shall be, and conferring an authority or discretion as to its execution, to be exercised under and in pursuance of the law. The first cannot be done; to the latter no valid objection can be made." See also *Moers v. Reading*, 21 Penn. St. 188, 202; *Locke's Appeal*, 72 Penn. St. 491, 498.

Again, one of the great functions conferred on Congress by the Federal Constitution is the regulation of interstate commerce and rates to be exacted by interstate carriers for the passenger and merchandise traffic. *The rates to be fixed are myriad. If Congress were to be required to fix every rate, it would be impossible to exercise the power at all.* Therefore, common sense requires that in the fixing of such rates, Congress may provide a Commission, as it does, called the Interstate Commerce Commission, to fix those rates, after hearing evidence and argument concerning them from interested parties, all in accord with a general rule that Congress first lays down that rates shall be just and reasonable considering the service given and not discriminatory. As said by this Court in *Interstate Commerce Commission v. Goodrich Transit Co.*, 221 U. S. 191, 214, "The Congress may not delegate its purely legislative power to a commission, but, having laid down the general rules of action under which a commission shall proceed, it may require of that commission the application of such rules to particular situations and the investigation of facts, with a view to making orders in a particular matter within the rules laid down by the Congress."

The principle upon which such a power is upheld in state legislation as to fixing railway rates is admirably stated by Judge Mitchell, in the case of *State v. Chicago, Milwaukee & St. Paul Railway Company*, 38 Minn. 281, 298, to 302. The learned Judge says on page 301:

"If such a power is to be exercised at all, it can only be satisfactorily done by a board or commission, constantly in session, whose time is exclusively given to the subject, and who, after investigation of the facts, can fix rates with reference to the peculiar circumstances of each road, and each particular kind of business, and who can change or modify these rates to suit the ever-varying conditions of traffic. * * * Our legislature has gone a step further than most others, and vested our commission with full power to determine what rates are equal and reasonable in each particular case. Whether this was wise or not is not for us to say; but in doing so we cannot see that they have transcended their constitutional authority. They have not delegated to the commission any authority or discretion as to what the law shall be—which would not be allowable—but have merely conferred upon it an authority and discretion, to be exercised in the execution of the law, and under and in pursuance of it, which is entirely permissible. The legislature itself has passed upon the expediency of the law, and what it shall be. The commission is intrusted with no authority or discretion upon these questions." See also the language of Justices Miller and Bradley in the same case in this Court. 134 U. S. 418, 459, 461, 464.

It is conceded by counsel that Congress may use executive officers in the application and enforcement of a policy declared in law by Congress, and authorize such officers in the application of the Congressional declaration to enforce it by regulation equivalent to law. But it is said that this never has been permitted to be done where Congress has exercised the power to levy taxes and fix customs duties. The authorities make no such distinction. The same principle that permits Congress to exercise its rate making power in interstate commerce, by declaring the rule which shall prevail in the legislative fixing of rates, and enables it to remit to a rate-making body created in accordance with its provisions the fixing of such rates, justifies a similar provision for the fixing of customs duties on imported merchandise. *If Congress shall lay down by legislative act an intelligible principle to which the person or body authorized to fix such rates is directed to conform, such legislative action is not a forbidden delegation of legislative power. If it is thought wise to vary the customs duties according to changing conditions of production at home and abroad, it may authorize the Chief Executive to carry out this purpose, with the advisory assistance of a Tariff Commission*

appointed under Congressional authority. This conclusion is amply sustained by a case in which there was no advisory commission furnished the President—a case to which this Court gave the fullest consideration nearly forty years ago. (F^{alics} supplied.)

Speaking on this same subject in *Norwegian Nitrogen Co. v. United States* (228 U. S. 294, 308), the Supreme Court said:

The powers of the President under the flexible tariff provisions of the act of 1922 differ in degree rather than in kind from powers that have long been his.

In 1934 conditions affecting this country's foreign commerce were comparable to those affecting it in the early days of the Government. Again that commerce was burdened and harrassed on every hand by unfair and discriminatory practices of foreign countries. The need for immediate and effective measures to remedy these evils was urgent. Faced with this situation the Congress resorted to those measures which had proven effective under comparable circumstances in the past.

The Congress had the constitutional right to do this. In addition to the long history of the use of these measures the Supreme Court had expressly approved their constitutionality. Besides, that Court has long held that the Congress in the exercise of a power vested in it by the Constitution may exercise a wide discretion in the choice of measures and may employ any appropriate means available. In *McCulloch v. Maryland* (4 Wheat. 316), Mr. Chief Justice Marshall, speaking for the Court, said:

A constitution, to contain an accurate detail of all the subdivisions of which its great power will admit, and of all the means by which they may be carried into execution, would partake of the prolixity of a legal code, and could scarcely be embraced by the human mind. It would, probably, never be understood by the public. Its nature, therefore, requires, that only its great outlines should be marked, its important objects designated, and the minor ingredients which compose those objects, be deduced from the nature of the objects themselves. That this idea was entertained by the framers of the American Constitution, is not only to be inferred from the nature of the instrument, but from the language (p. 407).

* * * a government, intrusted with such ample powers, on the due execution of which the happiness and prosperity of the Nation so vitally depends, must also be intrusted with ample means for their execution. The power being given, it is the interest of the Nation to facilitate its execution. It can never be their interest, and cannot be presumed to have been their intention, to clog and embarrass its execution, by withholding the most appropriate means. * * * that instrument does not profess to enumerate the means by which the powers it confers may be executed * * * (p. 408).

The Government which has a right to do an act, and has imposed on it, the duty of performing that act, must, according to the dictates of reason, be allowed to select the means * * * (p. 409).

To employ the means necessary to an end, is generally understood as employing any means calculated to produce the end * * * (p. 413).

It must have been the intention of those who gave these powers, to insure, so far as human prudence could insure, their beneficial execution. This could not be done, by confining the choice of means to such narrow limits as not to leave it in the power of Congress to adopt any which might be appropriate, and which were conducive to the end. This provision is made in a constitution, intended to endure for ages to come, and consequently, to be adapted to the various crises of human affairs. To have prescribed the means by which government should, in all future time, execute its powers, would have been to change, entirely, the character of the instrument, and give it the properties of a legal code. It would have been an unwise attempt to provide, by immutable rules, for exigencies which, if foreseen at all, must have been seen dimly, and which can be best provided for as they occur. To have declared, that the best means shall not be used, but those alone, without which the power given would be nugatory, would have been to deprive the legislature of the capacity to avail itself of experience, to exercise its reason, and to accommodate its legislation to circumstances. If

we apply this principle of construction to any of the powers of the Government, we shall find it so pernicious in its operation that we shall be compelled to discard it (p. 415).

The provisions of the Foreign Trade Agreement Act here considered are quite different from the statutory provisions considered by the Supreme Court in *Panama Refining Co. v. Ryan, et al.* (293 U. S. 388). In that case the Court dealt with section 9 (c) of the National Industrial Recovery Act (48 Stat. 195, 200), relating to the transportation of "hot oil", and held this statute to be unconstitutional because the Congress had declared no policy, had established no standard, and had laid down no rule, thus leaving the statute with no "requirement, no definition of circumstances and conditions in which the transportation is to be allowed."

In the *Panama Refining Company case*, however, Mr. Chief Justice Hughes, speaking for the Court, said (p. 421):

Undoubtedly legislation must often be adapted to complex conditions involving a host of details with which the national legislature cannot deal directly. The Constitution has never been regarded as denying to the Congress the necessary resources of flexibility and practicality, which will enable it to perform its functions in laying down policies and establishing standards, while leaving to selected instrumentalities the making of subordinate rules within prescribed limits and the determination of facts to which the policy as declared by the legislature is to apply. Without capacity to give authorizations of that sort we should have the anomaly of a legislative power, which in many circumstances, calling for its exertion would be but a faculty.

Other decisions of the Supreme Court supporting the rule thus stated by Mr. Chief Justice Hughes will be found in *St. Louis & Iron Mountain Ry. Co. v. Taylor* (210 U. S. 281); *Arizona Grocery Co. v. Atchison, Topeka & Santa Fe Railway Co.* (284 U. S. 370), both of the above decisions sustaining delegation of rate-making power to the Interstate Commerce Commission; *Buttfield v. Stranahan* (102 U. S. 470), sustaining delegation to the Secretary of the Treasury of power in connection with the importation of tea; *Union Bridge Co. v. U. S.* (204 U. S. 364), sustaining delegation to the Secretary of War of power in connection with the removal of obstructions to navigation; *United States v. Grimaud* (220 U. S. 506), sustaining delegation to the Secretary of Agriculture of power to make rules and regulations governing national forest reserves; *Red "O" Oil Manufacturing Co. v. North Carolina* (222 U. S. 380), sustaining validity of a North Carolina statute delegating to the Board of Agriculture of that State powers governing the sale of illuminating oils; and in many others too numerous for citation.

The Foreign Trade Agreement Act fully measures up to the standards thus prescribed. The Congress was confronted with a condition requiring legislation adaptable "to complex conditions involving a host of details" with which the Congress itself could not deal directly. The Congress met this condition by laying down a definite policy, establishing definite standards, prescribing definite procedure to be followed, and leaving to the Executive the carrying out of the declared policy within prescribed limits upon a determination of the applicable facts.

It is important, moreover, to bear in mind that the *Panama Refining Company case* dealt with an act of Congress relating to internal affairs as distinguished from foreign affairs. This distinction was noted by Mr. Chief Justice Hughes when, after referring to the early

embargo acts discussed above in this memorandum, he stated that these acts were "cognate to the conduct by him (the President) of the foreign relations of the Government," thus indicating that the Court recognized that broader latitude obtains in the international field than exists with reference to domestic affairs. This differentiation was prophetic of the decision of the Supreme Court in the more recent case of *United States v. Curtiss-Wright Export Corp., et al.*, (299 U. S. 304).

The *Curtiss-Wright Export Corporation case* dealt with the joint resolution of May 28, 1934, and the proclamation of the President issued thereunder prohibiting the sale of arms or ammunitions of war to countries engaged in armed conflict in the Chaco. The validity of the statute and of the proclamation were attacked on the grounds of unconstitutional delegation of legislative power. Sustaining the act and the proclamation, the Supreme Court said, in part:

It is important to bear in mind that we are here dealing not alone with an authority vested in the President by an exertion of legislative power, but with such an authority plus the very delicate, plenary, and exclusive power of the President as the sole organ of the Federal Government in the field of international relations—a power which does not require as a basis for its exercise an act of Congress, but which, of course, like every other governmental power, must be exercised in subordination to the applicable provisions of the Constitution. It is quite apparent that if, in the maintenance of our international relations, embarrassment—perhaps serious embarrassment—is to be avoided and success for our aims achieved, congressional legislation which is to be made effective through negotiation and inquiry within the international field must often accord to the President a degree of discretion and freedom from statutory restriction which would not be admissible were domestic affairs alone involved (pp. 319-320).

The Court carefully explained that—

When the President is to be authorized by legislation to act in respect of a matter intended to affect a situation in foreign territory, the legislator properly bears in mind the important consideration that the form of the President's action—or, indeed, whether he shall act at all—may well depend, among other things, upon the nature of the confidential information which has or may thereafter receive, or upon the effect which his action may have upon our foreign relations. This consideration * * * discloses the unwisdom of requiring Congress in this field of governmental power to lay down narrowly definite standards by which the President is to be governed.

* * * * *

In the light of the foregoing observations, it is evident that this court should not be in haste to apply a general rule which will have the effect of condemning legislation like that under review as constituting an unlawful delegation of legislative power. The principles which justify such legislation find overwhelming support in the unbroken legislative practice which has prevailed almost from the inception of the national government to the present day (pp. 321-322).

The Court concluded:

* * * It is enough to summarize by saying that, both upon principle and in accordance with precedent, we conclude there is sufficient warrant for the broad discretion vested in the President to determine whether the enforcement of the statute will have a beneficial effect upon the reestablishment of peace in the affected countries * * * and to prescribe limitations and exceptions to which the enforcement of the resolution shall be subject (p. 329).

It is not important from the point of view of the constitutionality of a law delegating authority to an agency with respect to tariff matters whether the Congress specifies a particular rate to be applied in a given situation or a maximum or minimum rate beyond the limits of which changes may not be made. Both classes of legislation have been enacted and have been held to be constitutional by the Supreme Court. But far beyond either of these situations are the

well known rate making cases in which the Congress has prescribed no rate and no range within which rates may be fixed, but rather has left to the rate-making body, namely, the Interstate Commerce Commission, the determination of "just and reasonable rates." (*St. Louis & Iron Mountain Ry. v. Taylor*, supra; *Arizona Grocery Co. v. Atchison, Topeka & Santa Fe Railway Co. et al.*, supra.)

In view of the historic exercise by the President, under authority of acts of the Congress, of powers similar to those granted in the Foreign Trade Agreement Act and of the express declarations of the Supreme Court in the cases mentioned, it would seem that there no longer exists any sound basis for a contention that the Foreign Trade Agreement Act is unconstitutional because it contains an unwarranted delegation of legislative power. As has been aptly stated:

Legally and structurally, the Trade Agreement Act seems a model of statutory effectiveness. It is clear, easily construed, and constitutionally orthodox; * * * (46 Yale Law Journal (1937), 669-670).

The CHAIRMAN. The next witness is Mr. Rogers.

STATEMENT OF JAMES GRAFTON ROGERS, MASTER, TIMOTHY DWIGHT COLLEGE, YALE UNIVERSITY, FORMER ASSISTANT SECRETARY OF STATE

The CHAIRMAN. Mr. Rogers, will you give us first a brief statement about yourself, your background, experience, and so forth?

Mr. ROGERS. I was originally trained as a lawyer. I was Assistant Secretary of State in the last 2 years of the Hoover administration, particularly in charge of economic matters. Since that I have been for two years Dean of the Law School of the University of Colorado, and then later Master of the Timothy Dwight College at Yale University. My principal interests are in the field of national and international economics and government policy.

The CHAIRMAN. You were in the Hoover administration as Assistant Secretary of State from March 10, 1931, to March 6, 1933?

Mr. ROGERS. That is correct.

The CHAIRMAN. Mr. Stimson was Secretary of State at that time?

Mr. ROGERS. That is right.

The CHAIRMAN. We wanted to get your reaction and views respecting the most-favored-nation principle as involved in the Trade Agreements Program. Just proceed in your own way in discussing it, Mr. Rogers.

Mr. ROGERS. I have been asked to repeat here what I have said a great many times in print and in addresses in regard to the technique and results of the different methods of treating the American policy in regard to foreign trade.

I came into the administration 10 years ago as a protectionist in the old-fashioned strict sense. I was exposed for 2 years to the necessities from the developing conditions of international trade, and I left with a complete alteration in my attitude in regard to the policies that we ought to pursue on international trade. As time has gone on, I have tried to keep track of this sort of thing, indeed I have a great deal of rather intimate contact with it, and what I am expressing now is the product of that kind of thinking and that kind of experience.

Let me say that I am a Republican, that I am hopeful of a Republican victory this year, that I do not speak in terms of anything except this policy, but this policy—

The CHAIRMAN (interposing). That is the first time these gentlemen on that side have smiled for a long while.

Senator DAVIS. For a Republican, like a Democrat, it is all right to change once in a while.

Senator BROWN. As long as he confines it simply to being hopeful, that is all right. If he expressed confidence, that would be something else.

The CHAIRMAN. Now, you may proceed, Mr. Rogers.

Mr. ROGERS. If I may put it for a moment in terms of my own thinking, let me say this. There are three or four, possibly more, methods in which the United States can deal with its trade with foreign nations. One of those which is likely to develop as a possibility and which undoubtedly is going to be followed by the European nations as the war develops, and possibly after the war, is what is called mercantilism. That is the kind of thing that Japan is doing in China today. It is selling at the point of a bayonet.

Great Britain is, in the emergencies of the war, doing a somewhat similar thing. Great Britain in its early history did it. It is the kind of thing that the United States has never pursued, but which it would be very easy to develop sentiment for in this country if the rest of the world breaks out in a rash of it.

It is not at all impossible as a policy in this country, although it is not one that is in our tradition.

Now, turning from that purely aggressive attitude of confining our trade channels to places which we control and of forcing of countries over whom we have domination to trade with us, which I call mercantilism, let me turn to some of the other policies which we could more likely pursue.

Our traditional policy has been a kind of a stiff protectionism, without much regard to the attitudes of the other countries, self-made, self-contained, self-assured, and self-confident.

The difficulty with that policy is that it rapidly degenerates. The effect of the isolated and self-contained protectionism is to drive one country after another into the same attitude, and particularly when that protectionism is carried on by a great and powerful nation like the United States or Great Britain.

It is not true, I think, that we have been leaders in our extreme protectionism in this country, but the model of the American Nation is so important throughout the world that everything that we do influences other countries, and particularly the little countries of Europe and South America.

The degree to which the United States provides the models for action, political action, all over the world is sometimes startling, and the consequences revert back to us.

I treat American policy as being simply a determination of our own interests. That is the way to run the world, but our own interests may involve in the extremes that of a self-contained protection policy ultimately.

Another feature of it is that it is very difficult to keep it scientific in the sense of rationalism, because, as I need not say in these halls, the way that tariffs are made is a product of political compromises

and combinations, in familiar phrase, logrolling, and it is very difficult, as one administration after another has found, Democratic and Republican, through the years, to keep any tariff policy framed on the program of our own simple past attitudes from getting constantly distorted by almost the accidents of political pressure, by personalities, by regional pressure which happens to be effective at the moment, by various combinations, and even political ambitions and jealousy.

We all recognize these facts, and I am just dealing with them in order to keep the thing in order for the moment.

There is another policy which is the real rival of the policy of the most-favored-nation reciprocity agreements, and that is the policy of special bargaining, as I call it; that is to say, it is a plan under which a nation makes an agreement with a single other nation or a small group of other nations under which they make concessions which are applicable only to the two bargaining parties, and are not applicable to the rest of the world in general. That policy has been particularly connected with the history of France in its recent years. There have been other countries in the past, like Spain, which have adopted it as a general principle, but France is historically in the last century the great example of that kind of method.

It is peculiarly difficult for a country like the United States to follow it, for a number of reasons. The first of them is that it involves extreme flexibility in the executive department. It involves making tariffs by the process of Executive decree; it involves altering them almost from week to week; it involves the abandonment of the democratic process, at least so far as the foreign affairs is concerned, by turning over to the executive department very considerable control over the international economics of the country involved.

But it is worse than that. It is impossible to keep it separated from financial and political motives. An executive department, the Department of State, which has over its desk hour by hour, military, political, and financial problems inevitably mingles them with its business and economic problems, and the history of the French special bargains throughout Europe is a history of political contrivances made one after another in the most rapid sequence, in which not only the business of France but the money of France has been devoted to its military strategy, in which the bankers and the businessmen have been called upon by their government practically to subordinate their economic and business motives to the political policies which impinge most on the department which has to handle it.

We run great danger in this country of seeing something of this sort occur in the Western Hemisphere.

Senator VANDENBERG. Mr. Rogers, when you complain against the bilateral agreements because they trend toward tariffs by executive decree, how can you sustain trade agreements which are nothing but tariffs by executive decree? Our trade agreements?

Mr. ROGERS. It is undoubtedly true that there is considerable executive discretion under the reciprocity treaties.

Senator VANDENBERG. There is nothing else but.

Mr. ROGERS. No; it is limited in many particulars, but it is chiefly—my criticism of the other policy is chiefly on the ground that the executive-decree policy becomes a political and financial policy as well as an economic policy, and in the case of the reciprocity agreements, the motives, the purposes are primarily economic, and there-

fore we have not got executive decree in the sense of political incentive being involved in them.

I recognize with some reluctance, I admit, that we must face some centralized control, but it seems to me it is not serious.

Senator VANDENBERG. When you put your economies in the hands of the State Department, which is what we do under the Trade Agreements Act, do you think that is the way to insulate our economies from international politics?

Mr. ROGERS. No; but I do not think that you can insulate it in any better fashion, Senator. We have got to face, as I am about to say, we have got to face the fact that in a world in turmoil, in a world more than in turmoil—in a world in desperation—the United States must have some flexibility in its policy. If there were a better place to put it than the State Department, I would be glad to see it put there. I would also rather have it there than in the White House, and I would rather have it there than in most of the other departments, because there is a tradition, at least, that is fairly well established, but we have got to have it somewhere, as I see it, and I am content to see it in the State Department as the best place to put it.

Senator VANDENBERG. I would not want you to misunderstand my feeling about it. I completely agree that we have got to have flexibility in order to meet not only the war trade conditions but the post-war trade readjustment impact. I just question whether or not we have got to give up the democratic process in order to do it, and I think that you have given up the democratic process when you let the gentlemen in the State Department do what they please with our tariff laws. I think you could do it through a tariff commission with enlarged powers, you could do it through a foreign board of trade of some character, something like the British Board of Trade, always on the basis, however, of criteria in the law which sets the boundaries beyond which they cannot go. Have you any quarrel with that objective?

Mr. ROGERS. I have no particular conviction about where the authority ought to be fixed. If it were possible to set up a commission or a board which would have the experience and the development of a good tradition of service in it, it would be entirely satisfactory to me.

The difficulties historically have been that when we set up these boards, about two-thirds of the time they get off on the wrong track because they have not got a sound history against which they work. Men work according to patterns, and the pattern is not made for them. The only argument that could be made for the State Department, the importance to me, is not the argument that the thing naturally belongs there historically, but they have more background to operate on than a fresh commission.

Senator VANDENBERG. Well, dealing with the question of flexibility, I do not want to interrupt the continuity of your statement ----

Mr. ROGERS (interposing). I have no objection.

Senator VANDENBERG. I so completely agree with your statement about the need for flexibility in the present and prospective condition of the world that I do not see how in the world you can rely on as narrow an instrumentality as the trade agreements, which deal almost solely with rates, to meet the impacts we are going to confront. You have already said that the external world is shot through with what you call mercantilism already, bilateral agreements—1,500 of them in

the last few years—extreme protectionism, self-containment all around, blocked exchange, embargoes, subsidies—how are you going to deal with all those menaces to our trade through the relative inflexibility even of a trade-agreements program?

Mr. ROGERS. Every choice of a political policy, Senator, is a choice between a bundle of strengths and weaknesses. Any political policy has its weaknesses. This is a question of the net result proportionately of the strengths and weaknesses, and the varying types of policy we can follow. My judgment is, as I was trying to say, that the weaknesses for the United States, particularly in a bilateral bargaining policy are infinitely greater than the obvious weaknesses connected with the most-favored-nation reciprocity policy.

Senator VANDENBERG. But in a world which is distressed with all of these other artificial interferences, which both of us agree exist to a tremendous degree at the present time, and constantly multiplying, in that kind of a world, first a world at war and second a world facing a subsequent readjustment which will be bitterly competitive, in that kind of a world it seems to me that when we pursue the unconditional most-favored-nation policy, we are just bound to get the worst of it. We are the ones who maintain the ideal of which you speak, and the other fellow takes our shirt.

Mr. ROGERS. If we abandon the principle of equality, which is the word meant by the most-favored-nation clause, if we abandon the principle of equality and proceed to strike special bargains with any country you please, country A at the present moment, our whole structure of economies, international economies, falls in a moment.

Senator VANDENBERG. Can we maintain it all alone? Is not the rest of the world rendering nothing but lip service to the unconditional most-favored-nation policy at the present time?

Mr. ROGERS. It is undoubtedly true that there is a great deal of effort to avoid the consequences of our treaties, and some successful effort, Senator, but it is equally true that the capacity to make these treaties and freely to go ahead with them, constantly deters the countries from doing what they might otherwise do, that we are holding over their heads a capacity to deal with them and with their neighbors and competitors, which tends to keep them in line with the policy which we dictate; and one of the greatest advantages of the program which is in operation are the collateral advantages as contrasted with those specifically dealing with any branch of trade. We are dealing, if I may say so, and it sounds a little extravagant, but we are dealing with an attitude here which is emotional as much as anything else, and the fact that the United States sticks steadily at a principle of equality, that it refuses to get entangled in any of the political alliances, the special agreements and commitments that may come out of biparty bargaining has an effect on all the rest of the world, and particularly the little nations over the stretch of the world, which is of the utmost importance, in my judgment.

Senator VANDENBERG. What is the effect when we dip into this same reservoir of immoral practices, when we make some harter deals as we have done, when we pay some export subsidies, as we have done; when we do precisely the same thing against which you inveigh?

Mr. ROGERS. I have no sympathy whatsoever with the policy which you are now suggesting. It is a contradiction of the other policy, in my judgment, but it has not gone far enough yet—I hope it won't go

further—but it has not gone far enough yet so that it upsets the basis on which our foreign trade has been conducted.

Senator VANDENBERG. You concede that we are already in conflict among ourselves on that subject?

Mr. ROGERS. Yes, sir; and a serious conflict which may develop into major importance.

Senator VANDENBERG. And cannot the rest of the world force you into further conflict with yourself in these practices?

Mr. ROGERS. The rest of the world can undoubtedly tempt us into all kinds of policies, and particularly our preoccupation with the idea at the present moment that we ought to distribute special favors in the Western Hemisphere. It seems to me that we have got to keep the whole of our world policy on a single basis.

Senator VANDENBERG. My feeling, and then I am through and I apologize for the interruption, is—I concede your ideal and I think the ideal has collided with the terribly practical problems in the world. It is like the good-neighbor policy in Mexico—it is a splendid thing to talk about only you get the worst of it. And I am just wondering if it is not inevitable that we get the worst of the unconditional most-favored-nation policy so long as we cling to it faithfully, as you want to do in the presence of a world which completely denies every element of it in practical net results.

Mr. ROGERS. Senator, I am not concerned with ideals or with academic theories about the conduct of our international economic policy. I am concerned—my point of view toward that sort of thing works best whenever a nation looks first after its own interests and that ought to be our own duty here. I am dealing with it as far as I can see it entirely as a practical policy for ourselves. If there is a conflict between theory and practice, I am on the practice side.

Senator VANDENBERG. Then you ought to be on my side in this argument.

The CHAIRMAN. Did not Chief Justice Hughes, when he was Secretary of State, take a somewhat similar attitude as yours?

Mr. ROGERS. Yes, Senator. There has been a lot of conflict on this through the years. Both parties from time to time have adopted various of these policies, and there is quite as much in the long reach of the years, quite as much Republican policy toward this kind of attitude that I represent as there is Democratic policy.

The CHAIRMAN. Do you know of anyone in the State Department who has been a stronger advocate of the unconditional most-favored-nation principle in our relations with foreign countries than Mr. Hughes, while he was Secretary of State?

Mr. ROGERS. He undoubtedly represented that point of view, but I would not be able to answer comparatively.

The CHAIRMAN. So that you are in pretty good company even though you are not in the same company with Senator Vandenberg on this question?

Mr. ROGERS. I am often in company with Senator Vandenberg, but I am not at this point.

Senator VANDENBERG. I want to confirm what the chairman said. I know that Justice Hughes was certainly one of the most devoted advocates of it in a world at peace, which is a totally different thing. You cannot run America the way it was run when Mr. Hughes was Secretary of State, in a lot of different ways, and I have heard the chairman make eloquent speeches on that subject.

Mr. ROGERS. Senator Vandenberg, in my judgment, if at the present time we abandoned the principle of equality in our trade treaties, the little neutral nations of Europe who are trying to keep out of the fray would give up any hope of maintaining any trade with anybody in the normal sense, and would simply surrender themselves in a series of desperate efforts to save what trade they had, as between the belligerents on the two sides, and our constant statement to them that we are going to treat everybody alike deters them from that because they know they will abandon the opportunities for trade with us, which have been significant to most of them and which they expect to see resumed at the end of the war. Therefore, it seems to me that the turmoil and disturbance of the war as it has now developed and as it is going to develop is an even stronger argument for this kind of a policy than the conditions of peace.

Senator VANDENBERG. What would you say to composing our differences on the basis of this compromise, that we will maintain the necessities of the objective which you describe? I concede that. Suppose we just suspend any further efforts to make trade agreements—leave the existing ones as they are—and just suspend any further effort in making them until the world has somewhat settled again on the basis of some reasonable stability.

Mr. ROGERS. My judgment is that most of the important trade agreements have been made—indeed, there have been more made than I thought originally could be produced in practice. It does not seem to me that there is a very large field for any operation that is left. It does seem to me, however, important to keep in the hands of the Executive some flexibility for adjustment as time goes on. Nobody knows what is going to happen tomorrow. It is obvious that the channels of trade are altering all the time, new conditions are arising, and my instinct is to preserve in the Executive the capacity to order and modify these agreements and possibly to explore new ones as time develops. The great part of the activity, in my judgment, is over.

Senator VANDENBERG. Do you think the escape clauses in the present agreement permit of complete flexibility?

Mr. ROGERS. Not complete.

Senator VANDENBERG. Adequate?

Mr. ROGERS. They permit considerable flexibility, not so much because of their terms as because they open up the door to further adjustment and negotiation. I am glad to have seen them enlarged as experience has gone on.

Senator VANDENBERG. I am not going to interrupt you any more, Professor Rogers; go ahead.

Mr. ROGERS. I think, Senator, that we have covered a large part of what I had to suggest to you. Let me suggest this as an additional point or two.

The biparty bargaining plant which I have characterized particularly as the French plan, has to be confined to a country which produces a relatively small number of export products. If a country like the United States whose trade is in constant flux, in which our exports are varying in type from time to time and in which the actual flow over them, the channels in which they flow throughout the world are varying, if a country of our type attempted biparty bargaining, we would immediately get into difficulties, in my judgment. France has a few export products. And not only do we get into difficulties

as matters of policy, but we get into difficulties through the fact that internal pressure lands on the people who are handling the policy, and the result is that internal favoritism develops, and it is one of the scandals of French politics, a scandal which the average Frenchman treats as one of the necessary weaknesses in the military policy of his country, that that sort of thing has developed constantly in France.

It seems to me, therefore, that with our varying types of export trade and import trade also, that with our wholly flexible and fluid type of trade, that the equality type policy is not only the wisest thing from the standpoint of the end we want to gain, but that it freezes us, protects us against difficulties that would appear in the policies which are conspicuous in the world whether the other policy has been followed.

This, Mr. Chairman, I think, covers the main thoughts that I had in mind in an attempt to explain why my own judgment is clear on the matter.

The CHAIRMAN. Are there any questions of Professor Rogers?

(No response.)

The CHAIRMAN. Thank you, Mr. Rogers. We are very glad that you came down and we appreciate your having taken the trouble to come here and appear before us.

The committee has been requested by two Members of the House of Representatives for an opportunity to make short statements. We will hear Congressman Murray, of Wisconsin, first.

STATEMENT OF HON. REID F. MURRAY, REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

The CHAIRMAN. Did you appear before the Ways and Means Committee?

Mr. MURRAY. The agricultural bill was on the floor of the House, and we could not appear that day. That is why we asked to appear here.

The CHAIRMAN. Proceed.

Mr. MURRAY. The dairy industry represents over 20 percent of the national farm income, and up to this time, neither before the Ways and Means Committee or on the floor of the House have I felt that the real facts in connection with these trade treaties have been brought out. If you will just stop me when my time is up, I will give you what I can about it.

In opening this discussion, I would like to say that I have contended since their inception that these treaties have been injurious to American agriculture. In the particular district that I represent, we have practically half a million head of dairy cattle, we produce over 60,000,000 pounds of cheese and over 20,000,000 pounds of butter a year, and over one-tenth of the national production of cheese. With this volume of milk and with the hundreds of capable cheese and butter makers employed in this industry, we feel that the dairy industry should be represented and guarded to the best of our ability, because the dairy industry is the lifeblood of the district.

Mr. Chairman, I believe that there are two things in connection with these trade treaties, one of them is that they have been injurious to the dairy farmer. I do not think that there is any doubt that any-

one can prove that this is not so and that the trade treaties have been detrimental to the general agriculture of the Nation.

When the first Canadian treaty went into effect, the price of cheese was 17 cents a pound in December 1935. It immediately, when it went into effect, brought the price of cheese down to 15 cents a pound, or a drop equal to the reduction in the tariff. The price kept going down due to tariff reduction and seasonal influence until it reached 12.5 cents per pound, right in the face of declining storage stocks. There were 99,000,000 pounds in storage on January 1, 1936, and only 85,000,000 pounds in storage on July 1, 1936. The drought in 1936 caused prices to advance in midsummer; prices rose from 12.5 cents low and the imports increased from 116,122 pounds in July, August, and September, 1935, to 5,428,939 pounds in the same 3 months of 1936 and there was an increase of 4,675 percent in imports. This importation was followed by a marked price decline.

There were 768,932 pounds of cheddar cheese imported in 1935. The price of cheese had been gradually rising each year up until December 1935, when it was 17 cents per pound. Then along came the New Deal reciprocal trade treaty and we find in 1936, that instead of anything like the 768,932 pounds import of 1935, we had an import of 10,844, 681 pounds of cheddar cheese or an increase of 1,410 percent in the imports and a marked reduction in price.

In 1938, when the average price of cheese was only 12.6 cents per pound for the year and much below parity, the second treaty was made with Canada and the tariff was reduced another cent per pound. With the price 12.8 cents per pound in December 1938, it immediately dropped to 11.8 cents per pound in January 1939, or 1 cent, the exact amount of the reduction in the tariff.

I will say this without any partisanship at all, Mr. Chairman. There is one thing that no one in the State Department, no one in Congress and no one in agriculture has, or in my humble opinion can answer, and that is in 1938, just a short time ago, when cheese prices averaged 12.6 cents for the year which is not over two-thirds of parity, we had the second Canadian treaty, and with this second Canadian treaty which took off another cent a pound, I would like to know what justification there was for it. I want to say in fairness to my colleagues, that do not happen to belong to the party that I belong to, that when the second Canadian treaty went into effect, there were only two people from Wisconsin that seemed to be interested in the dairy industry. They went down there and protested against the further reduction in the tariff on cheese. They took off this other 1 cent in 1938.

Now, let us look at the importations for the 2 years of 1938 and 1939. Due to low prices, there were only 1,815,333 pounds of cheddar cheese imported in 1938, while in 1939, after the reduction in the tariff of an additional 1 cent per pound, there was an immediate rise in imports which totaled 6,351,785 pounds in 1939 or an increase of 349 percent in imports. In August 1939, due to the drought in the milk-producing area of the United States, prices advanced in dairy products, and in October alone, we imported 3,259,467 pounds, or over one-half the imports for the whole year during this 1 month.

I just make that point because it is not exactly the number of pounds that happen to come into the country, but it is the time when it comes in in large quantities—just at the time that prices are trying to rise.

The result was that cheese prices never did reach the 1935 peak, which existed before the days of the treaties. This importation of 3½ million pounds in the 1 month of October 1939 is nearly twice the total imports of 1938 (1,815,333 pounds). This was the largest amount imported in any 1 month for many years. This importation of 3½ million pounds in 1 month may not mean much to officeholders with assured salaries, nor would-be professors who have read a book or two on economics and thus qualified for expert opinions, but it truly has a meaning to the thousands of dairy farmers who have been fighting to keep their farms with a 7-year New Deal average of 13.2 cents per pound for cheese and 26 cents for butter.

Year	Imports of cheddar cheese	Tariff	Percent increase in imports due to tariff reduction
	<i>Pounds</i>		
1935.....	788,032	7 cents per pound.....	
1938.....	1,815,333	5 cents per pound.....	1,410
1939.....	6,351,785	4 cents per pound.....	349

Source: U. S. Tariff Commission.

The above facts are sufficient evidence to prove to any fair-minded man in this world that these New Deal trade treaties have cost the dairy farmers of America untold millions of dollars.

Just as soon as dairy prices get anywhere near the cost of production, the imports start pouring in to such an extent that the farmer does not have a possible chance of getting parity price or the cost of production.

Cheddar cheese prices, during the last 4 pre-New Deal years when economic conditions in the world were at their lowest point, averaged higher (14.7 cents per pound) than have the prices of cheese the 4 years of the Reciprocal Trade Treaties (14.1 cents per pound). (Source: U. S. Tariff Commission.) In addition, things the farmer buys have materially advanced in price.

The average price of cheese for the 7 pre-New Deal years was 17.5 cents per pound and the average price for the 7 New Deal years was 13.2 cents per pound. Each cheese farmer can compute his personal loss by adding 30 percent onto the milk checks which he has received during the past 7 years.

No living individual, regardless of the position he holds in the Department of Agriculture, can, in face of the above facts, prove that the reciprocal trade treaties have done anything but harm to the dairy farmers of this Nation. It is well to note that there was not one farm organization which endorsed these trade treaties without a "stinger" on the end of the endorsement. They were for the treaty unless the tariff was reduced on a product which was below parity, or, they were for the treaty as long as it did not affect the products raised by their members.

According to Bulletin 200, United States Department of Agriculture and Wisconsin State Department of Agriculture, page 41, the United States farm price of butter for the seven pre-New Deal years was 35 cents per pound. The average price of butter for the last four

pre-New Deal years was 32 cents per pound. The average price for butter for the seven New Deal years was 26 cents per pound or 23 percent less than the last four pre-New Deal years and 38 percent less than the seven pre-New Deal years. In 1939, after six years of the New Deal, butter averaged only 25.8 cents per pound. There were 6,954,000 pounds of butter exported the past seven years and 45,524,000 pounds of butter imported during the same period. This shows $6\frac{1}{2}$ times more imports than exports. Yesterday, right in the middle of the winter you might say, the price of butter is only 27 cents a pound at the present time.

The CHAIRMAN. Congressman, what was the price of cheese in the United States in December 1939? Cheddar cheese?

Mr. MURRAY. I have the figures in here. I imagine it was up to 17 or 18 cents.

The CHAIRMAN. The figures I have here are 18 3 in December.

Mr. MURRAY. That may be. But the average for 1939 was what? 12.8 cents per pound.

The CHAIRMAN. The average for 1939—

Mr. MURRAY (interposing). Was 12.8?

The CHAIRMAN. 12.9.

Mr. MURRAY. Those figures coming from different sources perhaps, may vary slightly.

The CHAIRMAN. I notice that the production of all cheeses in the United States was 724 million pounds in 1938?

Mr. MURRAY. Yes, sir.

The CHAIRMAN. And in 1937 it was 649 million pounds?

Mr. MURRAY. Yes, sir; going up every year.

The CHAIRMAN. So that the production has increased tremendously?

Mr. MURRAY. Yes, sir.

The CHAIRMAN. And these price figures in 1938 on this cheese was 12.6, and in December 1939, the average is 15.0. In December last year it reached 18 cents.

Mr. MURRAY. Yes; but I might say that eggs were 27 cents a dozen the day that Mr. Roosevelt was elected President, and they were 12 cents in August 1939, but I don't think that that would be a very fair way for me to argue. I am not trying to argue politically, but just the economics. I would not want to say that $4\frac{1}{2}$ cents for hogs today is a New Deal price, because that is the result of many other determining factors—you have seasonal fluctuations and so forth, too, but I am using the averages for as long a period as I can use. With 27-cent butter, 18-cent cheese is out of the picture, because it is always about half.

The CHAIRMAN. Proceed.

Mr. MURRAY. Many milk prices have been based on the combined price of cheese and butter. This reduction of 3 cents in the tariff on cheese is equal to a 6 cents per pound reduction of the tariff on butter. Any reduction of the tariff on butter would meet a national objection as it has a national production. It would take political courage to reduce the tariff on butter as it would be certain to have universal opposition. Cheese is produced in comparatively small areas and about half the national production is in Wisconsin. Butter is produced by 77 percent of the dairy farmers. They don't want to take it off of butter, but they want to take 42 percent off, or they seem to want to give their stamp of approval to take 42 percent off from

one product like cheese. It is just like saying you will take the tariff off on turkeys and that that wont ruin the livestock industry, because turkeys is such a small percentage of the livestock in the United States, but nevertheless, the harm to the turkey grower is very real indeed.

Now, I have some tables which I will not go into in detail due to the limitation of time, to prove that the trade treaties have been detrimental to agriculture, but I would ask that they be made a part of my statement and inserted in the record.

The CHAIRMAN. That may be done, without objection.

(Same are as follows:)

PROOF THAT THE NEW DEAL TRADE TREATIES HAVE BEEN DETRIMENTAL TO
GENERAL AGRICULTURE

The following tables show the imports and exports since March 1, 1933, to December 1, 1939:

TABLE I.—Total value of United States foreign trade

Year	Exports, including reexports	General imports
1933.....	\$1,467,000,000	\$1,270,188,000
1934.....	2,183,000,000	1,655,000,000
1935.....	2,283,000,000	2,047,000,000
1936.....	2,459,000,000	2,423,000,000
1937.....	3,319,000,000	3,084,000,000
1938.....	3,619,000,000	1,991,000,000
1939.....	\$2,810,000,000	\$2,071,000,000
Total.....	17,837,000,000	14,511,188,000

Source: State Department, Jan. 16 and 29, 1940.

By studying the above figures (1) we find in table I a favorable trade balance of all foreign business of 20 percent (\$17,837,000,000—\$14,511,188,000=\$3,025,812,000). By favorable trade balance, I mean we exported 20 percent more dollars worth of products than we imported.

TABLE II.—Total value of United States foreign trade in agricultural products

Year	Exports	Imports	
		Not produced at all in the United States	Supplementary agricultural imports
1933.....	\$604,325,000	\$316,400,000	\$316,341,000
1934.....	733,000,000	408,000,000	413,000,000
1935.....	747,000,000	483,000,000	589,000,000
1936.....	709,000,000	547,000,000	605,000,000
1937.....	707,000,000	711,000,000	868,000,000
1938.....	828,000,000	479,000,000	477,000,000
1939.....	\$678,000,000	\$522,000,000	\$476,000,000
Total.....	4,996,325,000	3,406,400,000	3,834,341,000

¹ All imports and exports for January and February 1933 subtracted from total figures for 1933. January and February 1933 imports and exports obtained from State Department.

² For first 11 months of 1939.

Source: State Department Jan. 16 and 20, 1940.

(2) We find in table II that we have an unfavorable agricultural trade balance of 49 percent for the first seven New Deal years. (\$3,834,341,000+\$3,406,400,000=\$7,300,837,000) (\$7,300,837,000—\$4,996,325,000=\$2,304,512,000) 40 percent.

TABLE III

Year	All exports	All imports
1936.....	\$2,456,000,000	\$2,423,000,000
1937.....	3,349,000,000	3,084,000,000
1938.....	3,049,000,000	1,961,000,000
1939.....	2,810,000,000	2,071,000,000
Total.....	11,664,000,000	9,539,000,000

(3) Now let us look and see what has happened the last 4 years with the reciprocal trade treaties in effect. From chart III for the four reciprocal trade-treaty years, we find a favorable trade balance of \$2,115,000,000, or 22 percent in our total world trade.

TABLE IV

Year	Agricultural exports	Imports	
		Not produced in United States	Supplementary agricultural products
1936.....	\$709,000,000	\$517,000,000	\$695,000,000
1937.....	797,000,000	711,000,000	868,000,000
1938.....	828,000,000	170,000,000	477,000,000
1939.....	578,000,000	522,000,000	476,000,000
Total.....	2,912,000,000	2,259,000,000	2,516,000,000

(\$2,259,000,000+\$2,516,000,000=\$4,775,000,000.)
 (\$4,775,000,000-\$2,912,000,000=\$1,863,000,000 or 63 percent.)

(4) The foregoing figures in table IV show that we had agricultural imports of \$4,775,000,000, and agricultural exports of only \$2,912,000,000, or an unfavorable agricultural trade balance of over 63 percent.

TABLE V.—For years of 1936, 1937, 1938, and 1939

Total exports.....	\$11,664,000,000
Total agricultural exports.....	2,912,000,000
Total nonagricultural exports.....	8,752,000,000
Total imports.....	9,549,000,000
Total agricultural imports.....	4,775,000,000
Total nonagricultural imports.....	4,774,000,000

Mr. MURRAY. Let us look at table V. When we deduct the agricultural exports and imports from the total exports and imports, we find that we have a total of \$8,752,000,000 in nonagricultural exports and \$4,774,000,000 in nonagricultural imports. This gives a favorable trade balance of 83 percent in our foreign business with agricultural products eliminated from the computations as shown in table V.

During the past 4 trade treaty years, we find we have had a favorable nonagricultural trade balance of 83 percent and an unfavorable agricultural trade balance of 63 percent during the same period of time.

The CHAIRMAN. Congressman, yesterday Mr. Holman appeared before the committee representing the dairy interests.

Mr. MURRAY. Yes.

The CHAIRMAN. And he certainly is a very good representative of the industry, don't you think?

Mr. MURRAY. I would think so. At least, he has the position.

The CHAIRMAN. He has impressed this committee as being very competent.

Mr. MURRAY. He has been, to get 50 percent of the farmers a cost of production and a price fixed for milk around the milksheds of the United States, but I happen to represent a group of farmers that have not the blessings of any price fixed for them. They have to take what is left. That is the only difference.

The CHAIRMAN. I was just speaking in general terms.

Mr. MURRAY. Oh, yes; we have a very high regard for him.

The CHAIRMAN. He appeared yesterday before the committee and he stated: "Just as Mr. Arnold said this morning, from the economic viewpoint we are more concerned with the possible future of the trade-agreement program than the present or the past." He said: "Also, for years there has been a tendency for world prices to come up toward domestic prices of both cheese and butter, so that at the present time, up to the present time we cannot say that we have suffered materially as to these prices."

Do you agree with him in that statement?

Mr. MURRAY. No, sir. We have not on butter, because we still have the 14 cents a pound on the Smoot-Hawley. It has not been taken off yet. The best friend I have on earth is the man in the State Department that is in Argentine at the present time. I never discussed this matter with him, but just to show you that it is purely a nonpersonal and nonpolitical matter with me when I tell you that butter can be produced in the Argentine at 15 cents a pound and cheese for 8 cents. That is just the next avenue that the dairy farmers of this country must think of as far as the future is concerned.

The CHAIRMAN. The Argentine agreement, we are told, is out.

Mr. MURRAY. Yes; I know it is out for now, but for just how long? The only thing that I am complaining about here today, and I am going to ask your permission afterwards to show you what leading people that are not Republicans have said about these trade treaties—your own people—members of your own house, the Senate, what they have said about these different treaties, the second Canadian and the Argentine treaty. The Argentine treaty won't do any more harm to certain industries, livestock and so forth, any more than the Canadian treaty has done to the dairy industry with its 42-percent reduction in the tariff on cheese.

The CHAIRMAN. (interposing). You say you do not believe there ought to be any politics in the consideration of this matter?

Mr. MURRAY. Absolutely not. That was the trouble the way things happened over in the House, they made it a party matter, and that is one reason I did not care much about going before the Ways and Means Committee. I had a high regard for you people over here, and I thought that you would use a fellow pretty decently. I have heard people make statements and say that eggs were 27 cents a dozen the day that President Roosevelt was elected and they are only 12 cents in Dakota now, and therefore that the trade treaties are bad. Well, that is not logic. I don't know how many people have taken quantitative analysis in chemistry, but I never thought of it for 25 years until I got down here. I never was a very good chemist. I could always work out what they said in the book, but when they ran the experiments, I could not work it so good. I would not always have the two

samples come out the same when I mixed the sodium with the other ingredient, whatever it was. It seems down here they do things the other way around—you get your answer first and then prove it afterward.

That is what I have tried to say in connection with these trade treaties—that if anyone can tell me why they took off that other cent from cheese in 1938—I never heard yet why they did, and I cannot see any justice to it. The commodity was not over two-thirds of parity if it was that, and then they have turned around and they take another cent off. I claim that the dairy industry had suffered from the one treaty, and they were afraid that the same thing was going to happen in the Argentine treaty, and therefore they went down there and protested, rightly in my mind, against the Argentine treaty as long as Argentina is not going to trade with us except on agriculture which they can produce cheaper than we can, due to factors which I know the chairman of this committee well knows.

The CHAIRMAN. There is nothing that has happened yet that has injured the industry, but you fear it?

Mr. MURRAY. No, it has injured the cheese industry.

The CHAIRMAN. The price is there according to the figures.

Mr. MURRAY. You just picked out one month. I can pick out the last 6 months of 1939 and find the average of 11.7. Look up the first 6 months of 1939. I know there are a lot of agricultural experts that made these treaties, but I have not been able to find out yet who they were. It said in the papers that they were experts but I never heard of a farm organization that was asked about reducing them.

The CHAIRMAN. Are you referring to Mr. Holman's testimony yesterday?

Mr. MURRAY. No; I am referring to the experts that make the recommendations when they lower these tariffs. I cannot find out who it was that recommended taking that last cent off of the tariff on cheese. I say that in all kindness and friendliness, Mr. Chairman.

The CHAIRMAN. I understand that you wanted to place something in the record.

Mr. MURRAY. Yes, sir. I should like to put in the balance of my remarks, and also the testimony given by several Senators down before the Reciprocity Committee hearings and other remarks made by Senators and my answer thereto.

The CHAIRMAN. Without objection that will be done.

Mr. MURRAY. I thank you very kindly for allowing me this opportunity to appear before you.

(The remainder of Mr. Murray's statement is as follows:)

Labor rightly protests the imports of cheap foreign manufactured goods and the farmer who also is a laborer can rightly protest cheaply produced foreign crops. With as high as 50 percent of the farm loans delinquent in many sections, this is an important question.

If the farmer today has a 79-cent dollar and industry a dollar and twenty-two cent dollar, does it not appear that these trade treaties, which give a 63 percent unfavorable trade balance to agriculture and an 83 percent favorable nonagricultural trade balance are factors in helping to create this situation?

On page 7, February 16, 1940, issue of the United States News we find the well-known New Deal Attorney General, Robert Jackson, quoted as follows: "The unvarnished truth is that the Government's recovery program has succeeded nowhere else so effectively as in restoring the profits of big business. Labor has had no such advance. The small merchant has had no such prosperity. The small manufacturer has had no such advantage."

I would like to say that the Attorney General should have added the farm people, who represent 25 percent of our people and who have less than 10 percent of our national income and have nearly 50 percent of the buying power of our country to his list. The reciprocal trade treaties may be a part of the recovery program for big business but they bring a hardship to the farmers of this country.

I have tried to refrain from being partisan in this study of the effect of the trade treaties. I have not pointed out how the totals of agricultural exports are encouraged by a 30-cent-per-bushel export bounty on wheat, which is 50 percent or more of its farm value in many instances. Neither have I pointed out how this present wheat program would be carried on without the benefit of a protective tariff. If I were partisan, I would say that the reason I oppose the Canadian reciprocal trade treaties is for the same fundamental reason that 55 Democrats appeared before the State Department to oppose the Argentine treaty. They thought the Argentine treaty would work a hardship to the farmers in their district. They were correct in their conclusion. I think that the Canadian treaty has worked, and is working a hardship to the farmers, cheesemakers, butter-makers, and businessmen of my district. If the Canadian treaty was of benefit to the dairymen of this country, I am sure the Argentine treaty would have been good for the turkey raisers, the beef producers, and other farm groups which opposed it so strongly. It is a matter of general knowledge that 15-cent butter and 8-cent cheese can be profitably produced in the Argentine, so we should all be thankful that this treaty was not made this year.

If I were partisan, I would also call your attention to the fact that when this tariff was reduced by 42 percent, not one dairy group in America asked for the reduction. It is said that experts furnish this information. It looks like high-handed proceedings and I surely would like to find out who the experts were that recommended the 42-percent reduction in the tariff on cheese.

I have been particularly anxious to find out why the so-called "dairy experts" recommended a further reduction of 1 cent a pound in the tariff on cheese in the second Canadian treaty, which went into effect January 1, 1939. The results of the first Canadian treaty showed that the price of cheese had already been reduced to ruinous levels and the imports were increased by 1,410 percent when this first Canadian treaty went into effect January 1, 1936. Cheese in 1938 was only 12.6 cents per pound, not over two-thirds of parity or cost of production and a valid reason for a further reduction in the tariff at that time would be interesting to hear related but difficult to conceive.

I have not been able to find out who the experts were and I personally question their interest in the dairy farmers of America.

A rubber-stamp Congress may delegate this power to make treaties. The treaties may, or may not be, legal. There is one thing certain, and that is that no Congress has the moral right to delegate its powers to any one man to have direct control of every milk check of every farmer in America and the grocery bill of every citizen of our country.

It surely takes a person with imagination to conclude that Congress is capable of making laws to regulate—and in many cases in much detail—the domestic business of our country which attained an estimated volume of \$375,000,000,000 in 1930 and then conclude this same Congress incapable of regulation of four or five billions worth of foreign business.

If the leaders of this country want to make this country an industrial country and then import cheap foreign products from countries where labor gets as low as 5 and 10 cents an hour, they should frankly so state and the American farmers can farm accordingly. He should not be deceived by highly praised trade treaties that ruin his business.

I would also like to know what department is paying the salaries and expenses of the emissaries who are traveling around from State to State to preach the doctrine of giving the farmer's market away through the reciprocal trade treaties and putting him in competition with the peasants of Europe and the peons of South America. If cheese farmers had received parity, Wisconsin cheese farmers alone would have been enriched by over \$100,000,000 the past 7 years, to say nothing about the losses of the butter and condensed milk producers.

On January 26, 1940, I received a letter from Mr. Raymond B. Stevens, Chairman of the United States Tariff Commission, in answer to my inquiry as to the percentage of tariff reductions. Quote, "There have been numerous reclassifications brought about through trade agreements. Therefore, it is not possible to say with exactness just how many articles are still dutiable at rates provided for in the Tariff Act of 1930. Roughly speaking, it appears that the rates on about 25 to 30 percent of the articles in the act of 1930 have been changed by trade agreements. In other words, 70 to 75 percent of our import items are still dutiable at the rates provided for in the Tariff Act of 1930."

One question naturally arises, and that is, if the Tariff Act of 1930 was so injurious to the people of this country, why isn't it repealed, and openly replaced by a fairer tariff. Why make a mixed-up cross-purpose program in trying to solve the problem, such as, reducing the tariff on cheese 42 percent and not taking off any tariff on butter. One thing is certain, and that is, if agriculture can suffer as much as it has with 25 to 30 percent of the tariff schedules reduced, what is going to be the situation when the other 70 to 75 percent of the schedules are reduced?

It takes political courage to meet this problem but it should be met in such a way that no competitive agricultural products are imported to ruin United States producers, whose products are not bringing parity prices. There is certainly no reason to continue to sell 6,000,000 farmers "down the river" so that a few can have the "more abundant life."

The first step to follow in order to solve the farm problem is to obtain "parity" price for the farmers products and if this is going to be attained by lowering his tariff, then "black is white" and the "world is flat."

FACTS TO CONSIDER

(1) No one has ever tried to justify the 1 cent per pound reduction of tariff in 1938 when the average price of cheese was only 12.6 cents per pound or less than two-thirds of parity. Evidently no one can do so.

(2) The agricultural exports in 1939 were the lowest in total of any year for over 20 years and even lower than 1932.

(3) The agricultural exports of 1939 represented only 23.7 percent of the total exports for the year. This is the lowest on record available.

(4) The national farm income increased 47.7 percent before the trade treaties and only 10.8 percent under the trade treaty years.

(5) There isn't much justification in using the Federal Treasury for millions to control agriculture and other millions to buy surpluses and then import up to \$68,000,000 worth of competitive agricultural products. Of what value is it to spend \$30,479,000 for surplus removal when we import \$92,298,000 worth of the same products during the same period. This shows one more cross-purpose of the New Deal.

(6) As long as agriculture has an unfavorable trade balance of over 60 percent and nonagricultural products have a favorable trade balance of over 80 percent, I am sure the rural people will carry more than their share of the load.

(7) In my district there are 8,089 Federal Credit Administration loans representing \$19,515,200. Of these 50.2 percent are delinquent. The Federal Credit Administration owns 711 farms and of those sold, the selling price represents 61.9 percent of the investment. With over 4,000 delinquent loans in 10 counties, which represents over 50 percent of the total Federal Credit Administration loans in the district, and a recovery of only 61.9 percent of the investment, I am sure that any group would not want to further depress the farmers of this district or of this country by continuing the Trade Treaties, which have been one factor in causing dairy products to bring 25 to 30 percent less than the pre-New Deal prices.

(8) Wisconsin has had \$47,285,575.88 from the Agricultural Adjustment Administration subsidies the past 6 years. This is only 3 plus percent of its assessed farm valuation and Wisconsin has paid in over \$388,000,000 to the Federal Treasury during the past 6 years. Some States like Mississippi have received \$110,331,541 of agricultural subsidies from the United States Treasury from Agricultural Adjustment Administration alone, which is 29 plus percent of the assessed valuation of \$371,000,000 and this same State has paid only \$22,000,000 into the Federal Treasury through taxes from 1933 to 1938. Incidentally one State has had \$365,251,678.88 or over 11 percent of the \$3,294,215,571 of total Agricultural Adjustment Administration money disbursed.

(8a) If the treasury of the United States is out of balance, Wisconsin has not been a contributing cause. There is no reason to continue a tariff program which makes the farmers of our State carry more than their share of the tax burden of this country, so that any non-agricultural group can have a short-lived prosperity.

(8b) Some agricultural States have seemed to well know where the United States Treasury is located and evidently have had a key to fit the door. This is shown by the enormous subsidies they have received. It is evident, though painful to note that the members from the States which have obtained up to practically 30 percent of their assessed valuation in subsidies are the ones that did not feel the pinch of the "free trade" approach of the New Deal trade treaties

and voted for the continuation of this ruinous program which has been a contributing cause to the unstable condition of the unprotected portion of the dairy industry which represents over 20 percent of our national farm income.

Fundamentally agriculture is in a more precarious condition today than it was in 1932. With 50 percent of the loans delinquent, the only reason that there are not foreclosures of over 4,000 farms in my district is that the Secretary of Agriculture doesn't foreclose the mortgages. In 1932 many private persons were holding the mortgages and lived off the interest. However, if a man loses his farm he is just as near Work Projects Administration and the relief rolls whether it is foreclosed by the Farm Credit Administration or by the individual and, as is so often said here, a man is just as dead if you scare him to death as if you shot him. This is the primary reason, I think, that the farmers of this country would like to have a little more farmer-control of the Farm Credit Administration and not so much political control as they are interested in how the situations will be handled after election as well as before election time.

While the agricultural department has disbursed \$3,000,000,000 the rural peoples' share of the public debt has increased \$6,000,000,000. With 340,000,000 acres of crops harvested in the United States there is an invisible mortgage of \$15 per acre put on every acre of land harvested in the country. Every time a billion dollars is added to the public debt, it represents a mortgage of \$2.93 on every acre of land harvested, if agriculture were to carry the whole load.

The day Mr. Roosevelt was elected eggs were 27 cents and in August 1939 they were 12 cents on the farms of the midwest. While both these figures are facts, yet from them one wouldn't want to draw definite conclusions of the benefits or the harm of the agricultural program, though this statement is as fair as most of the statements made in support of the trade treaties.

Mr. Chairman, I wish to say that I am fully cognizant of the great mass of evidence which has been accumulated to influence Congress to continue the trade treaties. I maintain that (1) the treaties have been unfair to the dairy interests, and (2) they have operated to the disadvantage of general agriculture. I question any man's ability to prove that these statements are not in keeping with the unvarnished facts of the case. I mean facts, and not glittering generalities of no economic importance.

STATEMENT OF HON. PAT McCARRAN

(Submitted by Mr. Murray as a part of his statement) (October 16, 1939, p. 109, vol. 1, the Committee for Reciprocity Information in Connection with the Negotiations of a Reciprocal Trade Agreement with Argentina)

If the Commission please, I shall be very brief. I come here to register my protest against any reduction of the tariff now existent between this country and Argentina as regards either beef or the products of beef, or turkeys, as contemplated by your honorable board, and I hope that I may, in addition to the fact that I may come from a branch of the legislative body, also speak from practical experience.

My early years were spent in the wool-growing industry. My later years have been, and are now rather given to the production of cattle in the west. We produce cattle from the hoof, and we sell on the hoof. I am interested from the standpoint of the producer who uses the government range and the open public domain, and who, by reason of changing conditions, as those conditions have changed in the last 7 years, have been more or less, in fact continuously more, burdened with continual increase of charges.

We have today the Taylor Grazing Act that didn't exist some years ago, and then we have the range charges as regards the forests. So that what was regarded as a great advantage to the American producer of cattle on the hoof some years ago, has been dissipated, it is gone. Today we are receiving from the average buyer who comes into our territory to buy, approximately between 6½ and 7 cents on the hoof. When you consider the fact that we are paying \$75 to \$80 a month for our herders, \$150 a month to our foremen, when we are faced with a market that is paying 68 cents an hour in the packing industry, when you consider that we are paying charges that the Government has imposed continuously for the product, and when you consider that we passed through and are passing through some 9 years of depression, a depression out of which our stock growers have been the last to see the ray of hope because, of all industries, less consideration has been given to the stock grower than to any other industry—when we consider that we are only now looking over the top, as it were, then you

must take those things into your thoughts when you come to reduce that which protects us from a 12-cent-an-hour labor in Argentina, in the packing industry, and from that which today brings in 200,000,000 pounds of canned beef into this country, as against our product.

Now you say you are going to limit the incoming amount, the importation. You did limit that in the Canadian Reciprocal Trade Agreement. Let me deal with that limitation for a moment. Your limitations were along the lines of certain weights of livestock, and perhaps in your study it was very much worth while, but when the buyer comes into the field, the domestic buyer I am speaking of, he comes on to the range and he says, "I can pay so much because Canada is about to import a certain amount, and I can buy for less from Canada."

Immediately he, by a psychological club, beats down the market of the producer.

Let's see what the burdens of the producer are in America; let's see what his problems are.

First of all, if you are to destroy this industry, and I say to you without fear of contradiction that if you reduce the present tariff as regards the Argentine importation you will destroy the livestock industry in this country, because you will destroy the morale of those who produce, of those who carry the burden, just as you have kept down, by your Reciprocal Trade Agreement with Canada, you have kept the price down where today the producer says to the buyer who comes into the field, "I must have a certain price in order to pay the interest on my mortgage that I owe to the Federal Government."

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Mr. Chairman, I am addressing you from the standpoint of a producer and from the standpoint of a legislator as well. I voted for this Reciprocal Trade Agreement the first time. I voted against it the second time, and I am waiting and my colleagues are waiting to vote against it the next time for this reason, that by your study, I am sorry to say, you have produced a condition in this country where you have destroyed the morale of the agriculturist, and when you destroy the morale of the agriculturist you have destroyed the basic industry of a great democracy.

You say, as I understand, that this was for the purpose of permitting the sale of mechanical devices into Argentina. Well, mechanical devices are much craved by our agriculturists in this country. Don't make it so that the farmer's daughter can't have a typewriter in America because the income of her father is not sufficient to warrant it. Don't let it be said that we are going to sell automobiles in South America but the farmer of America can't buy one, he can't buy an automobile because of the competition that comes in from a foreign country; a foreign country, sirs, if you please, that has no idea of American standard of wages, because if 68 cents is paid to the wage-worker in the packing industry in America, and 12 cents per hour is paid to the same industry in Argentina, then there is no comparison between the two.

STATEMENT OF HON. ALVA B. ADAMS

(Submitted by Mr. Murray as a part of his statement) (October 16, 1939, Page 29, Volume I, The Committee for Reciprocity Information in Connection with the Negotiations of A Reciprocal Trade Agreement with Argentine.)

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We do not want, Mr. Chairman, we do not want the interests of our State in any way, by agreement—I do not mean in an offensive way—traded off in order that some other section of the country might be benefited. That is, we have selfish interests.

I happen to be a member of the body, one of the bodies in which the tariff-making policy was vested by the Constitution, and we come down here, in part, to see how you gentlemen, to whom we have delegated the authority, are exercising it. I think some of my colleagues have rather come down here on a different theory. I am interested in seeing how those to whom we have delegated the authority exercise it and if, as the Senator from Texas just said, the majority of Congress does not see fit to continue it in its present form, it is very easy to correct it.

Now Senator Connally is down here apologizing for his vote. I hope you will demonstrate that my vote is wrong. You see, I voted against the Act. I want you to persuade me that I was wrong.

I feel that my State would be very apt to be injured by the Trade Agreements; it is a State small in population and not as persuasive as some States in these things.

Now you have heard from Senator Johnson, who has given you information, and I merely wanted to say to you that to us it is of tremendous interest. Our people are deeply concerned. We are very apprehensive that any trade agreement that touches cattle or wool, or the various other things, cannot help but be injurious to us. We merely ask you that our little neighborhood be not the loser in an effort perhaps to help some other section of the country that is equally entitled to consideration, but we think as between States that there should be no detriment imposed upon any section by setting aside of the laws which Congress has made as to the tariff. That is, that you should not set aside a law that, in the setting aside, will do damage to a particular community.

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In the Senate we find a division in the votes more often on economical lines, geographic lines, than on political lines.

STATEMENT OF HON. TOM CONNALLY

(Submitted by Mr. Murray as a part of his statement, October, 16, 1939, page 25, volume 1, the Committee for Reciprocity Information in Connection with the Negotiations of a Reciprocal Trade Agreement with Argentine)

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I represent a State that produces more cattle than any other State, more wood than any other State, and a great many other agricultural products that will probably be affected by any agreement which you make.

In addition to that, I am deeply interested in the flaxseed schedule mentioned by Senator Capper. By reason of the diversion from cotton and other basic crops under our farm programs here, there is quite a movement in my State to increase the acreage in flax, particularly in South Texas. That matter will be very ably presented by Congressman Kleberg in whose district a great many acres are devoted to flax.

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That is a new development in Texas. It is growing very rapidly, but if you come along with this proposal here, it will probably kill it.

Now gentlemen of the Commission, everybody knows that the tariff, from the time that we first adopted high protective tariffs, operated to the advantage of industry and to the disadvantage of agriculture. I do not think there is any use arguing that to this body, or to anybody else. Now that industry is on its feet and able to take care of itself, and in some instances sell its goods abroad more cheaply than they sell them at home, I hope that this body will not use that policy to accomplish just what has been accomplished by the high tariff in the past. In other words, I hope that wherever agricultural products can get the benefit of a little piece of tariff that you will not use that as a lever to reduce it so that you can sell more manufactured and industrial products abroad. That is sort of using the reverse English, but it is accomplishing the same purpose that the high protective tariff had accomplished in the past. In other words, I hope that the Commission, or the State Department, those having in charge these things, will not be so anxious to sell automobiles to Argentina that they will break all our farmers so that they cannot buy any automobiles at home. I hope that they will not use these agreements to encourage the transportation of manufactured and industrial products at the expense of agriculture, so that the folks at home will not be able to buy what the Argentinians will want to buy, if you take off the tariffs on agricultural products and encourage them to buy more manufactured products.

I voted for the trade agreements law when it was passed, but I have not been happy ever since about that vote. When the date of expiration comes along, I hope we will not have cause to repent even more strongly than some of us have repented at times in the past.

I want to protest against the reduction of the rates on cattle, meats, wool, flax, and for that matter on general agricultural products. Now, Argentina is a great country and we feel kindly toward her, but we do not feel so kindly that we are willing to sacrifice our own farmers to help the cowboys of the Pampas. They have got their own markets and I do not see any reason why it is a sound doctrine to increase your trade with somebody when by increasing it you are going to go under yourself. I am talking about agriculture now. I do not see any economy in sacrificing the interest of agriculture in order to build up an industry that is already bloated and overextended, and which has been for 75 years the beneficiary of high tariff rates at the expense of agriculture.

Now when we begin to see a little place where we can adopt an agricultural schedule that will help agriculture, I do not see why we should not keep that, why we must reduce that so we can sell more automobiles and more manufactured articles abroad.

Now, Mr. Chairman, without expatiating and extending on these details, I think I voice the expression of a great majority of both Houses of Congress. Oh, but, they say, Congress hasn't got anything to do with this now. They have put in a bureau to take care of that. I have high respect for Secretary Hull. I served with him in the House 10 years and 2 years in the Senate. He has made a great Secretary of State, but at the same time we do not propose to have these trade agreements used as a club to hammer agriculture into insensibility when it is just beginning now to come to life a little bit.

Last year we spent \$700,000,000 out of the Treasury to try to do something for agriculture, to give it better prices. Now it is proposed to come along and reduce the rates on agriculture so that they can bring more products from abroad into the United States, more cattle, more flax, more wool, more other products that are competitive with the products of the American farmer.

So, Mr. Chairman, I want to voice this general protest. I will not harass you with details and long manuscripts, but those are my views and the views of most of the Democrats as well as the Republicans in the Senate and House of Representatives of the United States.

STATEMENT OF HON. JOSEPH C. O'MAHONEY

(Submitted by Mr. Murray as a part of his statement, October 16, 1939, page 8 volume 1, the Committee for Reciprocity Information in connection with the negotiations of a reciprocal trade agreement with Argentina.)

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Argentina and the United States are agricultural areas. Agriculture is the sickest industry in America. For 15 or 20 years, Congress has been endeavoring, in one way or another, to stimulate the production of agricultural products and the compensation for agricultural products produced in the United States. It seems to me there can be no argument that we cannot develop a trade with Argentina by swapping agricultural products. Argentina cannot pay in gold that is of no use to us.

I am ready and willing to do everything that I can as a member of the Senate to stimulate the production in Argentina of things that we need, of things that we do not have, so that there may be a reciprocal-trade policy of mutual benefit, but I see no advantage either for Argentina or for the United States, the people thereof, in the opening of our agricultural markets to Argentina's surpluses when our problem is to dispose of our own surpluses.

Now let me say just a word about canned meat. I think that we overlook a fundamental fact when we consider this problem of canned meat. The canneries of Argentina, and of other South American countries, have been established by American capital. The canneries in Argentina which may look forward to a possible concession of the 6-cent tariff represent the exported capital of this country. I doubt whether it is going to be of any particular benefit to the people of Argentina for this Government to help American capital, packer capital, in Argentina to bring into the United States commodities which are in competition with what our own depressed livestock industry is producing.

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Now, gentlemen of the committee, I contend that it is self-evident that agriculture is not one of the special interests which threaten the basis of our democracy. Agriculture has been suffering. Agriculture is not one of the industries which has exploited the people. Agriculture is the industry which has been exploited, and it seems to me that there can be no question whatsoever that all the power and influence of this Government in Congress, and in the executive departments, in the State Department, in the Tariff Commission, and in this committee should be exercised to uphold and to defend agriculture and not to throw the markets of America open to excess surpluses of agricultural products from other countries.

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STATEMENT OF HON. EDWIN C. JOHNSON

(Submitted by Mr. Murray as a part of his statement, October 16, 1939, p. 12, vol. 1, the Committee for Reciprocity Information in Connection with the Negotiations of a Reciprocal Trade Agreement with Argentina)

I voted against the extension because the original policy to import only goods which we did not have but needed had been abandoned, and agriculture, in which my State is heavily interested, was being made to bear most of the burden of the program. If the question of the extension of the Reciprocal Trade Act were before the United States Senate today, it would be defeated unless safeguards for the protection of American agriculture were incorporated or the power to ratify trade agreements was restored to the United States Senate in accordance with the provisions of the Constitution.

A study of the items listed in the agreement for consideration today makes it perfectly obvious that very soon the Congress must reconsider and reshape the whole policy of the reciprocal trade program or abandon it and if the tariff be cut on the many agricultural items referred to in this agreement it will strengthen the demand for revision of the entire program at an early date.

In the pending proposal there are 25 agricultural items of vital importance, while there are only four industrial items of very minor importance listed. Under the guise of reciprocity, this is in effect a plan to bring into this country agricultural products of which we already have an ample or surplus supply in order that a few more automobiles and a few other manufactured products may be sold to Argentina.

It is unfair, inequitable and inconsistent to place a new burden upon agriculture while this unfortunate industry is receiving relief benefits amounting to a billion and a half annually at the hands of Congress, which Congress is obliged to borrow.

It is inconceivable that we would purchase foreign markets by paying bonuses on the agricultural products which we export as the Secretary of Agriculture is now doing, he is paying them on wheat and cotton, as you men know, and at the same time encourage the importation of agricultural products which admittedly we do not need. If we must buy foreign markets for automobiles and a few other industrial articles, such a bonus which we may decide to pay ought not to rest upon agriculture alone; it should be arranged with public money out of the Federal Treasury where all citizens might contribute on an equitable basis.

Among the major agricultural products listed in the agreement are those of the cattle industry, the dairy industry, wool, corn, broom corn, turkeys, and eggs, all of which are produced in my own State at less than the cost of production. I want that fact to be recorded here as important. They are being produced now at less than the cost of production. The duty on canned beef, one of the major cattle products now 6 cents a pound, is entirely out of proportion to the duty of like amount on dressed beef. If there is any change to be made in this duty it should be increased rather than decreased.

I am amazed to find that it is proposed to lower the tariff on hides. The present duty of 10 percent ad valorem is purely nominal and ridiculously low. There seems absolutely no reason justifying even a slight cut in this duty, which would hurt the producer just that much and which would be absorbed by the manufacturer and never reach the consumer.

It is not claimed that the proposed agreement will supply an outlet for any of the major agricultural surpluses—cotton, wheat, or pork. One of the main reasons for initiating the reciprocal trade program in the first place was an attempt to dispose of such surpluses. If this program is thus to be thrown into reverse, one substantial leg in its support is removed.

To whatever extent the export of industrial products is facilitated under the proposed agreement, industry will gain. It has been erroneously claimed that agriculture will benefit indirectly through increased demand for agricultural products by domestic industrial workers, but it is not only proposed to give industry all the benefit, but under this agreement it is proposed to import Argentine agricultural products to feed the new workers put to work in industry. That is an argument that you hear expressed on many, many occasions: "Well the farmer will get his benefits indirectly." How is he to get any benefits indirectly when the new markets which you open to agricultural products are to be supplied by importations from the Argentine? Carried to its logical conclusion, this must mean that eventually the United States would become an

industrial nation dependent on foreign food supplies just as Great Britain is today, and vulnerable in times of war; whereas our independence now is the envy of the world.

In conclusion I would like to say that under the circumstances, I cannot too strongly condemn the proposal.

I am entirely unwilling to see American agriculture ruined for the benefit of a few gigantic corporations engaged in an industry which will be transplanted to foreign soil at the first opportune moment.

STATEMENT OF HON. HARRY B. COFFER

(Submitted by Mr. Murray as a part of his statement)

(October 16, 1930, p. 39, vol. I, the Committee for Reciprocity Information in connection with the negotiations of a reciprocal trade agreement with Argentina)

Gentlemen, I will direct my remarks primarily to livestock production, but what I say in reference to livestock products should go for the other competing agricultural commodities listed in this proposed trade agreement on which concessions in tariff are suggested for reduction.

This trade agreement, as I analyze it, will accentuate the trend toward industrializing this country at the expense of agriculture, a trend that has been prevalent particularly since 1922. I just want to call your attention to a few figures from the Department of Commerce Bureau of Foreign and Domestic Commerce. I think these are very significant.

In 1922, our exports of agricultural commodities amounted to \$1,884,000,000. The same year our exports of nonagricultural commodities amounted to \$2,881,000,000. In other words, agriculture exported one-half of the total amount of our exports.

What has happened since 1922? What has been the trend? I will just read the percentage. We will start out with 50 percent in 1922. In 1923, we exported 44.5 percent; in 1924, 46 percent; in 1925, 44 percent; in 1926, 38 percent; in 1927, 39 percent; in 1928, 37 percent; in 1929, 32 percent; in 1930, 31 percent; in 1931, 34 percent; in 1932, 33 percent; in 1933, 29 percent; in 1934, 24 percent—this is agriculture's share of our total export trade—and in 1935, 27.1 percent, and the first 8 months of this year agriculture's share of our export trade amounted to 18.4 percent, and nonagricultural commodities 81.6 percent.

Now, gentlemen, just as has been stated by the previous speakers, this Trade Agreement will simply accentuate the trend towards industrializing this country at the expense of agriculture.

What is the situation in regard to our meat exports or imports?

Argentina supplies less than half of our canned beef, but if we cut the 6-cent tariff on canned beef, pickled and preserved, that same concession will go to every country in the world. Uruguay and Brazil will be the principal beneficiaries.

To realize what Argentina has to sell, you must know that Argentina exports approximately 1,000,000,000 pounds of beef a year, which is equal to the total exports of all the rest of the world put together. Now what is our situation? During normal times, between 1925 and 1930, we exported a billion pounds of pork products, which in turn was as much as all of the rest of the world put together. Here is Argentina with a billion pounds of surplus meat and the United States normally with a billion pounds of surplus meat and yet it is proposed under this trade agreement to reduce the tariff on meat products so that we may encourage the further importation of meat into this country.

Now it seems to me that the State Department could better serve the general welfare of this country by trying to find some new markets for our own surplus meat rather than encouraging surplus to come into this country.

Unless we can restore the prosperity of agriculture, we cannot restore national prosperity. It is in the general interest of the public to restore the purchasing power of agriculture. I will grant you that it is possible to increase the exportation of our automobiles and industrial products perhaps if we lower the tariff and encourage the further importation of meats and other competitive agricultural commodities from Argentina and these other countries; certainly it probably will be true that we can increase that, but for every automobile and every sale of other industrial products that is made in these other countries, how many sales are going to be lost right here in our own country, due to the reduced purchasing power of agriculture?

Let me call this to your attention, that 68 percent of all the automobiles in the world are owned right here in the United States. Where is the best market for these sales?

I notice that corn is listed as one of the items on which the tariff should be reduced. With a corn crop of 2½ billion bushels, a carry-over of 470,000,000 bushels and \$146,000,000 loaned on the corn in storage by the Commodities Credit Corporation, can you see any justification for encouraging an increased importation of corn into this country? Bearing in mind that this corn eventually must be converted into beef, pork, lamb, and other livestock products, is there any justification for it? It will simply mean billions of dollars of loss to the Federal Government, a heavy burden on the taxpayers, and a loss to the Commodities Credit Corporation.

Gentlemen, this trade agreement strikes directly at agriculture, and particularly the livestock industry. Now agriculture is the biggest business in the United States. There is over \$32,000,000,000 invested in the real estate and plants of agriculture in the United States. That is in 1935. That is after agriculture had gone through the wringer, but it is still the biggest business in the United States, and livestock and livestock products will account for approximately 67 percent of the farm income, of the agricultural income.

The livestock industry, as the gentleman from Minnesota has stated, has borne the brunt of these trade agreements. I appeared before you a year ago in connection with the Canadian trade agreement, where the tariff was cut on cattle; again, with Mexico the principal beneficiary. During the first 6 months of this year we have already imported 484,000 head of cattle as compared to 242,000 during the same period last year. In other words, an increase, we have already experienced an increase of 100 percent in the number of cattle coming into the United States this year during the first 6 months. I am sure the figures are correct. I will get the exact figures. From January to June we received 486,000 head of cattle this year as compared to 242,000 head last year.

Now this trend toward sacrificing the livestock producer for the benefit of industry must stop, and if you gentlemen will not stop it, as has been intimated by Senator Connally and some others, I am sure at the next session of Congress, when this Reciprocal Tariff Act comes up for extension, the Congress will refuse to extend it; if this agreement goes in with these concessions that are proposed on competitive agricultural commodities, the Congress will refuse to extend the life of that Reciprocal Tariff Act unless a provision is made for Senate ratification of these trade agreements. I have already been sold on that theory. I am a strong advocate of it. I am sure if this proposed agreement goes through there will be a great many more others who will join in the effort to insist on Senate ratification of these trade agreements. The reason we will do that is because all sections of the country have a better opportunity to present their case in Congress. They have spokesmen there for it.

Undoubtedly your efforts have been in the interests of restoring commerce. We do not doubt but what your efforts have been in the interests of restoring commerce, and I am as anxious as anyone to see our channels of trade opened up, but I fear that proper consideration has not been given to some of these items, and repercussions will result from the lowering of the duties on certain items that you have already lowered. We must reverse this trend of industrializing this country at the expense of agriculture and try as best we can to restore the purchasing power of agriculture, which purchasing power in turn will provide the employment and industrial sales that are so necessary and which you people are seeking to revive.

Now I notice that hides are listed. There is only a 10-percent ad valorem duty on hides, and yet it is up for consideration, for reduction. Hides are the most important byproduct of the slaughter of cattle. I am sure there is nothing that will antagonize the livestock producers, the dairy interests, any more than these items on livestock products, these items of reduction. It is not worth the candle.

* * * * *

I hope this committee will exert its influence to see that no competing agricultural commodity is given any consideration whatsoever in the reduction of tariffs.

STATEMENT OF HON. A. WILLIS ROBERTSON

(Submitted by Mr. Murray as part of his statement)

(October 17, 1939, p. 210, vol. 2, The Committee for Reciprocity Information in Connection with the Negotiations of a Reciprocal Trade Agreement with the Argentine)

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I appear primarily today to call to your attention the probable effect upon the American producer of turkeys of a reduction in the present duty on turkeys from Argentina, and of course under the principles of reciprocal trade-agreements it would include turkeys from Canada or any other nation that produces turkeys and that are in the position to ship them to us.

* * * * *

Now certainly there was no intention on the part of anyone who either sponsored or supported this program in the Congress to do anything to injure agriculture or to submit our farmers to unfair competition. Now I do not have before me the figures for the last fiscal year on the import of turkeys. That is dressed turkeys, I imagine, because it would not be practical for any nation to ship us live turkeys, but in the previous fiscal year we imported 323,000 pounds of dressed turkeys, chiefly from the Argentine and a little from Canada, but not much. If you consider that they may have averaged 15 pounds each, that is only 23,000 turkeys, and one man in my district this year will produce a great deal more than 23,000 turkeys. The total value of that 323,000 pounds of turkeys was only \$52,000. When you break that down into cents per pound, you find that figures 10½ cents a pound for dressed turkeys laid down on the Atlantic coast. Of course they have to pay the tariff then, and that helps to equalize the domestic price, plus the fact that only 23,000 turkeys came in.

This year we will produce approximately 32,000,000 turkeys in this country, 22 percent more than last year, bigger than the bumper crop of 1936, the largest domestic crop of turkeys in the history of the Nation, one bird for each four people, whereas in 1929, when we had the maximum of consumer purchasing power, there was produced in this country only one bird for each seven people.

There can be no question, honorable gentlemen, about the fact that the domestic production will be more than adequate to meet domestic demands. In fact it is a serious problem now with us as to how to market these turkeys, and we know that unless a considerable portion of the crop which must be killed between now and January 1 can go into cold storage, the market will be glutted and our farmers will get practically nothing for their turkeys.

You will no doubt be interested in the experience of one farmer in Rockingham County, which is in my district. I might say that the Shenandoah Valley in Virginia produces more turkeys than any other valley in Virginia, and is becoming a national factor in turkey production. It is now a \$5,000,000 industry. Mind you, a \$5,000,000 industry against the total of \$52,000 importation in the year before last from all countries combined of turkeys. Here are the actual figures of one man who raises turkeys on shares. He is in the feed business. The farmers furnish the turkeys and he furnishes the feed. They keep books and then divide up the profits. Here is what he tells me:

"Records taken from the books of the Wampler Feed & Seed Co., Harrisonburg, Va., in 1937 show that 23 farmers growing approximately 13,000 turkeys produced 207,015 pounds of turkeys at an average cost of 17.8 cents per pound, live weight, for fuel, feed, litter oyster shells, grit, and poult.

"Now, mind you, in 1937 it was 17½ cents a pound, without anything for the farmer's labor. Of course our farmers have worked for nothing so long that they do not look on that like some of the people in the cities do, because they do get their living off of the farm, and so frequently they give their time for nothing. But it is worth something; it should be worth something. There is 17½ cents a pound on the hoof. That is not a dressed turkey, that is on the hoof on the farm before it is moved to the market, then dressed and then goes through the distribution channels."

* * * * *

I have shown you, I believe, gentlemen, from these figures—and you can get similar figures from any producer of turkeys—that the Argentinian can lay down a dressed turkey in this country for approximately 10 cents a pound, and the American farmer will have to have 17 or 18 cents a pound on the hoof to come out.

* * * * *

There is another factor involved in this, and that is the production of turkeys by the farmer in individual operation, and not a complete operation. It has its ramifications all through the Nation, and it has been my purpose in the Congress, and I think the purpose of all who are interested in agriculture, to shape our laws and our policies with a view to making agriculture not an industry but a method of making a living. There will never be a big financial return for the farmer, but we do hope that those whose lot is cast with the land, producing the essentials of life, of food, shelter, and clothing, can, as a family undertaking, make enough cash to have some of the decent comforts if not the luxuries of life, and that we will not force agriculture to congregate in our cities, as was done in recent years, and then the collapse came and millions and millions of men with no roof over their heads, no food coming in each day, on relief at tremendous expense to the Government. I say we are not dealing with a corporate problem, we are dealing with an individual problem that affects vitally some 30 million people.

I had occasion to check the effect of the agreements with the United Kingdom and Canada upon our cattle market, also upon our milk and cream market. I frankly tell you that I think those effects have been greatly exaggerated. Of course they came in under very restricted quotas and with no major reduction in the tariffs, but I did find this to be true: At the entry point for Canadian livestock at Newark, as it was related from Buffalo and Minneapolis, it did affect temporarily the price on American cattle.

But I did find specific instances where Canadian importations of beef affected the price that the Virginia cattleman got at Newark, and that the Wyoming cattleman got at Minneapolis by reason of that temporary concentration, and the advantage that these commission men took of that situation.

Now what would be the result of the 10-cent dressed Argentine turkeys upon the domestic market? They would not come in at just one point, they could go to any storage house anywhere in the United States. It would not be Newark and Minneapolis. They would say to the local producers, "Our market is flooded. We will have to out your price." It will be every storage plant throughout the United States that ships to any poultry commission firm saying, "Why, the market is flooded with these cheap Argentine turkeys. We cannot afford to pay you."

I will tell you the psychological effect of it. Even if we make a slight reduction in this tariff, even if we had such a small quota, like the importations in 1937 and 1938, if the 25,000 turkeys came in against 32,000,000, you can easily see the effect it would have. You might say, "Well, we will just make a little concession and let them ship in 100,000 birds. It will not have any practical effect."

I will tell you it will. The psychological effect of these birds going to any kind of storage anywhere in the United States will depress the whole market.

For those reasons, gentlemen, I appear before you, as I say, as a friend of this program, expressing the earnest hope that those charged with its administration will exercise the greatest care to see that it is carried out in accordance with the clear intent and purpose of the Congress, to do no injury to agriculture and to be fair in this matter of the competitive situation.

Here you have got \$50-an-acre land against land worth 50 cents in some foreign country. Here you have got labor at \$30 a month against labor at \$5 or \$6 a month. Here you have got corn at 50 cents, wheat at 90 cents, that has to be fed to these turkeys against turkeys fed on the plains, where you feed them nothing but what they pick up on the plains, and drive them in to the market. Of course they are inferior turkeys. They compare just about as a milk-fed Plymouth Rock compares with the barnyard chicken. The Argentine turkey has bone and muscle, that is true, but we do not pay a big price for bone and muscle. If the Argentine turkey comes in, so far as the trade is concerned, it is a turkey. They will not say his breastbone is setting out like the prow of a ship, they won't say he is a luscious, fat, juicy bird like we raise in Rookingham.

The CHAIRMAN. The next witness is Congressman Hull, of Wisconsin.

STATEMENT OF HON. MERLIN HULL, REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. HULL. I will merely try to supplement some of the statements made by my colleague, Mr. Murray, of Wisconsin, and I will be just as brief as I can in my testimony.

Mr. Murray's district and mine are the two largest dairy districts in Wisconsin. We have approximately 3 or 3½ percent of all of the cows in the United States in those districts. About 75 to 80 percent of all of our dairy products go to market in manufactured form—butter, cheese, condensed milk, powdered milk, casein, and so forth—and I think that I can state that probably 95 to 100 percent of the farmers in my district feel that they have been badly treated in the reciprocal trade treaties, and are even more fearful of what will happen if this policy continues.

We made our objections in the House, and of course because of the political situation over there, we do not feel that our arguments carried much weight. Possibly they will not carry any weight here or elsewhere, but the fact remains that our manufacturing dairy sections of Wisconsin, Minnesota, and Iowa are up against this tariff game harder than probably any other farm crop or product in the United States.

We are up against it for this reason—the tariff of 1930, the Hawley-Smoot tariff gave to those dairy farmers only about one-half of what they asked for. We did not know at the time—we found out afterward that this Tariff Commission which is touted as a great fact-finding body, are said to have advised that committee that there was only one principal competing country with the dairy people of this country, and that was Canada, and because of the cost of production in Canada, being near to that of the United States, they fixed these rates lower than we requested at the time. From that day to this our dairy industry has been on the decline.

The CHAIRMAN. You are not saying that they fixed these charges at half in the Smoot-Hawley law?

Mr. HULL. Yes, sir; half of what the dairy representatives asked for at that time. We asked for 26 cents on butter. We asked for 24; for 19, and we fought all the way down the line. We got no increase whatsoever in cheese, practically none in casein, and our casein industry has almost disappeared in the Northwest because of the competition of Argentina.

The CHAIRMAN. How much did they increase the casein from the Fordney-MoCumber rates?

Mr. HULL. I think it was from about 2½ cents to 3½ cents. We asked for 7 cents.

The CHAIRMAN. They did increase it, however?

Mr. HULL. To a minor degree. They did not increase cheese except that they added the 35 percent ad valorem.

This foreign competition which has already injured us is going to increase, especially in the manufactured dairy products. There are four countries now which produce about 1¼ billion pounds of excess butter fat which they ship to foreign countries for their markets, and are largely regulating price as far as the foreign markets are concerned. The fact that we have these low tariffs—and which on cheese have

already been reduced—is the price fixing influence so far as the prices or our dairy products in the market in our own country are concerned.

Senator CONNALLY. Let me ask you this: In the case of cheese, the tariff is not the only determining factor, is it?

Mr. HULL. There are various other factors, of course.

Senator CONNALLY. A lot of people like the foreign brands of cheese.

Mr. HULL. To some extent, the French, Swiss, and Roman cheeses.

Senator CONNALLY. And they are willing to pay almost any price to get those foreign cheeses.

Mr. HULL. Yes; they will pay almost any price to get them. Now, take Roman cheese—the cheese tariff was 7 cents a pound and was such that certain sections of northern Wisconsin were we have the newer dairying districts, felt that they could go into Roman cheese making. We have got two factories left up there. But when that occurred, immediately the Italian Government gave an indirect subsidy on the export of Roman cheese. They did it by fixing a price of butterfat for other purposes than that at 33 cents a pound, which at that time was about 10 cents a pound more than we were getting for our butterfat in Wisconsin. They furthermore obtained a large control over the price of rennet which is used in the manufacture of cheese, and our cheese makers in this country, all over the country, are compelled to pay the subsidy which the Italian Government demands upon the export of rennet. That is just one illustration.

But there is New Zealand, which is a new dairy country. New Zealand manufactures more butter today than Wisconsin, and we have the second largest butter-producing State in the Union. The entire dairy industry of New Zealand is under government control. Farmers get 30 cents a pound for butterfat and the difference in exchange makes the purchasing power for that 30 cents a pound far greater than it is in this country. They export on the average 180 to 190 million pounds of butter annually. A decade ago, there was practically no cheese, very little cheese made in New Zealand. Today, Wisconsin is manufacturing less cheese than they are in New Zealand.

Then, there is Holland, which has developed a very large butter trade since the war. There is Australia, which also has a subsidy plan on its dairy products.

It all resolves itself down to a question of butterfat in butter, cheese, and condensed milk, and those four countries have approximately $1\frac{1}{4}$ billion pounds of excess butter fat to export annually. The Tariff Commission figured New Zealand production at the time the Hawley-Smoot tariff law was enacted—placed butterfat costs at 18 cents per pound. That was the cost of butterfat in New Zealand. In this country, the average at that time was about 57 cents. That was one reason why we asked for such a great increase in the tariff on dairy products.

The subject of Canadian cheese and its competition with Wisconsin cheese has been mentioned. Wisconsin manufactures about 60 percent of all of the cheese in the United States, and the cheese farmers up there are getting about \$1.25 to \$1.30 per 100 pounds in the wintertime, the time of the highest cost of production in Wisconsin, for the milk that goes into cheese. We in Wisconsin have very strict regulations of our dairy farmers, more strict than Canada has; not

as strict as they have in the milk shed districts in these large cities where the monopolies are maintained largely by health regulations, but we have a very strict regulation of the dairy industry, the entire dairy industry, even to the inspection of barns and milk houses at the barns. We also have a standard of the water content for our cheese as well as our butter.

The competition of Canada, which manufactures about one-third as much cheese as we do in Wisconsin, comes in not merely from the fact that you have lowered the tariff—that is one thing—but there is a differential there which is made use of by the two large companies which market or which control the markets or obtain the supply of practically 60 percent of all of the cheese made in Wisconsin. They have a lower moisture content for cheese in Canada. A big part of imported Canadian cheese goes into what is known as processed cheese. As a matter of fact, it is not cheese at all, any more than oleomargarine is butter. It is a processed cheese in which they mix this drier cheese and change the moisture content to 44 to 46 percent and then add skimmed milk, and make a product that goes on the market in attractive form, very widely advertised, and of course it sells in competition with our cheese.

We suffered, as Mr. Murray has already told you, a loss of approximately \$9,000,000 on the Wisconsin cheese from the first Canadian treaty in the first few months. Then they reduced that tariff 1 cent more. As a matter of fact, the Revenue Department has very recently found that the Canadian people, that is, with the sanction of the people through its local or National Government, is putting a bounty on cheese, particularly the cheese of low moisture content, 1 percent on the 93 score grade and another of 2 cents a pound on as much as 94 and over. The revenue department very recently issued an order increasing the tariff on those two kinds of cheese from Canada by 1 cent a pound for the 93 grade and 2 cents a pound for the 94. That is an illustration of the manner in which we are competing or have to compete with foreign countries in the importation or exportation of dairy products.

It is true that cheese prices fluctuate in this country. In 1938, butter prices fluctuated. There was apparently an overproduction of butter fat, and the consequence was that butter went down and Congress appropriated a lot of money to the Surplus Commodities Corporation. They spent about \$46,000,000 buying dairy products in order to prevent the utter demoralization of the dairy markets of the country. The price went up to 26 cents a pound, due to those purchases, otherwise butter would have gone down to 15 or 16 cents a pound.

But this fact remains regarding all tariff rates and all reductions in the tariff rates by this reciprocal trade program, that the competition, which can come in from abroad where cost of production does not come anywhere near the cost of our production is such that maintains the level of prices for our entire product, which amounts in Wisconsin now to about \$160,000,000 a year.

So we are opposed to these treaties. I have been opposed to them constantly since the law was contemplated and since this program was inaugurated. I did not believe in them when Mr. Taft was President, and I don't believe in them under Mr. Roosevelt. To my

own individual view, it is sort of getting into free trade on the installment plan, and I feel that we western farmers——

Senator CONNALLY (interposing). What, in your view, is a fair price for butter?

Mr. HULL. Well, it certainly should not be less than it costs our farmers to produce it.

Senator CONNALLY. I am talking about the actual price now.

Mr. HULL. There was more butter consumed per capita at 50 cents per pound than it is when it is 25 cents a pound.

Senator CONNALLY. I did not ask you that, Congressman. I asked you what you thought butter ought to be selling for now.

Mr. HULL. Butter ought to be selling at a price that will let the dairy farmer get the cost of production, whether it is 40 or 45 or 50 cents, no matter what it is.

Senator CONNALLY. You are out there in the country and you know what it costs to make it. Can you tell me what you think it ought to be?

Mr. HULL. The University of Wisconsin once stated that 57 cents cents a pound was the average cost of butterfat.

Senator CONNALLY. Then you are saying 57 cents?

Mr. HULL. No; I am not saying that.

Senator CONNALLY. What is it selling for now?

Mr. HULL. 27 or 28 cents.

Senator CONNALLY. I want to get some idea what you think it ought to be selling at.

Mr. HULL. I am not claiming that in these times you can arbitrarily put up the price of butter to a cost basis unless you adopt a general parity price program. At the same time I do not think that we ought to take any steps to add to the competition which we already have from foreign countries by the reduction of the tariff on cheese or butter or anything else. They have not reduced the tariff on butter any. On the other hand, when you reduce the tariff on cheese, you level the price of cheese to a low rate and naturally affect the price of butterfat.

With your consent, I would like to have a statement inserted in the record.

The CHAIRMAN. Without objection, that may be done.

(Same is as follows:)

At this particular time, much credit is being given to reciprocal trade treaties for improvement in general business conditions over what they were in 1932, and a vast array of figures shows how increase of exports and imports have had a bearing upon the improvement. Some interesting charts have been published to prove that as foreign trade has increased, there has been material industrial gains and also gains in employment. That the increase of imports is due to the gains in industrial activities, and that improved conditions in foreign countries have served to increase our exports is lost sight of in the propaganda so widely circulated in support of the reciprocal trade policy.

There are other reasons alleged for the gain in business under other circumstances. Conditions in 1932 were about as bad as could be, but they were not confined to our country alone. In European and South American countries, and in Canada in particular, business, industry, and agriculture were at the lowest ebb. As other factors contributed to our recovery, so also in foreign lands recovery was accomplished regardless of our particular reciprocal trade program. The treaties were not completed with some of those countries, Great Britain for instance, until their recovery has been greater than our own. To ascribe all world progress in the past 7 years to our reciprocal trade policy is as misleading as it would be to assume that our own improvement was solely due to that same policy. Many influences were at work in foreign countries to aid in their situation just as we have had many other contributions to the gains accomplished in our own country.

It would not be fair to thus assert that all other endeavors of this administration to restore prosperity as having failed, and confine the credit to the gains in foreign trade. To do so would brand as failure all that was done by Public Works Administration to prime the business pump, put men at work, and give prosperity a boost at the cost of a billion dollars or more. Billions more have been spent for relief and unemployment primarily, but also to assist toward business recovery. An agricultural program has expended billions in loans, grants, and subsidies to further agricultural recovery. More billions will continue to go out for these and numerous other programs devised to improve general conditions, while housing programs, naval expansion, and vast public works continue to be pointed to as the way out of depression into prosperity. The advocates of a continuance of our reciprocal-trade policy apparently would disregard all these activities and expenditures as at all influential in order to stress gains in foreign trade.

Considering the fact that less than 7 percent of the production of our country is exported, the relative importance of our foreign trade to that of our domestic commerce is not so great. Fancy statements are made about the extent of our exports of automobiles, trucks, tractors and farm and other machinery and the added employment afforded by such industries. Were farm income to be restored to its proper basis, adding \$5,000,000,000 to agricultural income and the national income, there would be such a home demand for such products that there would be none to export. The loss of farm buying power is greater than the entire value of our exports, including such agricultural products as may be included.

Coming from the Nation's greatest dairy State, Wisconsin, I am concerned, as are most farmers in my State, as to the effect of the trade treaties upon our own welfare and progress. We sell the most of our dairy products in manufactured form. We must seek our markets in the industrial centers. It is generally recognized that we cannot compete in those markets with importations from countries where cost of production is less than one-fourth of our own. We must have adequate protection as to prices as well as against the flooding of our principal markets with foreign products when circumstances serve to increase prices which permit such importations.

Not all our trouble with foreign competition should be ascribed to the trade treaties. They have merely served to lower rates which were already too low under the much criticized Hawley-Smoot Tariff Act. I was a member of the House when that act was passed, and among those from farming sections who sought adequate tariff rates under its provisions. Our pleas were unavailing. The Hawley-Smoot law greatly advanced the rates upon industrial products, based upon the theory of the difference in the cost of production in our country and that of foreign lands, but utterly failed to apply the same rule or theory to farm products. Although testimony backed by studies made by Government agencies, for instance, made plain that newer dairy countries like New Zealand and Australia, were producing dairy products at less than one-third the cost of production in the dairy land of the northwest, and were flooding the world markets with hundreds of millions pounds of butter and cheese, our farmers were denied rates on butter which would stop that unfair competition, and the rates on cheese importations in that bill, and as still further reduced by trade treaties, continue to limit our production by such competition. I voted against the Hawley-Smoot Act when it passed, because of its unfair discrimination against the farmers of the Middle West. I am opposed to a reciprocal trade program which serves to further increase our competition from foreign lands, and at the same time provides no lessening in costs to farmers of the products which of necessity they are compelled to buy.

The claim that the importation of dairy products is too small to be detrimental is simply a case of putting the cart before the horse. Importations are in comparatively small amounts at present because the prices of dairy products are far too low for profit to our farmers. It is only necessary to refer to the comparatively small holdings of butter and cheese in storage to point out that it is not our own production but that of other countries which is holding down prices when circumstances here at home would seem to warrant an increase of butter prices to at least 38 cents, and cheese to 18 cents, the levels reached in 1937. Were butter prices to return to a level of 40 cents and cheese to 20 cents, neither of which would be excessive and neither of which would more than cover actual costs of production to the farmers, there would be such a flood of dairy products flowing in from New Zealand, Australia, Argentina, and even from Russia and Cape Colony that our markets would be demoralized, and prices would bound back to even lower levels than the present, just as they did in 1937, when the decline continued until butter was marketed at 22 cents. In 1938 the Surplus Commodity Corporation

purchased 152,000,000 pounds of butter and dairy products to a total of \$46,000,000 for free distribution to prevent dairy prices from again striking the low levels of 1933.

Our American dairy farmers cannot have their home markets at profitable prices as long as it is possible for dairy monopolies and speculators to reach out to foreign lands where costs and prices are much lower and bring in butter, cheese, condensed milk in any quantities needed to control the markets to their own profit. The possibility of such competition fixes the lower levels of prices which now are obtained. Freed from that competition or dangers of it, higher price levels might be obtained, and, under the policy of the purchase and distribution of such small surpluses as might occur, they could be maintained.

Whether higher duties or embargoes should be applied to the situation is a matter of opinion. Were it in my power I should forbid importations of any agricultural product which would serve to lower the level of domestic prices below parity or cost of production, in case parity prices would not suffice.

The claim that the trade treaties serve to broaden the farmers markets by increasing employment in industry is substantiated only in a limited degree. Increased consumption at prices below cost of production adds but little to farm income and none to the farmers' profits.

Our western dairymen have not only the threat of foreign competition to prevent progress. Under a Government policy, milk prices are fixed in larger eastern cities to the benefit of groups of farmers in nearby territories. But the western farmer has no "reciprocity" under that policy. An embargo regulation prevents his shipping his milk and cream to New York City, Philadelphia, and even the city of Washington, and other large markets. If reciprocal trade treaties are good for the Canadian dairymen to supply our eastern markets with butter, cheese, and cream, certainly Congress should provide a policy which will enable the western dairymen to share in the benefits of our home trade. It has not done so, and every attempt to obtain it has been withheld in the committee rooms.

I am not alone concerned with the situation as it applies to dairymen. The farm income of 1939 was lower than the farm income of 1937 or 1938. The percentage of the farmers' share in the national income was also lower than in those years. Still in 1939, our importation of foreign farm products amounted to more than \$897,000,000. Not all such products were competitive, but in the main they were, directly or indirectly. That our prices for farm commodities were lowered to a still larger amount by such competition can scarcely be questioned. But adding \$897,000,000 to our farm income instead of sending it abroad would mean increasing the general farm income by about 20 percent. Such an increase would be very welcome to most farming sections. Why should we buy abroad what we could and should be producing on our own farms? Why try to advance industrial progress in foreign lands when the opportunity is so much greater in our own?

We have a farm program covering cotton, corn, wheat, rice, and tobacco. Under it and the soil-conservation program, our Treasury disbursed over \$700,000,000 in farm subsidies last year. Restriction of production is a large part of the policy and millions of acres have been taken out of production. The program endeavors to reduce or abolish the surpluses of the particular crops mentioned and to provide parity prices subsidies to the farmers who comply with the rules and regulations.

I have been among those who believe that a parity-price policy should not apply only to certain crops and certain farmers. If the policy is good, surely it should be broadened to bring dairying, the largest branch of agriculture, within its provisions. To that end I and others here and thousands of farmers in the Middle West are demanding action on H. R. 6500. We demand that dairy products shall be included among the basic agricultural commodities.

Notwithstanding the AAA program, reducing acreage, restricting and controlling production, expending \$450,000,000 in soil-conservation payments, \$212,000,000 in parity payments, and another \$50,000,000 in bounties to sugar producers not to produce sugar, and crop loans on cotton, corn, and wheat, in an endeavor to peg their prices, we turn to other lands for products which required millions of acres of land to produce.

Estimates of the acreage required for the production of some imported commodities are not available but from the yields quoted in the 1939 volume of Agricultural Statistics, I have computed the acreage of production on our own farms displaced by some of the products so imported. The total acres which our farmers might have devoted to such production under a different and proper policy is 14,897,919 for the importations for only 10 months.

Add to that acreage displacement that required for the remainder of the \$897,000,000 of importations, including vegetable oils and many other items, it will be found that from foreign lands we imported an acreage production greater than that which our farmers have devoted to the growing of cotton, rice, tobacco, and sugar.

My computations are as follows:

	Importations	Acres displaced
Cattle.....	664,239	3,086,034
Meat.....	136,652,000	3,000,000
Barley..... bushels..	745,000	37,000
Oats..... do.....	2,612,000	100,000
Wheat..... do.....	9,310,000	680,000
Barley malt..... do.....	1,510,000	65,671
Hay..... do.....	35,550	18,000
Taploen.....	295,088,000	202,670
Tobacco.....	04,544,000	64,544
Flaxseed.....	14,724,000	1,640,000
Cotton.....	84,443,000	168,000
Wool.....	107,000,000	3,700,000
Sugar..... tons..	1,158,000	1,250,000
Total.....		14,897,910

¹ 500,000 head more.

It does not seem sensible to me to continue policies which expand agricultural production in foreign lands while we are paying out hundreds of millions of dollars to restrict and reduce production here at home. Nor does it seem sensible to me to add to the farm income of other lands as our own farm income continues to decline. Give our own farmers parity or cost-of-production prices, and they will provide a wider, better, and more certain market for our industries than all the rest of the world combined.

The press reports that the International Harvester Co. made a net profit of \$12,980,000 last year. In the report of the company it is stated its total sales in this country were \$188,778,000, a falling off of about \$12,000,000 from the previous year's net returns. Its total foreign sales were \$79,240,000 or \$5,800,000 less than in 1938. Its average sales to the 6,800,000 farmers in this country were less than \$28. Given the power to buy our farms would have had to increase their machinery purchases by an average of \$11 per farm to have absorbed the entire products exported by the company.

The report further states that the company's foreign business "has frequently been subject to uncertainties and at times severe losses have actually occurred. However, the operating profits of this business have absorbed these losses."

To what extent the home sales have absorbed the losses in foreign business is not stated. It would be interesting to know how much of the losses sustained by many companies in foreign trade have been absorbed by their domestic business. The American farmer is the best and safest purchaser of farm machinery and adding to his income the amounts which are being paid to foreign farmers for imported products would result in greater sales of farm equipment than can be made abroad.

I am against continuing the trade-treaty policies. I believe that they are proving detrimental to our farmers, and that whatever advantages claimed for them are more than offset by that detriment. I am convinced that the rehabilitation of agriculture is the only way to a permanent prosperity, and any policy which serves to lessen that recovery is not sound, in my opinion. I am not concerned with the partisanship involved in the discussion. I am concerned with the principles involved.

Senator BROWN. The State Department, at my request, has prepared statistical data regarding dairy products of the United States, which show on an average over the last 10 years that the domestic producers supplies about 99½ percent of the market; also statistical data and a statement showing the position of the United States dairymen in 1939 compared with other farm products, which I would like to have inserted at the end of the statement made by Congressman Hull.

The CHAIRMAN. Without objection, that will be done.

(The same are as follows:)

The share of the domestic dairy market supplied by the American producer, calendar years 1929-39

Year	Total milk production	Imports for consumption ¹	Imports as a percent of production	Year	Total milk production	Imports for consumption ¹	Imports as a percent of production
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Percent</i>		<i>Million pounds</i>	<i>Million pounds</i>	<i>Percent</i>
1929.....	102,121	1,108	1.08	1935.....	104,247	960	.92
1930.....	103,018	877	.85	1936.....	106,009	813	.77
1931.....	105,890	633	.60	1937.....	105,938	818	.77
1932.....	106,678	645	.61	1938.....	110,081	681	.63
1933.....	107,679	497	.46	1939 ¹	111,414	614	.55
1934.....	104,354	489	.47				

¹ Preliminary.

² Imports for consumption less "general imports" into noncontiguous territories of the United States, including fresh milk and cream, butter, cheese, condensed and evaporated milk, dry milk and cream, and malted milk and compounds.

Compiled by Division of Information, A. A. A. from published B. A. E. data.

Cash farm income from dairy products, and average prices received by farmers for butterfat and milk (wholesale)

Year	Cash farm income from dairy products	Price of cheddar cheese (twins) on Wisconsin market	Prices received by farmers	
			Butterfat	Milk (wholesale)
		<i>Cents per pound</i>	<i>Cents per pound</i>	<i>100 pounds</i>
1929.....	\$1,844,000,000	20.2	45.2	\$2.54
1930.....	1,631,000,000	16.4	34.5	2.21
1931.....	1,800,000,000	12.5	24.8	1.69
1932.....	991,000,000	10.0	17.0	1.27
1933.....	960,000,000	10.2	18.8	1.80
1934.....	1,138,000,000	11.7	22.7	1.64
1935.....	1,289,000,000	14.3	28.1	1.70
1936.....	1,459,000,000	15.3	32.2	1.87
1937.....	1,652,000,000	15.9	33.2	1.96
1938.....	1,398,000,000	12.6	26.3	1.72
1939.....	1,356,000,000	12.9	23.9	1.73

Source: Agricultural Statistics, Dairy Situations, and other publications of the United States Department of Agriculture.

POSITION OF UNITED STATES DAIRYMEN IN 1939 COMPARED WITH ALL OTHER FARM GROUPS

As shown by accompanying table of purchasing power of milk cows in terms of all farm products, in relation to other farm groups, at least, 1939 was one of the 2 best years experienced by United States dairymen in the last 20 years. Only in 1929 were dairymen any more prosperous relatively. The dairymen's relative position has steadily improved since its low in 1934. In view of the fact that farmers generally had a rather good year in 1939, dairymen may be considered to have done quite well.

Index numbers of purchasing power of milk cows in terms of all farm products, 1920-39

[1910-14=100]

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
1920.....	84	85	83	80	78	70	80	88	93	97	98	100	86
1921.....	97	100	104	109	111	107	98	93	87	82	85	85	96
1922.....	87	84	85	84	83	83	83	84	84	83	79	77	83
1923.....	70	70	77	78	80	83	84	84	83	79	77	76	80
1924.....	77	76	80	80	82	82	81	78	81	76	78	76	79
1925.....	72	72	73	75	76	75	74	75	78	79	80	81	76
1926.....	83	85	85	87	89	90	94	96	94	99	100	102	92
1927.....	103	105	107	110	109	108	109	108	105	109	113	115	109
1928.....	114	121	122	119	116	121	121	128	127	128	131	131	123
1929.....	127	128	127	131	134	136	133	129	130	131	133	131	131
1930.....	125	123	121	118	120	120	123	116	112	120	120	122	120
1931.....	122	121	116	118	120	121	118	120	119	122	121	123	126
1932.....	121	122	114	118	121	124	117	114	111	111	111	110	115
1933.....	108	110	114	110	101	101	90	91	88	88	82	84	97
1934.....	82	70	70	81	83	77	75	66	65	66	68	69	73
1935.....	69	74	83	94	91	96	97	93	93	92	95	96	88
1936.....	98	98	102	103	103	101	93	86	85	89	90	87	94
1937.....	85	87	87	87	80	93	94	96	101	108	111	113	95
1938.....	114	119	117	121	123	124	121	124	120	122	126	124	121
1939.....	126	180	132	131	130	130	132	132	122	127	125	-----	129

¹ 11 months.

Source: The Dairy Situation, Dec. 18, 1939, U. S. Department of Agriculture, p. 9.

Senator LA FOLLETTE. Mr. Chairman, I desire to submit for the record selected portions of data furnished me by Mr. Morse Salisbury, Acting Director of Information, Department of Agriculture, relating to war-time controls of agriculture; this data is supplementary to material furnished previously by the Department of Agriculture which appears in the testimony given by Secretary Wallace.

[U. S. Department of Agriculture, Office of Foreign Agricultural Relations]

BRITISH FOOD CONTROL

(By Harry L. Franklin ¹)

[Reprint from Foreign Agriculture, December 1930]

OUTLINE

British food control.

Organization and legislation.

Food (defense plans) Department.

Ministry of Food.

Board of Trade and Ministry of Agriculture.

Legislation.

Food-control orders and operations.

Import control.

Export control.

Control of prices and supplies.

Cereals and products.

Bacon and hams.

Meat.

Butter.

Lard, imported.

Other oils and fats.

Eggs.

Condensed milk.

Dried fruits.

Sugar.

Tea.

Canned salmon.

Potatoes.

Livestock.

Feedstuffs.

General summary and conclusions.

¹ Senior Agricultural Economist, Office of Foreign Agricultural Relations.

In wartime, the safeguarding and assurance of adequate food supplies are no less important than of armament and military equipment. In the United Kingdom, some 2 years of planning and organizational work toward this end were carried out prior to the present war by the Food (defense plans) Department, now the Ministry of Food. An elaborate food-control system has been developed since September 3, 1939. Prices and stocks of several major food products are strictly controlled. Domestic farm output is to be considerably enlarged through devoting permanent grassland to arable-crop cultivation. This has a significant bearing on exports of United States farm products to the United Kingdom, customarily valued at around \$250,000,000 per year, or about one-third of the United States total to all countries.²

Great Britain is dependent upon imports for around 65 percent of its total food requirements. For wheat, its breadstuff base, and sugar, the figure is approximately 75 percent. This situation makes the country particularly vulnerable in wartime, as the World War demonstrated when in the summer of 1917 enemy submarine activity greatly endangered Great Britain's food supply. Although a food controller was appointed in December 1916, it was not until July 1918, after nearly 4 years of war, that a general system of food rationing became operative in Great Britain.

In developing its program of economic and military rearmament since 1936 in order to insure the national defense, the British Government has had the experience of the World War period to draw on,³ and now enters another European war with an elaborate and comprehensive system of food (and other supplies) control largely completed, which is considered superior even to that obtaining at the end of the World War. The essential elements of the present set-up to provide for food supply, storage, control, and distribution are the former Food (defense plans) Department, now absorbed into the new Ministry of Food; the Board of Trade; and the Ministry of Agriculture and Fisheries. Legislation of particular import is embodied in the Essential Commodities Reserves Act, 1938; the Agricultural Development Act, 1939; the Emergency Powers (defense) Act, of August 24, 1939; and the Import, Export, and Customs (defense) Act, of September 1, 1939.

² See "Agriculture in the Anglo-American Trade Agreement," *Foreign Agriculture*, December 1938.

³ "British Food Control," by Sir W. H. Beveridge, and "Food Production in War," by T. H. Middleton, both in *Economic and Social History of the World War* (British series), Carnegie Endowment for International Peace, 1928 and 1923, respectively.

FIGURE 1.—British wartime control of agriculture and its products

[Preliminary, as of November 1939]

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Organizations.				
Main.....	The Ministry of Food (includes former Food [Defense Plans], Department of the Board of Trade).	Ministry of Agriculture.	Board of Trade.	Ministry of Supply.
Components.....	18 Divisional food officers in Great Britain and chief divisional officers in London and the Home Counties. Marketing Boards (Milk, Pigs, and Potatoes), formerly under the Ministry of Agriculture. Food Control Committees (local) established throughout Great Britain.	County Agricultural Advisers. County War Agricultural Executive Committees. Subcommittees of the foregoing.	Import Licensing Department. Export Licensing Department.	Special sections or "Controls" relating to the various industrial raw materials. Cotton Control Board (appointed chiefly from the trade). Cotton Controller.
Functions.....	Acquisition of foreign supplies and domestic stocks of essential foodstuffs. Formulation and imposition of price-control measures. Distribution of foodstuffs (including rationing).	To insure that agricultural land is used efficiently and exclusively for production of essential foodstuffs. To increase total farm output through large shift from grassland to food-crop acreage.	Control of imports (and exports), in close cooperation with the Ministry of Food as regards foodstuffs.	Trade associations collaborating closely with the Ministry of Supply in the commodity "Controls" and otherwise. Control over prices, stocks, and distribution of industrial raw materials. The Cotton Control Board's functions for the present are largely investigational and advisory; regulatory powers over imports, etc., may be conferred later.
Operations.....	<i>Price control.</i> —Maximum (wholesale and/or retail) prices or those not above the average prevailing for a specified prior period of days. Application thus far to the following products: Sugar, tea, eggs, flour, livestock (hogs, sheep, and fat cattle), bacon and hams, other meat, oils and fats, condensed milk, canned salmon, dried fruits, potatoes, and feedstuffs. <i>Control of stocks.</i> —Domestic stocks and in some instances shipments afloat or British-owned abroad. Application thus far to cereals and cereal products, canned meats, oils and fats, certain oilseeds, tea, and sugar. <i>Ration cards</i> have been printed. Rationing of butter and bacon on January 8, 1940, announced.	Announced program for an additional 2,000,000 acres (chiefly grassland) to be placed in cultivation for foodstuffs (and some increase in flax production) in the United Kingdom; subsidy of £2 (\$8) per acre for approved grassland thus plowed up. Farmers urged to increase acreages of winter wheat, and next spring to increase oats, barley, flax, and potato acreages. Farm machinery and fertilizer to be distributed through local agricultural committees, but details of plans in this regard not yet available. The Government will purchase, at fixed prices, all staple crops sold off farms from the 1940 harvest.	<i>Import control</i> of a long list of products, prohibited except under license, including certain fruits and canned vegetables (other than tomatoes). Restricted imports of many products indicated (primarily to conserve foreign exchange, or provide shipping space for other requirements), including poultry and meat pastes, sausages (canned or otherwise preserved), hops, hop oil, and dried vegetables (other than peas, beans, and lentils). <i>Removal of import quota</i> restrictions on hams, bacon, and processed milk. <i>Compulsory commodity insurance</i> scheme against war loss or damage by dealers in most agricultural products whose stocks exceed £1,000 in value. <i>Export control</i> of a long list of essential commodities (including major foodstuffs), prohibited except under license.	Control is exercised by the Ministry, or organizations under its direction, over stocks, prices, and distribution of wool, silk and rayon, hemp, jute, flax, industrial alcohol, molasses, and certain other industrial raw materials and half-fabricates, such as hides and skins, timber, nonferrous metals, iron and steel, and paper.

ORGANIZATION AND LEGISLATION

FOOD (DEFENSE PLANS) DEPARTMENT

One of the most important steps in Great Britain's economic rearmament policy was the establishment of a special department in the Board of Trade, the Food (Defense Plans) Department, in November 1936, under the direction of Sir Henry French, then second secretary in the Ministry of Agriculture. The functions of the Department were to formulate plans for the supply, control, and distribution of food for defense purposes after the outbreak of hostilities; it was not concerned with domestic farm production, which remained under the Ministry of Agriculture.

The aim of these plans, as stated by the Food (Defense Plans) Department,⁴ was (1) to secure in wartime an uninterrupted supply in the United Kingdom of all essential foodstuffs; (2) to reduce to a minimum the inconvenience and delay caused by any dislocation in the movement and distribution of foodstuffs resulting from war conditions; and (3) to insure in wartime that supplies of essential foodstuffs at controlled prices were available to meet the requirements of all types of consumers and in all parts of the country.

It was also the aim of the Food (Defense Plans) Department, according to its annual report for 1937, to anticipate every important problem that a future Ministry of Food might be called upon to deal with during, say, the first 6 months of food control. The annual report also outlined several supply-distribution-control schemes for such commodities as cereals, flour, bread, butcher's meat, bacon and hams, sugar, tea, and edible fats, worked out in consultation with leading members of the various food trades and the Ministry of Agriculture.

In order to assist in the regulation of supply and demand in wartime, 18 divisional food officers were appointed in Great Britain and chief divisional officers for London and the Home Counties to cooperate with, or possibly supervise, some 1,400 local Food Control Committees to be established throughout the country. Also food executive officers for these future local control committees were appointed, in most cases the clerk to the local authority. In this fashion a "shadow" organization was set up throughout Great Britain to facilitate the introduction of rationing and other aspects of food control in the event of war.

Food-control plans were virtually completed by the Food (Defense Plans) Department and a large part of the requisite organizational set-up established in collaboration with the various food trade associations several months before the outbreak of the present war. All this greatly facilitated the establishment early in September of the new Ministry of Food, which absorbed the Food (Defense Plans) Department of the Board of Trade.

THE MINISTRY OF FOOD

The chief functions of the new Ministry of Food are (1) the acquisition of food supplies from abroad; (2) the imposition of price-control measures; (3) the control over domestic stocks of important foodstuffs; and (4) the organization of distribution (including food rationing). W. S. Morrison, a former Minister of Agriculture, was appointed Minister of Food on September 4, and Sir Henry French, until then Director of the Food (Defense Plans) Department, became Secretary.

A number of sections have been set up in the Ministry of Food, each dealing with a particular commodity or commodity group, with the section or "control" chief being assisted by trade advisers. The methods of control vary, however, in accordance with the particular circumstances in each branch of the trade. For instance, for cereals and cereal products, contact by the Ministry with the trade is through a special board, the Cereals Advisory Control Board, on which commercial interests are represented.

The Ministry of Food will have a monopoly of the British import trade in foodstuffs, or at least all such imports will be under the Ministry's control. Responsibility in general for the acquisition of foreign supplies has been delegated to a General Supplies Division. Though some flexibility will no doubt be exercised, it is understood that centralized buying will be adopted for certain important staples. In this regard, certain individuals have already been designated as buyers.

Price control, largely in the form of established maximum prices, has been applied by the new Food Ministry to most important foodstuffs; and the assumption of control over stocks has been almost as comprehensive as price control. The Ministry's activity in connection with the organization of distribution has

⁴ Report of the Food (Defense Plans) Department for the year ended December 31, 1937, London, 1938, 89 pp.

thus far been confined in large part to decentralization of the physical handling and storage of essential foodstuffs. Plans have been completed, however, for the introduction of individual ration cards on January 8, 1940.

In addition to the 18 divisional food officers in Great Britain and chief divisional food officers in London and the Home Counties, the Ministry of Food is assisted in controlling the prices and distribution of foodstuffs by the numerous local Food Control Committees. There is a Food Control Committee for the area of every local authority or a Joint Food Control Committee where local authorities combine for that purpose. In England and Wales, each committee comprises 15 members, 5 of which must be from the retail food trades, and the remaining 10 (2 of which must be women) persons may be regarded as representative of all classes of persons within the area. Retail dealers in foodstuffs are licensed by the local Food Control Committees, and such license may be suspended or revoked in accordance with instructions issued by the Ministry of Food.

BOARD OF TRADE AND MINISTRY OF AGRICULTURE

The Board of Trade, under the provisions of the Import, Export, and Customs Powers (Defense) Act, 1939, is empowered to control the importation into, and exportation from, the United Kingdom of all commodities and kinds of goods. Under this authority, the Board of Trade has already prohibited imports and exports of a large number of products except under license by the Board. Consequently, the Board of Trade and the new Ministry of Food, in view of the latter's activities in the acquisition of supplies of foreign foodstuffs, will have to cooperate very closely in importations of this kind. There will doubtless be other work in connection with food control by the Board of Trade, now that its former Food (Defense Plans) Department has been taken over by the new Ministry of Food. (The Board of Trade corresponds in a general way to the United States Department of Commerce.)

Domestic farm production remains within the jurisdiction of the Ministry of Agriculture; and in addition that Ministry has been given far-reaching control over the entire agricultural industry of the United Kingdom, under the provisions of the Defense Regulations of August 25 promulgated in pursuance of the Emergency Powers (Defense) Act, 1939. The program calls, among other things, for increased farming efficiency, and greatly enlarged foodstuff output through a shift from grassland to arable cultivation. Incidentally, it may be pointed out that there is not a unified Ministry of Agriculture for the United Kingdom, but rather three separate organizations, which cooperate closely with each other; namely, the Ministry of Agriculture and Fisheries (for England and Wales), the Department of Agriculture for Scotland, and the Ministry of Agriculture for Northern Ireland.

LEGISLATION

The *Essential Commodities Reserves Act, 1938*, empowered the Board of Trade to conduct activities in connection with the storage, preservation, and transport of essential commodities (including foodstuffs, feedstuffs, and fertilizer for land). It also authorized the establishment of a fund to be called "The Essential Commodities Reserves Fund," into which should be paid such moneys as Parliament might determine. Few details are known regarding the operation of this act other than that about £8,500,000 in 1938 and at least £5,000,000 in 1939 (and possibly a great deal more) were expended for the storage of wheat, other foodstuffs, and certain raw materials.

The *Agricultural Development Act, 1939*, effective July 28, 1939, aimed to encourage increased agricultural output in the United Kingdom, (1) by protecting farmers against low prices for oats, barley, and fat sheep through subsidy payments under certain conditions; (2) by promoting the plowing up of grassland and rendering it fit for arable crops, through a subsidy payment of £2 (equivalent to \$8) * per acre; (3) by the establishment of a reserve of tractors and other agricultural machinery; and (4) by increasing the resources of the Agricultural Mortgage Corporation.

The day after the conclusion of the Russo-German pact, Parliament passed the *Emergency Powers (Defense) Act, 1939*, which received royal assent the same day (August 24). This act, essentially a "Defense-of-the-Royal" act (during the World War referred to as "D. O. R. A."), empowers the Government to make such defense regulations by orders in council as may appear to be necessary or expedient,

* Conversions throughout this article are made at the rate of \$4.02 per pound sterling.

for the purpose, among other things, of maintaining supplies and services essential to the life of the community.

Under the foregoing authority, the *Defense Regulations, 1939*⁶ were promulgated on August 25. Rules 61, 62, 63, 66, and 67 of the *Defense Regulations* confer powers on the Minister of Agriculture for comprehensive control of agriculture in the United Kingdom.

The *Import, Export, and Customs Powers (Defense Act), 1939* (enacted on September 1), authorizes the Board of Trade to control the importation into, and exportation from, the United Kingdom of all kinds of goods or products.

FOOD CONTROL ORDERS AND OPERATIONS

After the declaration of war on September 3, 1939, there were issued successively a large number of Statutory Orders and Regulations, referred to herein as "orders," pertaining to the British food supply during the war emergency. The following is a summarization, at least of the more important features, of the information thus far received in the Office of Foreign Agricultural Relations regarding the British control of imports, exports, prices, and stocks of foodstuffs. It need hardly be pointed out that, at this juncture, only a preliminary picture of the intricacies of the British food-control system can be formed owing to the fact that orders are still being issued, either amending previous orders or extending some control feature to a product not previously covered. Consequently, readers are cautioned that the following price and other control data relation to the various food products are presented to give general information or "background" rather than to serve as complete and currently accurate marketing data, which, obviously, under existing conditions is impossible in a monthly periodical. The organization of the various controls is shown in figure 1, page 546.

IMPORT CONTROL

The Board of Trade on September 4 issued an order prohibiting imports of a long list of products except under license by the Board's Import Licensing Department. The order exempted goods despatched to the United Kingdom before September 5. Some of the agricultural products on the list were certain fresh fruits, fruit juices, canned vegetables other than tomatoes, honey, hops, and certain hop products, poultry and game, and meat extracts.

Importers were advised not to make arrangements for imports until they had either obtained a license for the commodities listed or ascertained definitely that a license would be granted. (With regard to payment for American shipments, the following information was contained in an official cablegram from London dated October 31: Both the Ministry of Food and private importers are allowed to pay for imports from the United States in either dollars or sterling. There is no question of asking American exporters to accept payment in blocked sterling. Dollars at the official rate are granted for all goods that have been, or will be, actually imported.)

On September 5 the Board of Trade announced a list of items for which no import licenses would be granted until further notice. The list included flowers, poultry and meat pastes, sausages (canned or otherwise preserved), meat pies, caviar, canned or preserved crabs, lobsters and oysters, confectionery of all kinds, hops, hop oil, extracts and similar preparations made from hops, and dried vegetables (other than peas, beans, and lentils).

With respect to other commodities on the import list, the order states that licenses will be issued for limited quantities, the actual allocations being calculated for the time being on the basis of the trade of each importer during the 12 months ended August 31.

It is emphasized by the Board of Trade that the adoption of the import-licensing arrangement does not mean that the items listed may not be imported, except where an absolute embargo may be ordered. In granting licenses, the foreign-exchange situation will be the dominating factor. Shipping space and war requirements, however, will also be taken into consideration. Since the objective is to save exchange in order to utilize foreign-exchange resources for the importation of absolute necessities, a virtual ban, it is intimated, will be imposed on the imports of all luxury and semiluxury items that can be supplied in adequate volume by home resources.

It should be noted that import licenses are not required for most staple products such as wheat and wheat flour, cotton, tobacco, pork, and lard, all of which are important items in American exports to the United Kingdom.

⁶ Statutory Rules and Orders 1939, No. 927, 68 pp.

Open general license has been issued by the Board of Trade for the importation without restriction of several of the products previously restricted, including citrus-fruit juice, grape juice, meat extracts, hazel and Brazil nuts, chestnuts, dried vegetables (other than peas, beans, and lentils), canned beans (except runner), yeast, and block milk, according to a cablegram from London, dated November 14. Until further notice, however, license applications will not be considered for cider and perry, sweet pickles other than chutney, canned vegetables other than dried (except beans other than runner).

The importation is prohibited, except under license, of fresh apples, pears, pepper, and apricot and peach kernels, effective November 20 (except goods dispatched to the United Kingdom before that date), by an order issued by the Board of Trade on November 16, according to a London cablegram from the American Embassy. The order also states that "no application will be entertained, until further notice, for import licenses in respect of these commodities; but, as regards apples and pears and pepper, an open general license has been issued permitting importations from Empire countries until further notice."

EXPORT CONTROL

The exportation of several kinds of industrial raw materials and certain agricultural products (mainly oilseeds, vegetable oils, and raw cotton) was prohibited, except under license by the Board of Trade through its Export Licensing Department, in an order effective August 24. This list of products requiring an export license was greatly expanded on September 1; and, in addition to a wide range of industrial materials, half-fabricates, and manufactured goods, there were included grain and flour, live animals for food, meat, dairy produce, fresh fruits and vegetables, all other foodstuffs, tobacco, feedstuffs, and wool.

Some relaxation in the export list of products for which individual licenses are required has been provided since September 1, primarily through the issuance of open general licenses by the Board of Trade for certain products, notably tobacco, poultry, and meat pastes, wines, tea, malt extracts, and condiments. The owner or shipper, however, may be required to offer proof, if requested by the Commissioners of Customs and Excise, that such goods were duly delivered to the destination stated in the shipping documents.

CONTROL OF PRICES AND SUPPLIES

Many orders regulating prices of foodstuffs and/or applying to the disposition of domestic stocks have been issued, beginning with September 3, by either the Board of Trade, including its special department, the Food (Defense Plans) Department, or the Ministry of Food. Maximum prices, or prices not to exceed the average for a specified period prior to the order, applying to the retail and/or wholesale trade in several important foodstuffs have been established. Incidentally, an order, dated August 31, to prevent food hoarding prohibited the acquisition or purchase of excessive quantities of food, that is, more than 1 week's supply of any kind of food or supply for such longer period as ought fairly to be allowed on account of special circumstances. Food dealers were, of course, excepted. Another order by the Board of Trade, dated September 6, forbade dealers to enforce, or attempt to enforce, in connection with the sale of any article of food, any condition relating to the purchase of any other article.

Cereals and cereal products.—An order fixing the price at which imported and home-milled flour may be sold was issued on September 3 by the Board of Trade. A basic price of 22s. (\$4.42) per 280-pound sack was fixed for "straight-run" flour.⁷ The order provides that flour of better quality shall exceed the basic price by the amount of the customary difference in the trade of the particular miller or importer during the 14 days immediately preceding September 3.

The flour price fixed by the order is the delivered price. If delivery is taken by the buyer at the premises where the flour is stored, the price is to be reduced by the amount recognized by the district associations of flour millers and importers as the customary allowance in the district in such circumstances. The price is to be increased, however, by the amount of any quota payments under the Wheat Acts that have been paid or may become payable. The order also provides that no sales shall be made for delivery at a date beyond a period of 7 days from the date of sale.

⁷ Straight-run flour is defined as "flour produced in the United Kingdom by running together all the flour streams of a milling plant which is set to separate as flour not less than 70 percent of the total weight of clean wheat which is the feed to the break rolls."

All flour mills and mills producing provender and feeding compounds, breakfast foods, or other cereal products, except rice and soybean products, were placed under the control of the Board of Trade by another order, effective September 4. Millers were required to forward to the Wheat Commission a return showing actual or potential output for each mill and particulars of grain-intake facilities. No miller may operate his plant or make deliveries except under license. The order also provides that except by special authority only "straight run" flour may be produced and that no miller may make deliveries of flour against existing contracts at any price other than the price fixed by the law at which such flour may be sold.

All stocks of cereals and cereal products in, or arriving in, the United Kingdom, other than those held by mills, in excess of 50 long tons, were required to be placed at the disposal of the Port Area Grain Committees (located at London, Liverpool, and five other ports) appointed by the Board of Trade through an order issued September 3 by the Board. The order also required that every person in possession of stocks situated outside of the United Kingdom in excess of 100 long tons comply with directions by the Board of Trade for transferring ownership to the Government.

In addition, all dealings in cereals and cereal products outside of the United Kingdom on or after September 5 was prohibited except under license from the Board of Trade. It is understood that all sales of cereals and cereal products for importation into the United Kingdom are effectuated through the Cereals Advisory Control Board, while distribution of such imports is through the Port Area Grain Committees.

Bacon and Hams.—Maximum prices at which importers were permitted to sell imported bacon and hams to wholesalers were established by the British Government on September 1, to remain in effect until further notice. Since that date, at least three changes in the price schedule have been made, including those announced by the Ministry of Food on October 23, as follows, in shillings per hundredweight, with the dollar equivalent per 100 pounds: Wiltshire sides, all descriptions, 110s. (\$19.74); United States clear bellies, 94s. (\$16.87); United States picnic, 74s. (\$13.28); United States short-cut hams, 120s. (\$21.54); and United States long-cut hams, 125s. (\$22.43).

All quota restrictions on imports of bacon and hams were suspended by an order of the Board of Trade issued September 5. The removal of the quantitative restrictions on imports that had been in effect since November 11, 1932, however, does not mean unlimited entry, since the volume of trade will be determined largely by the wishes of the British Government, which in turn will be influenced by the exchange situation, shipping facilities, and British price levels.

Imported bacon and hams, including the canned form, arriving in the United Kingdom on or after September 17 must be placed at the disposal of the Ministry of Food. British-owned supplies of ham and bacon situated outside Great Britain (other than supplies in Northern Ireland or Ireland) are subject to such directions as the Ministry of Food shall issue in order to secure ownership of such supplies or the right to dispose thereof. Registered curers of bacon in Great Britain are required to sell their home-produced bacon, with the exception of hams, chaps, and hocks, through a Government agency—the recently established Bacon Importers National Defense Association, Ltd., effective October 6, according to an order issued by the Ministry of Food.

Meat.—Wholesale and retail prices of meat—beef, mutton, lamb, pork, and veal, whether fresh, chilled, frozen, or canned—were established by the British Government on September 4 at levels not to exceed the average price for similar descriptions and qualities obtaining during the 7-day period ended 10 days before September 4. This price basis was superseded on September 9 by an order setting forth a schedule of maximum prices stated in pence per pound for the various descriptions and grades of fresh and imported meat.

Domestic stocks of imported canned meat in excess of 5 tons, gross, and all shipments arriving in the United Kingdom on or after September 5 are required to be placed at the disposal of the Government. All shipments of imported chilled or frozen meat arriving in the United Kingdom on or after September 11 are required to be placed at the disposal of the Ministry of Food by an order dated September 9. Also, no British dealings in meat situated outside the United Kingdom, in quantities exceeding 5 tons, are permitted without a license granted by the Ministry of Food. The orders relating to imported canned meat and other imported meat apply only where the products are suitable for human consumption and are in good merchantable condition.

Butter.—Maximum prices for butter were prescribed in an order issued by the Ministry of Food under date of September 13. The schedule of butter prices was as follows: For home-produced, Danish, Swedish, and Finnish butter, or any blends

thereof, or blends with finest Empire qualities, first-hand to wholesaler, 148s. per hundredweight (36.56 cents per pound); wholesaler to retailer, 154s. per hundredweight (27.64 cents per pound); and retail, 1s. 7d. (32 cents) per pound; for all other kinds and blends of butter, first-hand to wholesaler, 129s. (23.15 cents); wholesaler to retailer, 135s. (24.23 cents); and retail 1s. 5d. (28 cents).

It is required that retail prices be posted conspicuously during the time when butter is offered for sale. No person is permitted to enter into any fictitious or artificial transaction or demand any unreasonable charge in connection with the sale of butter. Accurate records must be kept by butter retailers to show whether they are complying with the provisions of the order relating to butter, such records to be open to inspection by representatives of the Ministry of Food or the local Food Control Committee.

All butter in cold storage in Great Britain, as well as all butter arriving on or after September 22 was placed at the disposal of the Ministry of Food by an order of that date. Moreover, a license from the ministry is required for all British dealings in butter situated outside the United Kingdom. Another order dated October 21 extended the application of these provisions to northern Ireland.

One maximum price for all kinds of butter was established by the Ministry of Food, effective September 25 (superseding the previous price schedule) as follows: First-hand price, 145s. per hundredweight (26.02 cents per pound); wholesale, delivered, 152s. per hundredweight (27.28 cents per pound); and retail, 1s. 7d. (32 cents) per pound.

Lard, imported.—The maximum price at which importers are permitted to sell imported lard was established on September 1. For United States refined lard, the price established was set at 42s. 6d. per hundredweight (then equivalent to \$7.99 per 100 pounds, but now to about \$7.63, owing to lower exchange value of sterling). This price (in sterling) has remained unchanged.

All domestic stocks of imported lard—except lard from Ireland (Eire)—and British-owned stocks situated outside the United Kingdom were placed at the disposal of the Ministry of Food by an order effective September 29. Immediate returns to the Ministry of Food reporting such lard stocks were requested, as well as a license from the Ministry for any further British dealings in lard situated outside the United Kingdom, exceeding 5 tons, gross weight. In addition to the maximum price of 42s. 6d. per hundredweight for imported lard on the sale by an importer to a wholesaler "ex store" or "ex wharf," the September 29 order also specified a maximum price of 46s. 8d. per hundredweight (\$8.38 per 100 pounds) on sales made by a wholesaler to a retailer, delivered to the buyer's premises, and 6d. (9 cents) per pound on retail sales.

Other oils and fats.—Four orders were issued on September 4, requiring that the prices at which certain oilseeds, vegetable oils and fats, marine oils, animal oils and fats, margarine, and manufactured cooking fats must not exceed the average prices current during the 7 days preceding the date of the orders for the same variety and quality and in similar quantities. The orders also announced that, on and after September 25, a license issued by the appropriate government office would be necessary for engaging in the manufacture (or processing), of, or wholesale dealings in, these products, or for deals in the specified oils, fats, and oilseeds situated outside the United Kingdom if more than 50 tons, gross weight, were involved. Returns were also required for domestic stocks of these various products in excess of specified amounts (ranging from 5 to 100 tons, gross weight).

The Ministry of Food assumed complete control of the vegetable and marine-oil refining industries and the oilseed crushing and extracting industry, effective October 7. At the same time, maximum prices (as above mentioned) for these products were abandoned in favor of a more flexible system. The purpose of the new control scheme is to safeguard the supply of raw materials for the margarine and compound cooking-fat factories and to prevent wide price fluctuations in both the raw materials and the processed products. It is planned to extend this control scheme at a later date to animal fats, including droppings, suet, and lard in conjunction with the meat and livestock scheme.

An experiment was made with one-standard or "pool" quality of Government margarine, calculated to result in the most economical working of the factories, to simplify price control, and to facilitate equitable distribution. The Ministry of Food announced in the House of Commons on November 9, however, that the one-standard grade of margarine had been abandoned. It is anticipated that "pool" margarine selling at 6d. (9 cents) per pound will be replaced by brands selling at from 6d. to 8d.

Eggs.—The maximum prices at which eggs were to be sold by wholesalers to retailers and by the latter to consumers were specified in an order of September 13, by the Ministry of Food. There are four price categories in both the wholesale and the retail price schedules according to origin of the eggs; namely, (1) home-produced fresh eggs; (2) near-European fresh eggs (Scandinavian, Netherland, French, Belgian, and Irish); (3) eggs produced in the Dominions and North and South America; and (4) home-produced (Great Britain and Northern Ireland) eggs that are cold-stored, chilled, or gas-stored, and all other eggs. (The order does not apply, however, to canned, dried, or desiccated eggs.) These four categories, in turn, are subdivided into two price groups each; that is, for each 12 eggs weighing not less than 22½ ounces and 17½ ounces, respectively. Retail stores must display conspicuously in close proximity to the eggs for sale a schedule of retail egg prices; and demanding of unreasonable charges or fictitious or artificial transactions in connection with the sale of eggs are forbidden. Producers' prices were not fixed by the order of September 13, but it was pointed out that maximum prices for the wholesale and retail trade should result in a slightly higher level for producers' prices than that prevailing just prior to the order.

The previous schedules of maximum egg prices were revised by the Ministry of Food, effective September 25. The new schedules, for example, specify a maximum price for home-produced fresh eggs, weighing not less than 17½ ounces per dozen, of 2s. (40 cents) per dozen, retail, and 2s. 6d. (50 cents) for those weighing not less than 22½ ounces. Corresponding retail prices for the third category of eggs (Dominion and North and South American) are 1s. 3d. (25 cents) and 1s. 6d. (30 cents) per dozen, for which the respective wholesale prices are 10s. 6d. (\$2.11) and 12s. 6d. (\$2.51) per 120 eggs. These prices for Dominion and North and South American eggs remained unchanged in the further-revised price schedule effective October 23, but moderate increases for home-produced fresh eggs were prescribed.

Condensed milk.—Maximum wholesale and retail prices for condensed milk were established by an order of the Ministry of Food on September 18. Covered by the order were full-cream sweetened, full-cream unsweetened, and machine-skimmed condensed milk. These prices were superseded by new schedules of maximum wholesale and retail prices, effective October 3.

Examples of the revised wholesale prices for condensed milk are: full-cream, sweetened, 20s. 6d. (\$5.93) per case (48 cans, 1¼ pints each); full-cream, unsweetened, 23s. 6d. (\$4.72) per case (96 cans, ¾ pint each); and skimmed, 16s. 9d. (\$3.37) per case (48 cans, 1¼ pints each). For these wholesale prices, the corresponding maximum retail prices per can are 8½d. (14.2 cents); 3½d. (5.9 cents); and 3¼d. (6.3 cents), respectively. Incidentally, the former import quotas on processed milk (condensed milk and milk powder) were suspended by the Board of Trade on September 1. The maximum wholesale price schedule of October 3 was revised moderately upward, with the exception of the price of condensed full-cream, unsweetened milk, according to a cablegram received in the Office of Foreign Agricultural Relations, November 10.

Dried fruits.—Maximum prices were prescribed for the sale of dried fruits (apples, apricots, pears, peaches, prunes, raisins, and seven other kinds) by an order dated September 7. Instead of published prices, however, the order specified that the prices must not exceed those current during the 7-day period terminated 10 days before the date of the order, for dried fruits of a similar description, variety, and quality. All domestic stocks or British-owned stocks situated outside the United Kingdom, or arriving on or after September 7, were required to be placed at the disposal of the Government.

Specified maximum prices, both wholesale and retail, were established for dried fruits by an order of the Ministry of Food, effective September 21. The maximum wholesale price of dried apples, pears, and fruit salad is set at 70s. per hundredweight (\$12.56 per 100 pounds) and of prunes and raisins (including sultanas other than "manufacturers' sultanas") at 50s. per hundredweight (\$10.05 per 100 pounds). Maximum retail prices for these dried fruits in the two price groups are 10d. (17 cents) and 8d. (13 cents) per pound, respectively. The Ministry of Food announced at the time the new price order was issued that requisitioned dried-fruit stocks would be allotted equitably to dealers and that all grades of each kind of dried fruit must be pooled and sold as a single blended grade. Another order, effective October 27, increased prices of prunes to 59s. 5d. per hundredweight (\$10.66 per 100 pounds), and of dried peaches and nectaries to 70s. (\$12.56) from 63s. (\$11.31) previously established.

Sugar.—Maximum wholesale and retail prices for sugar were established by an order of September 5. For wholesale dealing in granulated sugar (ex refinery) in bags containing 2 hundredweight, the maximum price was set at 22s. 7½d. per

hundredweight (\$4.06 per 100 pounds) with the then-existing refiners' differentials for special qualities or special packages. The maximum retail prices for five varieties of sugar ranged from 3d. to 4d. (5.0 to 6.7 cents) per pound. It was announced that there was no shortage of sugar, and the public was advised to purchase only the normally required amounts, thus insuring that all needs would be met and pointing out that the delays experienced in certain areas in the distribution of refined sugar were due entirely to general buying of quantities far in excess of the normal consumption.

Sugar stocks in the United Kingdom or afloat became subject to the disposal of the Ministry of Food, effective September 11; on or after this date all British dealings in sugar situated outside the United Kingdom require a license from the Ministry of Food. On September 11, also, another order became effective specifying in more detail, according to variety and packing, the maximum wholesale prices for sugar and making a very small increase in the retail price for granulated sugar. In consequence of the increased excise tax on sugar, a new schedule of maximum wholesale and retail sugar prices became effective September 27. The maximum retail price for granulated sugar is 4½d. (7.5 cents) per pound and for cubes, 5d. (8.4 cents). The maximum wholesale price for granulated sugar in bags of 2 hundredweight is 36s. 10d. per hundredweight (\$6.61 per 100 pounds) and up to 1s. (20.1 cents) higher per hundredweight in packings ranging to 1-pound packets.

Tea.—Maximum wholesale and retail prices of tea were established by an order dated September 5. The maximum prices prescribed were the average prices for tea of similar descriptions, varieties, and quantities, current during the 7-day period terminated 10 days before the date of the order. Stocks of tea in the United Kingdom or to arrive were required to be placed at the disposal of the Government through another order dated September 7.

Canned salmon.—Maximum prices (wholesale and retail) were prescribed for the various kinds of canned salmon grouped into three price categories in an order issued by the Government under date of September 5. These categories were further subdivided according to size of can and number of cans (48 or 96) per case.

Potatoes.—Maximum prices for potatoes were established by an order dated September 9, specifying those to potato growers, to wholesalers, and to retailers, according to region. Retail prices were fixed in terms of 1-, 7-, and 14-pound quantities. A revised price schedule was issued on September 15, providing for more detailed prices applying to retail sales than were in the previous schedule; namely, subdivisions into grades A and B, and the addition of a price for hundredweight quantities. For the London region, maximum prices for retail sales of potatoes, grade A, are: 1½d. (2 cents) per pound, 8d. (13.4 cents) for 7 pounds, 1s3d. (25.1 cents) for 14 pounds, and 8s. 9d. (\$1.76) per hundredweight of 112 pounds. Retail prices for grade B potatoes are moderately lower.

Livestock.—The Government announced early in September that the general meat-supply situation was satisfactory and that in due course it would take over complete control, with all purchases of livestock for slaughter to be made on Government account. In the meantime, farmers were asked to maintain the orderly marketing of their livestock in normal quantities through the regular channels. The Government also announced that it might eventually become necessary to restrict the sale of pigs for fresh pork, in view of the need to increase home production of bacon.

Maximum prices for the sale of pigs for slaughter were established by an order dated September 3, on the basis of a "standard price" of 13s. (\$2.61) per score (20 pounds), deadweight, for pigs under 10 score. This order had the effect of making all contracts under the Bacon Industry Act inoperative. The "standard price" was increased by 1s. in an order by the Ministry of Food dated September 13, making the new basic price 14s. per score (\$14.07 per 100 pounds), and 13s. 6d. per score (\$13.57 per 100 pounds) for pigs weighing over 200 pounds. A separate maximum pig-price schedule was established for northern Ireland by an order dated September 27 (amended October 13). According to an official cablegram from London, dated November 9, the "standard price" for pigs weighing less than 200 pounds has been increased to 15s. per score (\$15.07 per 100 pounds), and present pig-marketing methods, regarded as somewhat unsatisfactory, are being reviewed pending complete Government control of all livestock marketed.

Maximum prices for fat stock—steers, heifers or cow heifers, calves, and sheep—sold for slaughter for human consumption were established by an order dated September 5. The maximum prices prescribed were the average of those current for fat stock of similar descriptions, kinds, and quantities during the 7-day period

ended 10 days before the date of the order. This price order was superseded by another maximum-price order effective September 13, which specified prices in shillings per hundredweight or pence per pound for the various descriptions of fat stock. The maximum price for fat sheep, dressed weight, is set at 11½d. (19.2 cents) per pound, an increase over the previous average price applicable. British farmers were urged to produce more livestock, particularly sheep.

Feedstuffs.—Inasmuch as the British livestock industry is dependent to a large extent on imported feedstuffs, regulation of the prices of feedstuffs was a necessary adjunct to the Government price control of meats and meat products. Consequently, an order dated September 3 prescribed maximum prices, provisionally, for a wide range of feedstuffs not to exceed the average current during the 7-day period preceding the date of the order.

Provisional control by the Ministry of Food of specified British-owned feedstuffs held outside the United Kingdom was prescribed by an order of September 18, and all future British dealings in such feedstuffs (outside the United Kingdom) were prohibited except under license by the Ministry of Food. Among feedstuffs covered by this order were cottonseed cake and meal, linseed cake and meal, soybean cake and meal, peanut cake and meal, rice bran and meal, and cargo-broken rice. It is understood, however, that it is not intended at present to issue individual licenses but that purchases will be made by the Director of Feeding Stuffs Supply, whose office is in Liverpool. Feedstuffs imported in this manner will be released to the trade by the Port Area Feeding Stuffs Committees through the customary channels.

A rather elaborate series of specified maximum prices for feedstuffs, comprising feed grains and feed-grain products, hay, oilseed cakes and meals, dried sugar-beet pulp, and sundry other feedstuffs was contained in an order by the Ministry of Food dated September 20, superseding the previous maximum-price order. The unit prices specified in the order are per ton in sterling for lots of 2 tons or over with a scale of maximum additions for smaller lots, together with specified differentials applying to other conditions. Although there has naturally been some rise in the cost of obtaining feedstuffs, owing to war conditions, it is said that the prices fixed by the September 20 order are approximately those obtaining immediately prior to the war.

GENERAL SUMMARY AND CONCLUSIONS

While only a tentative appraisal is possible at this juncture of the rather elaborate British system of food control—of foreign supply, domestic production, stocks, prices, and distribution—which the United Kingdom has established since the outbreak of war on September 3, 1939, it appears on the whole, from the British standpoint at least, to be working satisfactorily and fulfilling the purposes for which it was designated.

In the first place, the British Government had the experience of food control in the World War to draw on and could at the outset avoid the mistakes or defects of the World War control system disclosed in the course of its operation. Secondly the Food (Defense Plans) Department (now the Ministry of Food) had been planning for more than 2 years, in collaboration with the various branches of the food trades,⁸ a system of food control in wartime that would afford adequate supplies, prevent price profiteering, and insure equitable distribution.

Price control applied to certain essential foodstuffs early in September has prevented profiteering and skyrocketing of prices, which otherwise might have occurred. These products comprise wheat flour, cured bacon and hams, other meat, butter, imported lard, other fats and oils (including margarine), eggs, condensed milk, dried fruits, sugar, tea, canned salmon, and potatoes. The price index for all foods (including those not under price control) advanced by 9 percent in September and 2½ percent in October. Part of the price increase for sugar was due to the increase in the excise tax.

Government control over domestic stocks was assumed for most of the foodstuffs under price control. This was particularly necessary in the case of sugar. Incidentally, abnormal quantities of refined sugar were purchased by some individual consumers in the United States, in the fear of price increases or possibly shortages, shortly after the outbreak of the present war.

⁸ "The present relation of the State to the food trades is very different to what it was prior to the last war. Control in 1917-18 was a matter of persuasion, experiment, and improvisation; today it has become an affair—almost a normal sideline—of the food trades themselves. . . . Not only have the food concerns been consulted at every stage and already employed as Government agents, but steps have been taken to encourage the development of organization in trades where little had existed. In brief, any suspicion the food trades might previously have shown to this form of State interference, has long since been dissipated." *Our Food Problem: A Study of National Security*, by F. L. G. Clark and R. M. Titmus, London, March 1939, pp. 72-73.

It was first thought that food rationing would be introduced in October, and it was officially announced for mid-December. It has now been postponed until January 8, 1940. Even then it is to apply only to butter and bacon (including ham). This is in contrast with rationing in Germany, introduced for several major foodstuffs a few days before the outbreak of war and on September 23 further extended. The British action thus far with regard to rationing would indicate that the food-supply position in general is normal. It has been emphasized that rationing is intended primarily to insure equitable distribution to all consumers in all areas rather than to curtail consumption.⁹

Close contact with the Ministry of Food is maintained by the National Federation of Grocers' and Provision Dealers' Association, the central organization of the various English food trades associations. This has facilitated the development of the rather complex system of food control that the Ministry of Food aims to exercise with the minimum of interference or friction with regular trade practices and at the same time the necessary compliance with the control program.

The control features relating to certain commodities have been modified to meet changing conditions, as evidenced by successive orders pertaining to given food products. There has been some trade criticism of the manner in which the tea control has developed, and this applies to a lesser extent to the margarine control, and, for a time, to the sugar control (distribution).

All orders relating to food control (prices, stocks, etc.), as well as the activities of the National Federation mentioned and of the Scottish Federation of Grocers' and Provision Merchants' Associations, are published in the weekly periodical *The Grocer* (London). Incidentally, it is the function of the local Food Control Committees to see that lists of maximum prices are properly displayed in the retail food stores and that the food-control regulations are otherwise properly observed.

The monopoly (or at least strict control) exercised by the Ministry of Food over all imports of foodstuffs into the United Kingdom is for the purpose of conserving foreign exchange, securing the most economical use of shipping tonnage available, checking speculation and competitive buying on the part of private traders, and keeping prices for civilian consumption as low as possible by pooling the cost of commodities obtained at varying prices from different sources of supply, as was true for the World War period.¹⁰

Thus far little has been published regarding the Ministry of Food's activities in obtaining food supplies from non-Empire sources. It appears likely that, in general, the United Kingdom's purchases from foreign countries during the next few months will be confined largely to war materials and equipment and industrial raw materials, rather than foodstuffs, although purchases of the latter will continue, of course, where Empire supply sources are inadequate.

Domestic food output in the United Kingdom will probably be considerably expanded under the wartime farm program, primarily through the utilization of permanent grassland for arable-crop cultivation. This was the method used to step up the domestic food output during the last 2 years of the World War, and the rate of increase in Great Britain will now probably be at a more rapid rate than then. Nearby Ireland, then an integral part of the United Kingdom, is also planning an increase in food output next year calculated to augment substantially British food supplies. In addition, large food supplies are available in the British Dominions and other overseas countries.

British agriculture seems to be faring well thus far under Government control, particularly in the matter of increased fixed prices for certain farm products. The "standard price" for live hogs has been increased twice since September 3, that is, from the equivalent of \$14.07 per 100 pounds to \$15.08 per 100 pounds since November 9. The price of fat sheep and the guaranteed "standard price" for home-grown millable wheat and home-grown oats have also been increased since the establishment of Government control over agriculture in the United Kingdom.

British agriculture will not be permitted to profiteer during the present war, as soaring prices during the World War would possibly indicate that it did then, at least in some instances. On the other hand, the Government's action so far

⁹ Adequacy of the British diet in general is not discussed in this analysis, although it has some bearing, of course, on the subject of food control. In this connection, the reader is referred to *Food, Health, and Income*, by Sir John B. Orr, London, 1936; *Nutrition and the Public Health* (Proceedings of a National Conference on the Wider Aspects of Nutrition), British Medical Association, London, 1939; and *Nutrition* (final report of the Mixed Committee of the League of Nations), Geneva, 1937. All available data indicate, however, that the British diet is, and has been for some years, substantially higher in quality than the average German diet.

¹⁰ Chapter XXIV, "The State as Importer," in *Experiments in State Control* (at the War Office and the Ministry of Food), by E. M. H. Lloyd, Oxford, 1924.

indicates that it is prepared to see that the farmer receives a fair price for his produce in the light of prevailing circumstances. Incidentally, demand has been expressed for higher farm prices in several recent issues of *The Farmer's Weekly* (closely identified with the influential National Farmers' Union),¹¹ particularly before the price increases mentioned for wheat, oats, and live hogs. These demands, however, may have been largely, or at least in part, for tactical reasons.

German submarine and mine operations thus far have not seriously threatened the United Kingdom's customary heavy imports of foodstuffs. It is estimated that to December 1 German destruction of Allied and neutral merchant shipping had been at least 100,000 tons below the total Allied seizures of cargo destined directly or indirectly for Germany.¹²

In retrospect, the British food-control system proper exemplifies the action of a democratic state in adjusting, with a minimum of friction and dislocation, a very vital segment of its national economy to meet the wartime challenge of a totalitarian state organized for some 5 years on a "military economy" basis.

[U. S. Department of Agriculture, Office of Foreign Agricultural Relations]

FRENCH WARTIME CONTROL OF AGRICULTURE

By N. William Hazen¹

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OUTLINE

Wartime Control Measures.

Legislation: Basic Acts.

Law on the General Organization of the Nation in Time of War.

Law Giving the Government Special Powers for Defense of the Country.

Decree on the Provisioning of the Population in Time of War.

Export Control.

Import Control:

Permits required for all imports.

Exchange permits required.

Tariff modifications.

Cotton import monopoly.

Anglo-French Economic and Financial Cooperation.

Economic agreement.

Financial agreement.

French National Committee.

Price Control.

Fixing of foodstuff prices.

Interministerial Price Committee.

National Committee for Price Control.

Provincial Committees for Price Control.

Provincial Committees for Price Supervision.

Summary and Conclusions.

Up until the outbreak of the present hostilities in Europe, there was no Government regulation of French agriculture, except for tobacco and wheat. Plans had been laid since the middle of 1938 for the general organization of the Nation in time of war, but these were put into practice only after September 3, 1939. The machinery for the regulation and eventual control of agricultural production and trade is now almost complete and has been applied with some efficiency. The resulting adjustment of French agriculture to wartime conditions may adversely affect the exportation of American farm products to France, one of the world's four largest buyers of these products.²

Although France is agriculturally the most nearly self-sufficient of the belligerent countries in Western Europe, it still has to rely on its empire and the outside world for a substantial portion of its foodstuffs and agricultural raw-material

¹ Associate Agricultural Economist, Office of Foreign Agricultural Relations.

² See "Agriculture in the French Trade Agreement", *Foreign Crops and Markets*, May 18, 1936.

¹¹ Whose former president, Sir Reginald Dornan-Smith, became Minister of Agriculture early in 1939.

¹² *New York Herald Tribune*, December 6, 1939.

requirements. The country is almost self-sufficient with respect to wheat, wines, and sugar, but must import all its rice and coffee and a large portion of its needs in fats and oils, fruits and vegetables, and secondary cereals. Of agricultural raw materials, France imports all the cotton and rubber consumed and a substantial portion of the wool and lumber.

From the end of the 1914-1918 conflict to the outbreak of the present war, French agriculture (with the exception of the segment devoted to tobacco and, in recent years, to wheat)² has been free from Government interference or control. Farmers produced whatever they wanted and as much of it as they liked, relying on their power to have the Government stop or restrict imports when large crops threatened to affect the market for their products. Though advocates of self-sufficiency and closer economic relations with the French possessions have been gaining ground in recent years, and despite the fact that for many years net agricultural imports have been responsible for France's unfavorable balance of trade,³ no autarkic drive has ever been conducted in the German or Italian manner. It is true that import quotas and restrictions have affected almost all agricultural products. But these measures have been flexible, varying with the size of the domestic crop and aimed especially at maintaining domestic prices rather than boosting them to stimulate any increase in production.

Unlike Germany, where agricultural production and trade were under strict Government control for years prior to the outbreak of the present war, France entered this conflict with a comparatively free agriculture; yet the Nation was not unprepared, as in 1914. A plan for economic mobilization in time of war was drawn up as early as July 1938; the power to govern by decree was given to the Cabinet in March 1939; and in April 1939 the foundations were laid to assure the provisioning of the Nation in time of war. This preparatory legislation enabled the Government to act swiftly at the outbreak of hostilities. In less than 2 weeks a number of decrees had laid down the foundation of France's wartime agricultural economy. By the end of the year the machinery to hand over all the country's economy to the State was ready and could have been set in motion almost overnight. If rigid control has so far not been effected, it is mainly because conditions have not yet required it.

WARTIME CONTROL MEASURES

LEGISLATION—BASIC ACTS

What may be called the first indirect French food-defense measure of recent years was adopted with the passage of the Wheat Law of December 24, 1934. This measure, which was intended mainly to alleviate an overstocked wheat market, consisted in the setting up of a "wheat security stock." This was composed of 1 month's wheat requirements, or about 22 million bushels, which at all times were to be kept off the market and held in reserve for use in any national emergency. No other food-defense measure was adopted until the outbreak of the present war.

Law on the General Organization of the Nation in Time of War (July 11, 1938).—This legislation, which was enacted about 3 months prior to the signing of the Munich Pact, laid down the general plan for the preparation and organization of the Nation in the eventuality of war. Among the most important economic measures provided for were the setting up in every Government Ministry of plans and rules to be applied in time of war and the division of responsibilities between these various agencies. Each member of the Cabinet was put in charge of one or a category of resources, for supplies of which he was held responsible to other Ministries in time of war. Power was given him to regulate imports, exports, and consumption of, and trade in, those resources in wartime. In carrying out these responsibilities he could be assisted by a consulting committee composed of representatives of employers and workers in agriculture and in industry. Other regulations made plans for the supervision and control of labor in time of war.

Articles 21 and 24 of this law, which were modified on September 1, 1939, stipulate that (1) prices in collective agreements are to be fixed on the basis of average prices during the 5 years preceding mobilization; (2) in industrial and agricultural enterprises supplying the country's necessities the Government is to deduct from the annual profits 25 percent of all under 2 percent, 50 percent of all

¹ See "Agriculture in the French Trade Agreement", *Foreign Crops and Markets*, May 18, 1936.

² See *Foreign Agriculture* for June 1937, January 1938, and February 1939.

between 2 and 6 percent, 75 percent of all between 6 and 8 percent, and 100 percent of all exceeding 8 percent; and (3) the Government is empowered, by means of requisition, to take partial or total possession of any industrial or commercial establishment and run it, the indemnity paid to owners being based on the estimated value on the day of taking possession.

Law Giving the Government Special Powers for Defense of the Country (March 19, 1939).—By this law Parliament authorized the Government, until November 30, 1939, to take all necessary measures for the defense of the country by decrees issued in the Council of Ministers. All such decrees were to be submitted to Parliament for ratification prior to December 31, 1939.

On November 30, 1939, Parliament gave power to the Cabinet to rule the country by decree for the duration of the war. This was done, however, on condition that all decrees be submitted to Parliament for approval within 1 month after being issued.

Decree on the Provisioning of the Population in Time of War (April 21 1939).—The first measure taken in peacetime to provide the machinery for effective food control in time of war was enacted a little over a month after German troops completed their occupation of Czechoslovakia. It put the Minister of Agriculture in charge of the general provisioning of the Nation and its overseas possessions in time of war. Under his direction, a general secretary for national provisioning is charged with (1) directing the mobilization in the field of agriculture, especially foodstuffs, and (2) centralizing and coordinating measures of national defense in the Ministry of Agriculture.

The decree also establishes a special mobilization service in the Ministry of Agriculture under the name of the General War Provisioning Service. This is made up of the offices for

(1) the general permanent inspection of agricultural production in time of war, whose functions are to supervise agricultural production in time of war and to prepare the plan for agricultural mobilization, and

(2) the general permanent inspection of national provisioning, whose functions are to prepare the initial plan for the provisioning of the armed forces and other services and to introduce measures for national provisioning.

EXPORT CONTROL

The principal legislation for the control of exports is found in the decrees of August 28 and September 12, 1939. Six days prior to the declaration of war, the decree of August 28 prohibited the exportation from France to any destination other than Algeria, and from Algeria to any destination other than France, of several products unless they were accompanied by a special permit from the Ministry of Commerce. This permit is granted after advice from the Consulting Committee on Exports, which was established in the Ministry on September 12, 1938.

The principal agricultural items included in the list requiring special export permits were live cattle, hides and skins, animal fats and oils, all grains, sugar, cotton, flax and hemp, feedstuffs, rubber, and lumber.

A decree of the same day makes applicable to the colonies, protectorates, and possessions (unless otherwise specified) all export prohibitions then in existence in France or any that might be applied in the future.

Two weeks later, the decree of September 12 added the following agricultural products to the original list of prohibitions: Meats, fresh, frozen, and prepared, meat extracts, margarine, eggs, all dairy products, malt and malt extracts, bread, wheat flour and semolina paste, potatoes, chestnuts, seed for planting, sugar cane, molasses, coffee, cocoa, vegetable fats, hops, beets, bran of all grains, and oil-seed cakes. A regulation of the same day stipulated that export permits were to be valid for a period of 60 days, excluding the day on which they were delivered. A further notice published in the *Journal Officiel* of December 17, 1939, increased the period of validity of export permits already delivered or to be delivered in 120 days.

Exceptions to these export prohibitions have since been applied on all merchandise shipped to French colonies and on all goods shipped in direct transit through France to or from the United Kingdom, Switzerland, Belgium, and Italy and having as destination Allied or neutral countries.

Since the establishment of this export control, minor changes have been made either to tighten or to relax it, according to circumstances and to commodities involved. In general, the policy is to facilitate exports of luxury products in order to obtain foreign exchange and to restrict further the exportation of agricultural necessities to safeguard domestic supplies. Thus, in order to discourage butter exports the regulation of September 24 abolished the export subsidy on butter,

which had ranged from 2 to 6 francs per kilogram (from 2 to 6 cents per pound)⁴ according to quality. The decree of November 5, 1939, further aimed at discouraging exports when it established export taxes on the following products:

Francs per 100 kilograms

Barley.....	15	(7 cents per bushel)
Malt.....	18	(18 cents per 100 pounds)
Linsced cake.....	15	(15 cents per 100 pounds)
Olive oil.....	200	(\$2 per 100 pounds)
Other oilseed cakes.....	10	(10 cents per 100 pounds)
Bran.....	5	(5 cents per 100 pounds)

A further regulation published in the *Journal Officiel* of December 11, 1939, stipulated that until further notice no export permits would be granted for alfalfa seed. In addition, a decree of December 23 put cider apples and perry pears on the list of products the exportation of which is prohibited unless they are accompanied by export permits. On the other hand, in order to encourage the exportation of Roquefort, blue mold, and soft cheeses, a regulation published in the *Journal Officiel* of the same date exempted these products, until further notice, from the export prohibition, although a notice of December 28 excepted Camembert cheese from the exception. Export restrictions were also removed on dard, millet, and canary seed by the decree of December 23.

Returns from exports are controlled by the decree of September 9, which stipulates that, when foreign buyers pay in foreign exchange, the exporter must deliver all such exchange to the Office of Foreign Exchange within 1 month after payment. When payment is made in francs, on the other hand, the exporter must accept in payment only such foreign holdings of francs as have been authorized by the Office of Foreign Exchange to be used for the purchase of French products.

Under present regulations, therefore, to report any of the agricultural products listed above, an exporter must first obtain a permit from the Ministry of Commerce. Then he advises the Office of Foreign Exchange of his transaction with the foreign buyer, and all payments are made to him through that office.

IMPORT CONTROL

In order to save the French reserve of foreign exchange for the purchase of absolute necessities, the French Government has applied a complete control over the country's import trade, although it has not taken it over.

Permits required for all imports.—On September 1, 1939,⁵ a decree prohibited the importation into France and Algeria of all products except gold. Exceptions to this prohibition, however, may be authorized by the Minister of Commerce. The control of imports from French possessions into France, and vice versa, is also placed in the hands of the Minister of Commerce and of the other Ministers concerned. Applications for import authorizations must be addressed to the responsible Ministers, who dispose every month of the quotas fixed by the Consulting Committee on Imports of the Ministry of Commerce.⁷ Permits to import goods from European countries are good for 90 days, while those issued for goods imported from countries outside Europe are valid for 120 days.

This decree does away in one stroke with the system of import quotas and restrictions that has ruled the French import trade since 1932. It makes the Minister of Commerce, in collaboration with the other Ministers, who are each responsible for a group of products, the sole judge of when, what, and how much of any product should be imported. To be sure, private individuals and organizations still do the importing, but under the Government's strict control.

In order to facilitate the importation of agricultural products that may be needed to meet domestic requirements, a Committee for the Importation of Agricultural Products was formed on October 27, 1939, in the Ministry of Agriculture. Its functions are (1) to advise on requests for imports submitted to the Ministry of Agriculture by importing groups or individuals importers; and (2)

⁴ Conversions throughout this article are made at the December 1939 average rate of exchange, or 2.2 cents to the franc, unless otherwise indicated.

⁵ Certain war measures enacted shortly after the beginning of the war were dated September 1 and made retroactive to that date.

⁷ To cover its operating expenses, this Committee was authorized, by the decree of October 22, 1939, to levy a tax not exceeding 0.7 percent of the value of the goods imported. The fee of 10 francs (about 22 cents) paid on each request for an import permit was abolished by decree of December 3, which stipulated that the 0.7-percent tax should not be less than 10 francs.

to suggest to the Minister of Agriculture the method of granting authorizations when the total demand exceeds the quota. This Committee is made up of 32 sections, the most important being those on meats, poultry, dairy products, fruits and vegetables, and wines.

On November 1 a commission was formed in the Ministry of Agriculture to examine litigations arising from the granting of authorizations to import and export agricultural products. It is composed of the Assistant Director of the Bureau of Agricultural Production as president, the Chief of the Economic Service of that Bureau, one representative of the Ministry of Commerce, one of the Ministry of Finance, and two of producers and dealers.

Exchange permits required.—A decree of September 9 established an exchange control over imports into France and the French possessions. These may be made only after a certificate is obtained, proving either that the delivery of foreign exchange to pay for them has been authorized by the Office of Foreign Exchange or that they require no settlement in foreign exchange. In other words, no imports are allowed unless the importer has both an import permit from the Ministry of Commerce and a permit from the Office of Foreign Exchange authorizing payment.

Tariff modifications.—With a view to building up stocks and assuring the supplies of products of which France is more or less deficient, import permits have been granted for many agricultural products and in some cases tariff duties have been either suspended or reduced. The following are some examples of the exemptions granted.

The decree of September 26, 1939, abolished until December 31, the import duties on horses for slaughter and on fresh and frozen horse meats entering France or Algeria.

On September 27 a duty-free import quota was established by decree for 450,000 boxes of oranges originating in, and to be imported directly from, the states of the Levant under French Mandate, from February 25, 1939, to March 31, 1940.

The import tax on chilled mutton, pork, and beef, which was suspended by the decree of August 29 until September 30, was again discontinued until March 31, 1940, by the decree of October 27.

The decree of October 27 also provided that dealers having imported raw and refined sugars prior to November 1 (provided shipments were made between May 16 and September 16) would receive a drawback on the import duty, which was not to exceed 60 francs per quintal (about 60 cents per 100 pounds). Furthermore, importers of sugar under the "temporary admission" system from August 1 to October 31 were freed of their obligation to export proportionate quantities of sugar, provided they delivered this sugar on the local market for domestic use during the period from November 15, 1939, to January 15, 1940. They were also to receive the same drawback on the duty paid.

A decree published in the *Journal Officiel* of November 4, 1939, provides for duty-free entry into France of stallions, geldings, and mares imported by agricultural syndicates and cooperatives under conditions fixed by the Ministry of Agriculture, as well as of horses and mules intended for the Army Remount Service.

A decree of November 10 abolished the tariff duty on imports into France and Algeria of stallions, geldings, mares, and mules (without qualification as to importers), and dried beans, lentils, and peas, shelled, whole, or broken. A decree of the same day suspended the import-license taxes on these dried vegetables. Both measures are effective until June 30, 1940.

That the French do not want to be caught with short supplies of meats and meat products and are also anxious to keep prices from rising is indicated by the facilities accorded importers of these products. By a decree dated November 29 the import duties on the following products entering France and Algeria were suspended until June 30, 1940: Cattle of all kinds (including oxen, cows, bulls, steer bullocks, heifers, and calves), fresh and chilled meats (except mutton and pork), salted or pickled pork, ham, and bacon (including other uncooked pork), pork butcher's products (including sausage), tallow, and lard. Import taxes on fresh, chilled, salted, and prepared beef, delicatessen meats, and lard were also suspended until the same date by the decree of December 6. Importers are still required, however, to obtain import and foreign-exchange permits.

Another decree of November 29 is more general in nature. It provides that until the date of the cessation of hostilities foreign products, subject on account of their origin to the general tariff, may, on the request of the Minister responsible for the resources of the kind concerned and after the favorable advice of the Ministers of Foreign Affairs and Commerce, be admitted at the minimum tariff rate. This exception is granted, however, only when the products either are recognized as indispensable for the economic life of the country or are destined for the equipment or provisioning of plants working for national defense.

*Cotton import monopoly.*⁸—A few months prior to the outbreak of the war, the French Military Intendancy requested the Association of French Cotton Merchants to draw up plans for an organization to handle the importation and distribution of cotton in the event of war. A new Organization for the Wartime Importation and Distribution of Cotton was formed with a capital stock of 500,000 francs (about \$11,000) and with a board of directors of eight cotton merchants from Havre.

Since the beginning of the war, this new organization has controlled cotton imports into France. The procedure in effect by the middle of October was as follows: Cotton was purchased by the organization from offerings made by Havre agents; these purchases were allocated to the Havre cotton merchants in lots proportionate to the capacity of the merchant to finance the transaction; merchants were allowed a commission of 1¼ percent for handling the transactions, of which one-fourth of 1 percent was returned to the organization. The 1 percent was the only profit allowed the merchant on the transaction.

ANGLO-FRENCH ECONOMIC AND FINANCIAL COOPERATION

Of great importance for the economic conduct of the war are the agreements reached between France and the United Kingdom, 2 months after the outbreak of hostilities, for the pooling of their purchases abroad and the pegging of their currencies at a specified rate. Similar agreements were not reached in the 1914-1918 conflict until the end of the third year of the war, when the Allied Supply Council was established. By these agreements, facilities are made for French purchases in the British Empire countries and British purchases in the French Empire of needed raw materials at favorable prices. To avoid competition in purchases from countries other than the two empires, these are to be undertaken by a special Anglo-French Coordinating Committee with headquarters in England. Shipping facilities also are to be pooled to increase efficiency and avoid waste.

In the financial field, payments of one country to the other are to be settled through a clearing agreement, with no gold transfers, and sums due each other will be offset as far as possible. It may be said that as a result of this agreement France, although still using francs, has become a member of the sterling bloc.

These agreements are war arrangements, although they are to remain in effect for 6 months after the signing of the peace treaty. Their present set-up includes (1) a major Anglo-French Coordinating Committee, with headquarters at London, which coordinates the work of six Anglo-French committees, each dealing with a specified group of products; (2) six Anglo-French committees established at London, which are responsible for cooperation in the following fields: Air, armaments and raw materials, oil, food, shipping, and economic warfare; (3) one French National Committee, with headquarters at Paris, to execute the decisions of the six Anglo-French committees of London as they affect France, which has as president the French Premier and as vice president the Minister of Finance; (4) one English National Committee, with headquarters at London, to execute the decisions of the six Anglo-French committees as they affect the United Kingdom, which has as president the British Prime Minister and as vice president the Chancellor of the Exchequer.

Economic agreement.—At the end of the meeting of the Allied Supreme War Council held at London on November 17, 1939 (i. e., the third meeting of that Council since the outbreak of hostilities), the following joint statement was issued by the British and French Prime Ministers.⁹

"With a view to making full use of the experience gained in the years 1914-1918, the British and French Governments decided from the outset of the war to coordinate in the fullest possible manner the economic war effort of the two countries. Immediate steps were taken at the outbreak of war with this object in view.

"In pursuance of decisions reached by Mr. Chamberlain and Mr. Daladier at the last meeting of the Supreme War Council the arrangements already put into effect by the two Government have now been strengthened and completed in such a way as to ensure common action in the following fields: Air, munitions and raw materials, oil, food, shipping, economic warfare.

"The new measures adopted by the two Governments will provide for the best use in the common interest of the resources of both countries in raw materials,

⁸ Summary of a report by Samuel H. Wiley, American consul at Havre, France, entitled "The Cotton Situation in Havre, France," dated October 17, 1939.

⁹ *The Times*, London, November 18, 1939.

means of production, tonnage, etc. They will also provide for the equal distribution between them of any limitations, should circumstances render necessary a reduction of the programmes of imports.

"The two countries will in future draw up their import programmes jointly and will avoid competition in purchases which they have to make abroad in carrying out those programmes.

"The execution of these tasks has been entrusted to permanent Anglo-French Executive Committees, under an Anglo-French Coordinating Committee, which are being set up immediately.

"The agreements reached, which can, if required, be extended to other fields, afford further evidence of the determination of the two countries to co-ordinate their war efforts to the fullest possible extent. By this means, arrangements have been carried into effect two months after the beginning of hostilities for the organization of a common action by the two countries, which was only achieved during the last conflict at the end of the third year of the war."

Financial agreement.—Continuing the policy of economic collaboration, during the war, between France and the United Kingdom the two Governments entered into a financial agreement in the first week of December. This far-reaching pact stabilizes the currencies of the two Nations and establishes the basis for financial responsibilities in the conduct of war. Following is the official summary of the principal points of the agreement.¹⁰

"1. The two Governments have agreed that it is in the interest of both countries to avoid alterations in the existing official rate of exchange between the pound and the franc.

"2. The francs required by the United Kingdom—including those for the British Expeditionary Force—will be provided against payment in sterling, and the sterling required by France—including that required for the purchases of raw materials in the British Empire—will be provided against francs. Both countries will for the duration of the war be in a position to cover the whole of their requirements in the currency of the other country by payment in their own currency without any question of their having to find gold.

"3. The sterling held by the French monetary authorities will be available for expenditure throughout the sterling area, and the francs held by the United Kingdom monetary authorities will be available for expenditure throughout the French Empire.

"4. The question of sharing equitably the expenses necessitated by the conduct of the war which the two Governments have to defray in gold and dollars will be kept under review.

"5. The United Kingdom and French Treasuries will have frequent meetings to review the position of the Allied Governments as regards their resources in gold and foreign exchange.

"6. Neither Government will raise a foreign loan or credit except in agreement with—or jointly with—the other Government.

"7. Neither Government will impose fresh restrictions on the imports from the other country during the war for protective purposes or for exchange reasons.

"8. The two Governments will maintain contact as regards their policy in regard to prices.

"9. Finally, the two Governments will share certain items of expenditure in the common cause, such as financial assistance to other countries and the cost of the armed forces of their Polish ally. The contribution of the two Governments will be fixed on a basis which will take due account of the national wealth of each. In general the French contribution will be 40 percent and the United Kingdom contribution 60 percent of the total.

"10. These arrangements will remain in force till six months after the signature of the treaty of peace."

French National Committee.—Following the economic agreement reached between the French and the British Governments on November 17, the French Government established by a decree published in the *Journal Officiel* of November 23, 1939, a special national committee for Allied purchases. Its functions are—

1. To coordinate, on the basis of proposals submitted to it by the various Ministers, the programs of purchases abroad, which must then be transmitted to the Anglo-French executive committees at London. In this connection, the various Ministers will submit to the Committee their import programs, with justification based on supplies in France, possibilities of national production, and all general information enabling the Committee to decide on the necessity or urgency of purchases abroad.

¹⁰ *The Manchester Guardian Weekly*, Manchester, December 15, 1939.

2. When circumstances require the tightening or modification of national or Allied programs, to decide on adjustments to be made between purchase programs of the various Ministers, to establish between them the desired priorities, and generally to suggest to the Government the appropriate measures to be taken.

3. When it is deemed necessary, to submit to the Council of Ministers all questions requiring a full Government decision.

The Committee is composed of 11 permanent members, all of the Cabinet, with the Premier as president. In meetings dealing with products the responsible Minister of which is not a permanent member, this Minister is invited to attend. The committee meets at regular intervals or upon the request of one of its members.

The general secretariat of the Committee is under the Minister of Finance. Its function is to coordinate the work of the interested ministerial departments. It is informed of the despatching abroad of French and British purchase missions, in order to avoid duplication and assure the most efficient use of the French personnel of these missions.

PRICE CONTROL

Fixing of foodstuff prices.—To prevent war speculation and an abnormal rise in the cost of living, the Government adopted its initial measure of price control as soon as it appeared that war was inevitable. The decree of September 1 provided that wholesale prices of foodstuffs and other agricultural products (with the exception of those the prices of which are already fixed by existing legislation) would be fixed by decree of the Council of Ministers, on the suggestion of the Minister of Agriculture. The Consulting Committee and the National Committee for Price Control may be consulted for this purpose. The same decree determines the limits to which the prefects of Provinces may go in fixing retail prices. In the case of meat, however, the prefect will fix the retail price only if asked to do so by the mayor (who is empowered by law to do it) or if the latter refuses to use his power. Every merchant and dealer will have to display the fixed sales prices and place on each product for sale a tag indicating that price.

It was not until September 9 that price-fixing actually went into effect. A decree of that day provided that any increase in the wholesale or retail prices of foodstuffs and other agricultural products of any kind (except those, such as wheat, which are already fixed by the Minister of Agriculture or those sold directly by producers without intermediaries) over and above those in effect on September 1 would be prohibited. Special authorizations for price increases may be allowed by the National Committee or Provincial Committees for Price Control when conditions in enterprises or changes in prices of imported products justify it. Sales of products for export are not subject to the provisions of this decree.

Interministerial Price Committee.—This price fixing does not apply to materials the importation or production of which is regulated by a responsible member of the Cabinet. For such products price advances over those in effect on September 1 may be authorized by the responsible Minister, after advice from the Interministerial Price Committee. This Committee, which acts only as a consulting agency for members of the Cabinet, was established September 30, 1939. It is composed of seven members representing six Ministries, including the Ministry of Agriculture, and has for its president the High Commissioner for National Economy.

National Committee for Price Control.—The National Committee for Price Control was established by the decree of September 9. Its functions are (1) to study demands made by national organizations for price advances (and grant authorizations for the latter) when the products involved are of interest to the country as a whole; (2) to approve all recommendations for price increases submitted by Provincial Committees for Price Control; and (3) to decide on appeals made by applicants after the refusal of the Provincial committees to grant authorizations for price increases. The Committee is composed of 17 members, with the High Commissioner for National Economy as president. Eight Ministries, including the Ministry of Agriculture, are represented. The membership also includes one representative each from industry, commerce, agriculture, consumers, workers, and veteran organizations.

Provincial Committees for Price Control.—The decree of September 9 also establishes a committee for price control in each of France's 90 Provinces. The functions of these committees are (1) to study demands made by Provincial organizations for price increases and, when necessary, to authorize such increases, but only after advice and direction from the National Committee; (2) to study questions and proposals submitted to them by the National Committee; and (3)

to take action, after approval by the National Committee, against persons or groups believed guilty of unauthorized price increases. The committees are composed of five members, with the prefect of the Province as president. The director of agricultural services represents the Ministry of Agriculture.

Provincial Committees for Price Supervision.—The decree of October 26, 1939, provides for the establishment in each Province, under the guidance of the Provincial Committee for Price Control, of one or more price-supervision committees (according to the size and population of the Province) to watch over wholesale and retail prices and report any infractions of the decree of September 9, prohibiting price increases. The members of the committee, who serve without remuneration, are appointed by the prefect of the Province from among Government pensioners.

SUMMARY AND CONCLUSIONS

France entered the present war with almost no Government control over agriculture; yet it was not, as in 1914, wholly unprepared. Plans for the economic mobilization of the Nation in the eventuality of war were drawn as early as July 1938; the power to govern by decree and thus avoid delay in applying necessary measures was given to the Cabinet in March 1939; and in April 1939 the foundations were laid to assure the provisioning of the Nation in time of war. This early legislation enabled the Government to act swiftly upon the outbreak of hostilities, and in less than 2 weeks the framework of France's wartime agricultural economy had been erected.

For the present, however, regulation, advice, and assistance are the order of the day. Farmers are advised, but not compelled, to produce more and spend less. The Government encourages private enterprise to produce all it can without attempting any rigid control over it. The machinery to use the most complete regulation and control over agricultural production, consumption, and trade is ready, however, and could be set in motion almost over night. Several months prior to the outbreak of hostilities the mayors of all French communities had received instructions to print food-ration cards modeled after those of 1918 and have them ready for distribution at a moment's notice. Such control may include the establishment of a Ministry of Food, the fixing of all prices, the management of agricultural production, and the rationing of foodstuffs.

So far, foodstuffs have been ample, although measures are being taken to assure the supply of stocks. If the war continues well into 1940, the mobilization of a large portion of the country's farmers, coupled with the evacuation of some northern sections near the front, may affect this year's crop production. The increase in working hours and the employment of more women and children in the fields will only partly fill the wide gap left by millions of mobilized farmers.

The French possessions which in recent years have supplied France with large quantities of foodstuffs, are being encouraged to send still greater shipments. On the French North-African possessions will fall a large part of the burden. They will be required to increase their exports of cereals, wines, tobacco, fruits and vegetables, sugar, and meat products. From French West Africa will be demanded increasing quantities of oils, oilseeds, rubber, and coffee, while Indo-China will continue to send large shipments of rice.

Despite the probable increase in imports of agricultural products from its possessions, France will continue to depend on countries outside the French Empire for all cotton requirements and a large portion of the rubber, coffee, and wool consumed. Substantial quantities of frozen meats and tobacco may also have to be imported from these countries.

Exports of American farm products to France will be adversely affected by the war in Europe. Present United States laws requiring French importers to pay cash for all products purchased here and to carry them from American shores in non-American bottoms will lead the French to buy in the United States only the agricultural necessities they cannot obtain under more favorable conditions. Because they need to conserve their foreign exchange to purchase armaments in this country, they will seek their main agricultural imports from their possessions and from countries accepting francs or sterling in payment. Another reason for the probable decrease in French imports of certain American agricultural products is the new tendency in France to restrict as much as possible the consumption of what is termed in wartime "luxury" products. This restriction will adversely affect American exports of fresh fruits and tobacco, the two most important items, after cotton, in the agricultural trade with France.

The Anglo-French economic and financial agreements will also limit the sale of American farm products to France. As a result of these agreements, France will be able to purchase from the countries of the British Empire, and pay in francs, many agricultural products that otherwise would have been imported from the United States and paid for in dollars. Moreover, those farm products that cannot be obtained advantageously elsewhere by France and the United Kingdom will be ordered from the United States cooperatively via London, thus avoiding any price competition. In the 1914-1918 conflict similar economic and financial agreements between the Allies were entered upon only at the end of the third year of the war.

The bulk of the agricultural imports, and particularly of foodstuffs, from the possessions is unloaded in French Mediterranean seaports. So far during the present war, submarine warfare has not affected shipping lanes in that sea. The continuation of the present unhampered shipping between France and its possessions, i. e., the key to the French food problem during this war, will depend to a great extent on the attitude of Italy. If Italy remains neutral or joins the Franco-British alliance, France and the British fighting forces on French soil will be assured of an adequate flow of foodstuffs for the duration of hostilities. If, on the other hand, Italy chooses to enter the conflict on the side of Germany, Italian submarines and air forces may interfere with French-North African shipping, thus seriously affecting French food supplies.

The CHAIRMAN. The next witness is Senator Pepper of Florida.

STATEMENT OF HON. CLAUDE PEPPER, UNITED STATES SENATOR FROM THE STATE OF FLORIDA

Senator PEPPER. Mr. Chairman and members of the committee: I appear before the committee to address myself primarily to the principle of the Trade Agreements Act under which agreements have heretofore been entered into which have permitted the import of fresh vegetables into this country with reduced tariff during certain periods of the year, giving to the producers of vegetables in south Florida particularly a very hurtful form and volume of competition.

The first trade agreement entered into by the Government with a foreign country pursuant to the Trade Agreements Act was the trade agreement between United States and Cuba which permitted the vegetable producers of Cuba during the months of December, January, and February to send their products into this country at a reduction of 50 percent in the tariff which then existed in the tariff law of this country.

I realize that it was entirely possible, in fact I think probable, that the Executive branch of the Government at that time labored under some misapprehension as to what the facts were. I mean to say that I assume that the Executive department of our Government would not have entered into a trade agreement with a foreign country which would have permitted or encouraged that country to send any commodity into this country without substantial tariff barrier in serious competition with what we grow of that commodity in this country. I mean to say that I have never understood it to have been the intention of the Trade Agreements law to open the doors of the United States to the entry of agriculture and horticultural commodities at a time and to the extent that will make possible a detrimental competitive effect upon the producers of those commodities in the United States, particularly where there was not a shortage in the production of that commodity in this country. And yet I

propose to show the committee that that is just exactly what has been the actual effect of the trade agreement entered into between the United States and Cuba with respect to the vegetable industry in my State at least.

For example, I have before me a report from the United States Department of Agriculture, Bureau of Agricultural Economics entitled "The Florida winter vegetable industry and the trade agreement with Cuba," dated Washington, D. C., August, 1937, and that pamphlet has noted in the upper left hand corner "F.S. 70," and on page 23 in table 11 there is disclosed a summary of monthly carload shipments and imports, November to June 1931-32 to 1936-37.

Looking at that table, I observe that in the season 1931-32, the month of December, Florida production and shipment of tomatoes amounted to 310 cars; in January, 559 cars; in February, 909 cars. For the year, the Florida shipments were 6,284 cars.

In the year 1932-33, for December the cars shipped from Florida were 308; January, 608; February, 1,059; total for the year, 6201.

In 1933-34, December Florida shipments were 398 cars; January, 768 cars; February, 1,114 cars; total for the year 7,705.

Now the trade agreement between Cuba and the United States went into effect before the season of 1934-35.

In December of the year 1934-35, the Florida shipments were 314 cars; in January, 9 cars; February, 16 cars; total for the year 7,171 cars.

The season 1935-36, December Florida shipments, 354 cars; January, 249 cars; February, 341 cars. For the year, 6,046 cars.

Senator CONNALLY. May I ask you, Senator, for the preceding year there you say there were only 9 cars in January?

Senator PEPPER. Yes.

Senator CONNALLY. What was the cause of that?

Senator PEPPER. Senator, let me get these figures in the record and then I will make some comment on them.

For the year 1936-37, Florida carload shipments were 233 for December; 555 in January; 1,117 in February; and for the whole year 5,623.

For Cuba, for the year 1931-32, December, 221; January, 354; February, 338; and for the year, 1,413 cars.

1932-33, Cuba; 91 cars in December; 427 in January; 354 in February; 1,150 for the year.

1933-34, Cuba; 126 cars in December; 395 in January; 405 in February; 1,446 for the year.

The season 1934-35, for Cuba: December, 527; January, 611; February, 412; and for the year 2,082 cars.

For the season 1935-36, Cuba: December, 559 cars; January, 691 cars; February, 489 cars; and for the year, 2,124.

The season 1936-37, Cuba: December, 561 cars; January, 616 cars; February, 479 cars; and for the year, 2,141.

Summarizing by years, Cuban shipments and Florida shipments in carload lots in the pre-trade-agreement year of 1931-32, Florida sent in 6,284 cars to the market, speaking still of the tomatoes; Cuba sent in only 1,413 cars.

For the pre-trade-agreement year 1932-33, Florida's contribution was 6,201 cars; and Cuba, 1,150.

For the pre-trade-agreement year of 1933-34, the Florida shipments to the market were 7,705 cars; and Cuba, 1,446 cars.

For the first trade-agreement year, Florida was 7,171 cars and Cuba was 2,082 cars.

For the next trade-agreement year, Florida was 6,046 cars, less than either 1931-32 or 1932-33, whereas Cuba was 2,124 cars—more than in any previous year.

And in the trade-agreement year 1936-37, Florida had fallen to 5,623 cars, and Cuba was 2,141 cars.

So, generally speaking, you see a constant trend of increase in the quantity of Cuban imports and a constant tendency toward a decline in quantity of Florida put into the market during the same year.

Then you find that during the same months where there is competition you have a similar trend.

I would like to put into the record some further figures on the subject month by month, which cover the year 1939, which have been furnished me by the Bureau of Agricultural Economics.

The CHAIRMAN. Without objection, that will be done.

(The same are as follows:)

Cucumbers

CARLOT SHIPMENTS IN 1939

States	January	February	March	April	May	June	July	August	September	October	November	December	Total
Alabama					466	72							538
Arizona													
Arkansas						51	6						57
California:													
Northern district													
Southern district					3	53	3						59
Central district					1								1
Imperial Valley													
Colorado													
Connecticut													
Delaware							30						30
Florida			135	282	294					43	42	23	819
East Coast													
Other													
Georgia					142	2			35	52			231
Idaho													
Illinois							3	7					10
Indiana													
Iowa													
Kansas													
Kentucky													
Louisiana													
Maine						15			115	88			218
Maryland:													
Eastern shore							197						197
Other													
Massachusetts													
Michigan								3	1				4
Minnesota													
Mississippi													
Missouri													
Montana													
Nebraska													
Nevada													
New Hampshire													
New Jersey								6					6
New Mexico													
New York:													
Long Island								162	127				289
Other													150
North Carolina						91	59						

North Dakota														
Ohio					2									2
Oklahoma														
Oregon														
Pennsylvania														
Rhode Island														
South Carolina					62	328								390
South Dakota														
Tennessee									2					2
Texas				58	146	1								205
Utah														
Vermont														
Virginia:														
Eastern Shore														
Northern Section							1	10						11
Other														
Washington														
West Virginia														
Wisconsin										5			3	8
Wyoming														
Total, United States				135	340	1,116	617	320	165	278	188	42	26	3,227
Imports:														
Bahama Islands														
Bermuda														
Canada														
Cuba	27	14	1										27	68
Mexico														
Puerto Rico	43	32	46	4							6	31		168

TRUCK SHIPMENTS (INCOMPLETE)

Florida	13	5	61	235	380	1								675
Illinois						4	10							14

Peppers
CARLOT SHIPMENTS IN 1930

States	January	February	March	April	May	June	July	August	September	October	November	December	Total
Alabama.....													
Arizona.....													
Arkansas.....													
California:													
Northern district.....													
Southern district.....						1					1		2
Central district.....							3		7	66	1		77
Imperial Valley.....													
Colorado.....													
Connecticut.....													
Delaware.....													
Florida:	212	188	249	311	430	172	7			6	85	106	1,706
East coast.....													
Other.....													
Georgia.....													
Idaho.....										5	37		42
Illinois.....													
Indiana.....													
Iowa.....													
Kansas.....													
Kentucky.....													
Louisiana.....					2	101	16						119
Maine.....													
Maryland:													
Eastern Shore.....													
Other.....													
Massachusetts.....													
Michigan.....													
Minnesota.....													
Mississippi.....													
Missouri.....						8	12						20
Montana.....													
Nebraska.....													
Nevada.....													
New Hampshire.....													
New Jersey.....													
New Mexico.....									2				2
New York:													
Long Island.....													
Other.....													
North Carolina.....							22	3					25
North Dakota.....													

Ohio														
Oklahoma														
Oregon														
Pennsylvania														
Rhode Island														
South Carolina														
South Dakota														
Tennessee														
Texas									9	90	90			189
Utah														
Vermont														
Virginia:														
Eastern shore														
Northern section														
Other														
Washington														
West Virginia														
Wisconsin														
Wyoming														
Total, United States	212	188	249	311	432	282	60	3	9	86	214	1		2,242
Imports:														
Bahama Islands														
Bermuda														
Canada														
Cuba	59	16	7	5									1	82
Mexico	12	6	5	11	3								5	32
Puerto Rico														

TRUCK SHIPMENTS (INCOMPLETE)

Florida	182	167	143	197	213	80	6							968
Illinois							1							1

Ohio						2								2
Oklahoma														
Oregon														
Pennsylvania								1						1
Rhode Island														
South Carolina					121	29				12	2			164
South Dakota														
Tennessee														
Texas			12	3	5						5	1		26
Utah														
Vermont														
Virginia:														
Eastern Shore						3			25	32				60
Northern section					2	71	4	3	4	74	2			160
Other														
Washington														
West Virginia														
Wisconsin														
Wyoming														
Total United States	663	521	432	911	1,153	377	44	49	114	619	449	441		1,5,773
Imports:														
Bahama Islands														
Bermuda														
Canada														
Cuba	69	23	26	10							5	23		156
Mexico														
Puerto Rico														

TRUCK SHIPMENTS (INCOMPLETE)

Florida	907	781	849	1,259	714	110								4,620
Illinois						1								1

1 Includes 14 cars for emergency relief.

Ohio													
Oklahoma													
Oregon													
Pennsylvania													
Rhode Island													
South Carolina													
South Dakota													
Tennessee													
Texas													
Utah													
Vermont													
Virginia:													
Eastern Shore													
Northern section													
Other													
Washington													
West Virginia													
Wisconsin													
Wyoming													
Total United States	29	6	30	51	64	56	6			1		1	23
Imports:													
Bahama Islands													
Bermuda													
Canada													
Cuba	69	63	55	8								11	28
Mexico													
Puerto Rico													

TRUCK SHIPMENTS (INCOMPLETE)

Florida	57	41	63	85	118	96	14						43
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Potatoes

CARLOT SHIPMENTS IN 1939

State	January	February	March	April	May	June	July	August	September	October	November	December	Total
Alabama				618	4,720	1,934	74						7,346
Arizona						19	6						25
Arkansas						289	12						301
California:													
Northern district	536	498	623	454	256	82	335	777	662	705	507	464	5,889
Southern district			1		15	100	269	89	9		4	30	517
Central district	374	187		598	4,113	7,299	1,018	659	974	625	373	240	16,499
Imperial Valley													
Colorado	537	398	393	250	39	2	51	151	644	719	543	490	4,217
Connecticut		1	6	57	47					3		1	115
Delaware						1	10						11
Florida	353	689	1,165	1,652	1,457	20							5,373
Florida:													
East coast													
Other					207	62			2				271
Georgia													
Idaho	3,606	3,261	4,420	4,188	2,529	468	954	1,832	2,449	4,203	3,555	3,055	34,522
Illinois						4	96	14	25				139
Indiana	1							122	185	6	2	23	336
Iowa			1				1	70	144	38	5	4	263
Kansas						3	1,028		4		1		1,036
Kentucky	1						175	9					185
Louisiana				487	1,112	259	6		6				1,870
Maine	5,894	6,074	8,372	5,580	3,548	1,556	43	8	1,029	1,925	3,097	3,334	40,462
Maryland:													
Eastern Shore						4	462	84					550
Other													
Massachusetts							2	86	69	3			160
Michigan	928	743	822	1,049	736	134	5	54	210	491	451	287	5,910
Minnesota	889	1,437	3,812	999	156	4	13	391	886	1,045	648	394	10,674
Mississippi				6	166	246	8						426
Missouri						31	1,093	19					1,743
Montana	28	9	31	42	18				5	6	2	18	159
Nebraska	1,330	954	572	70				886	225	869	1,057	1,216	7,740
Nevada	21	20	32	16					1	1	10	2	103
New Hampshire													1
New Jersey							244	1,152	614	380	151	4	2,545
New Mexico													
New York	88	94	267	255	97	5		20	71	301	308	309	1,815
New York, Long Island	173	164	143	68	4			79	140	514	148	95	1,822
North Carolina					83	6,321	456			1			6,871
North Dakota	1,071	1,249	2,575	762	104	2		60	1,838	1,877	550	855	10,943

Ohio.....	4	4	1	3	1	2	1	33	34	16	10	5	114
Oklahoma.....					2	614							616
Oregon.....	647	504	577	615	176	52	420	350	264	574	472	427	5,378
Pennsylvania.....	26	18	15	14	11	1		19	10	47	54	49	259
Rhode Island.....													
South Carolina.....					2,848	626							3,474
South Dakota.....	18	8	8		1			2	118	125	4	4	288
Tennessee.....						230	185		22	1	1		439
Texas.....	8		153	528	142	325					1	44	1,211
Utah.....	67	55	43	28			23	158	105	170	87	23	759
Vermont.....			8	8	8					2	4		30
Virginia:													
Eastern Shore.....		1				2,106	2,012	8					4,127
Northern section.....	10	3	11	3		1,019	1,037				3	4	2,060
Other.....						42	148						190
Washington.....	231	259	220	193	31	55	132	217	553	436	255	152	2,734
West Virginia.....								3					3
Wisconsin.....	533	517	618	461	206	9		312	560	417	201	260	4,094
Wyoming.....	172	223	91	10				9	76	128	115	119	943
Total, United States.....	17,548	17,355	25,319	19,014	22,843	23,938	11,569	7,734	12,308	15,263	12,566	12,141	197,588
Hawaii.....		7	20	1									28
Bahama Islands.....													
Bermuda.....					1								1
Canada.....	1	1	30	33	6					8	62		141
Cuba.....	5	2											7
Mexico.....													
Puerto Rico.....													

TRUCK SHIPMENTS (INCOMPLETE)

Delaware.....						7	107						114
Florida.....	87	87	130	211	82	11	8						616
Georgia.....						1							1
Maine.....	226	228	199	159	246	143							1,201
Maryland, Eastern Shore.....						19	256						275
Michigan.....										1			1
Minnesota.....										1			1
North Carolina.....						566	65						631
South Carolina.....						1							1
Virginia, Eastern Shore.....						956	1,111						2,067
West Virginia.....						1							1
Wisconsin.....	75	47	44	45	25			41	34	45	30	25	411

Tomatoes
CARLOT SHIPMENTS IN 1939

States	January	February	March	April	May	June	July	August	September	October	November	December	Total
Alabama													
Arizona													
Arkansas						28	35	1					194
California:													
Northern district							1	1		35	4		41
Southern district					3	1	104	184	88	291	44		715
Central district					4	611	284	60	281	1,362	185	4	2,891
Imperial Valley					6								6
Colorado								33	44	40			117
Connecticut													
Delaware													
Florida													
Florida:													
East coast	707	1,319	1,744	1,338	609	13					20	148	5,898
Other	56	59	467	1,218	772	4					45	139	2,760
Georgia					10	18							28
Idaho								1	12	2			15
Illinois							22	2					24
Indiana								350	436	4			790
Iowa													
Kansas													
Kentucky													
Louisiana					6	264	2						272
Maine													
Maryland:													
Eastern Shore						3	202	1					206
Other													
Massachusetts													
Michigan								60	134				194
Minnesota													
Mississippi					12	1,978							1,990
Missouri							26						26
Montana													
Nebraska													
Nevada													
New Hampshire													
New Jersey							3						3
New Mexico													
New York, Long Island													
New York								137	321	34			492
North Carolina						56	14						70

North Dakota														
Ohio						10	7	357	530					964
Oklahoma						12	2							14
Oregon							92	9	1	5				107
Pennsylvania								565	926	23				1,514
Rhode Island														
South Carolina				5		308	28							341
South Dakota														
Tennessee						418	664							1,082
Texas				131	3,330	2,655	63							7,468
Utah								34	85	19	772	498		148
Vermont										29				
Virginia:														
Eastern Shore														
Northern section								13						18
Other														
Washington								17	4					21
West Virginia								39	45					84
Wisconsin									5					5
Wyoming														
Total, United States	763	1,378	2,211	2,687	4,757	6,509	1,623	1,849	2,958	1,844	1,070	789		28,438
Imports:														
Bahama Islands	2													2
Bermuda														
Canada														
Cuba	665	412	229	28							54	299		1,597
Mexico	163	112	258	525	35						18	174		1,285
Puerto Rico			2	2										4

TRUCK SHIPMENTS (INCOMPLETE)

Florida	444	665	865	1,384	1,415	129								4,912
Illinois							5	2						7
Michigan							1	9						10
Mississippi							1							1
Missouri														
Ohio						4								4

Senator PEPPER. Likewise, Mr. Chairman, I should like to incorporate into the record table 11, page 23, of the document that I have identified.

The CHAIRMAN. Without objection, that will be done.

Senator PEPPER. That shows what has happened over a period of 5 years, year by year.

(The same is as follows:)

TABLE 11.—Tomatoes, fresh: Summary of monthly carlot shipments and imports, November to June 1931-32 to 1936-37

Sources	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	Total
1931-32:	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>
Florida.....	35	310	559	909	1,890	1,541	1,016	24	6,284
Other States †.....	739	144	3	2	1	0	1,114	8,881	8,884
Cuba.....	5	221	354	338	341	149	5	0	1,413
Mexico.....	0	94	273	407	635	1,458	1,545	169	4,581
Other imports.....	0	28	46	31	2	6	3	0	116
Total.....	779	797	1,235	1,687	2,860	3,154	3,683	7,054	21,258
1932-33:									
Florida.....	28	308	608	1,050	1,824	1,971	398	5	6,201
Other States †.....	1,230	112	3	2	2	185	2,960	6,402	10,896
Cuba.....	(3)	91	427	354	226	50	2	0	1,150
Mexico.....	0	101	181	160	214	622	502	6	1,786
Other imports.....	2	0	10	0	0	0	2	0	14
Total.....	1,260	612	1,229	1,675	2,266	2,828	3,864	6,413	20,047
1933-34:									
Florida.....	27	398	768	1,114	1,955	2,057	1,342	44	7,705
Other States †.....	1,022	138	5	1	1	44	3,106	7,100	11,423
Cuba.....	1	126	395	405	295	217	7	0	1,446
Mexico.....	0	21	107	98	142	262	208	12	850
Other imports.....	0	0	0	0	0	0	5	1	6
Total.....	1,050	663	1,275	1,618	2,393	2,580	4,668	7,163	21,430
1934-35:									
Florida.....	219	314	9	16	1,119	3,732	1,748	14	7,171
Other States †.....	810	115	27	0	1	3	2,653	5,929	9,538
Cuba.....	25	527	611	412	397	109	1	0	2,082
Mexico.....	0	43	187	407	465	474	199	13	1,758
Other imports.....	1	2	5	7	2	0	0	0	17
Total.....	1,055	1,001	839	842	1,984	4,318	4,571	5,956	20,566
1935-36:									
Florida.....	75	354	249	341	961	1,008	2,918	140	6,046
Other States †.....	404	84	0	1	4	58	2,203	6,664	9,424
Cuba.....	13	559	691	480	266	103	3	(2)	2,124
Mexico.....	0	112	186	285	419	767	211	(2)	1,981
Other imports.....	0	0	1	9	3	7	(2)	(2)	20
Total.....	492	1,109	1,133	1,120	1,653	1,943	5,335	6,804	19,593
1936-37:									
Florida.....	176	233	555	1,117	1,351	1,306	829	56	5,623
Other States †.....	601	108	3	0	2	77	2,916	6,271	9,978
Cuba.....	88	561	616	479	347	48	1	1	2,141
Mexico.....	4	187	231	144	307	1,103	690	30	2,702
Other imports.....	1	2	0	0	0	3	(2)	1	7
Total.....	870	1,091	1,405	1,740	2,007	2,537	4,442	6,359	20,451

† Includes Puerto Rico.

‡ Less than one-half car.

Compiled from official sources.

The CHAIRMAN. Senator, I notice here that the imports from Cuba continued to increase after the trade agreements. The United States exports of tomatoes to Canada following a concession obtained for tomatoes, obtained in the trade agreement in that country increased also. They rose from a yearly average of 9,000,000 pounds in the

3 years preceding the agreement to 19,000,000 in the 3 years following the agreement. So that we did get some benefits by virtue of the Canadian agreement on tomatoes that you are alluding to?

Senator PEPPER. Senator, before I answer that, may I complete the suggestion that we also incorporate in the record pages 6 and 7 of the pamphlet that I identified from the Bureau of Agricultural Economics, giving the records of imports from Cuba and from Mexico into the United States of tomatoes, green beans, new potatoes, green peppers, cucumbers and eggplant over the 5-year period from 1931-32 to 1936-37.

The CHAIRMAN. Without objection, that will be done.

(The same is as follows:)

TABLE 2.—Vegetables: Monthly shipments from Florida, imports from Cuba and Mexico, and total shipments and imports, November to June, 6-year averages, 1931-32 to 1936-37

Commodity and month	Florida	Cuba	Mexico	Others ¹	Total
Totatoes:	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>
November.....	93	22	(¹)	803	918
December ¹	320	348	93	121	882
January ¹	458	516	194	18	1,186
February ¹	759	413	250	9	1,431
March.....	1,517	312	364	2	2,195
April.....	1,930	113	781	63	2,893
May.....	1,375	3	555	2,494	4,427
June.....	47	(¹)	38	6,540	6,625
Total.....	6,505	1,727	2,275	10,050	20,557
Green beans:					
November.....	1,096	15	(¹)	124	1,235
December ¹	871	74	8	15	968
January ¹	1,045	50	32	4	1,131
February ¹	1,020	37	20	9	1,086
March ¹	988	36	4	33	1,061
April ¹	1,059	(¹)	1	148	1,208
May ¹	664	(¹)	(¹)	1,229	1,893
June.....	40	0	(¹)	935	975
Total.....	6,783	212	65	2,497	9,557
New potatoes:					
November.....	2	0	(¹)	1	3
December ¹	33	(¹)	(¹)	36	69
January ¹	111	9	(¹)	52	172
February ¹	433	16	(¹)	24	472
March.....	937	11	1	103	1,052
April.....	1,710	12	0	1,185	2,907
May.....	1,233	2	0	8,893	10,128
June.....	37	1	1	20,163	20,202
Total.....	4,466	50	2	30,457	35,005
Green peppers:					
November.....	86	(¹)	(¹)	92	178
December.....	169	6	7	15	197
January ¹	215	29	27	4	275
February ¹	205	35	83	2	275
March ¹	248	46	35	2	331
April ¹	366	18	30	1	415
May.....	401	3	21	3	428
June.....	178	(¹)	3	178	359
Total.....	1,868	137	156	297	2,458
Cucumbers:					
November.....	118	(¹)	(¹)	4	122
December ¹	30	33	(¹)	19	82
January ¹	2	50	(¹)	28	78
February ¹	4	31	(¹)	39	74
March.....	45	11	(¹)	30	92
April.....	223	1	(¹)	75	299
May.....	251	(¹)	(¹)	944	1,196
June.....	16	(¹)	(¹)	1,250	1,286
Total.....	689	126	(¹)	2,393	3,208

See footnotes at end of table.

TABLE 2.—*Vegetables: Monthly shipments from Florida, imports from Cuba and Mexico, and total shipments and imports, November to June, 6-year averages, 1931-32 to 1936-37—Continued*

Commodity and month	Florida	Cuba	Mexico	Others	Total
Eggplant:	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>
November.....	13	(¹) 17	(¹) (b)	2	15
December ²	12	39	(b)	1	30
January ³	11	57	2	1	53
February ⁴	7	57	3	(¹)	67
March ⁴	17	76	4	(b)	97
April.....	50	38	4	1	93
May.....	69	3	2	(¹)	74
June.....	55	(¹)	(¹)	1	56
Total.....	234	230	15	6	485

¹ Shipments from States other than Florida and imports from countries other than Cuba and Mexico, in carlot equivalents.

² Less than $\frac{1}{2}$ car.

³ Months of reduced duty on imports from Cuba.

⁴ Months of reduced duty on lima beans from Cuba.

Senator PEPPER. Now, Mr. Chairman, answering the question that you put, I am glad that you made that suggestion. The interesting thing is that that new tomato business that came to the tomato growers of this country did not go to the Florida tomato growers or else it would have been reflected in the figures that I gave here a moment ago, because I gave the total Florida output.

Now, Mr. Chairman, I am not here to say that maybe the United States as a whole—maybe other sections of the United States may not have profited by this trade agreement with Cuba, but I am here to say that the trade agreement with Cuba has had a detrimental effect upon the vegetable industry of my State, and I am representing that State and I am protesting to this Committee and to the Congress that the prosperity of the remainder of the United States should not be taken out of the economic hide, as it were, of the vegetable growers of the State of Florida.

Senator CONNALLY. How can we rectify that? Have you any amendment, Senator?

Senator PEPPER. Well, I will say to the Senator from Texas that I have not a specific amendment, because I have been troubled by this whole problem and troubled in an honest effort after consulting with the departments, to find a way that the detriment in some satisfactory manner could be removed. The same situation exists with respect to competition from Mexico. I think they pay the full tariff that has been prescribed in the Smoot-Hawley Tariff Law. There has been a constant increase in the quantity of those commodities that have come into this country in competition with what is grown in the State of Texas which the Senator so ably represents, and in competition with other tomato-producing areas of this country.

What I want to do is to submit to the judgment of this Committee the question as to whether or not we are not willing to formulate as a part of the Trade Agreement Law the principle that there must be some limitation upon the degree of competition that we will allow in the importation of agricultural and horticultural commodities into this country in competition with the production of those commodities in this country, unless it is a commodity with respect to which there is a scarcity in this country's production.

Senator CONNALLY. What would you think of the quota system?

Senator PEPPER. I will say to the able Senator from Texas that that is the principle that should be established in this law.

Senator CONNALLY. In other words, that they could not increase the volume?

Senator PEPPER. I am not so much interested in the amount of the tariff, because it is entirely possible that the tariff may not be the answer to the question, unless there is actually a prohibitory tariff, but I have a feeling, Mr. Chairman, that when the Department entered into this trade agreement with Cuba that they were not aware of the fact that we in Florida, for example, were in substantial or appreciable competition with Cuba in the production of these eight vegetables that are described in that trade agreement. They thought that it was the season when Florida was not producing anything of that character to speak of.

Now, I say either that they were wrong in the facts, because I have shown you the figures, or else they deliberately decided that that much competition was not harmful to Florida, or they deliberately determined that even if it were harmful to Florida, it was desirable in the general public interest to let it occur. If an error was the basis of their activity, it ought to be corrected when the facts are disclosed, and if I have been persistent in anything since I have been here, it has been in an effort to disclose those facts to the Departments of our Government. The second day I came to Washington in 1936, I went over to the State Department and I got an interview with the State Department and protested about the trade agreement with Cuba, which has actually been detrimental to the vegetable producers of South Florida, and ever since I have been here I have tried to get a declaration of principle to find which one of those things was the basis of their determination. I say if there is an error of fact, it should be corrected when the error is disclosed. If they determined that this competition was not detrimental to the State of Florida, and we have shown facts, that fact should be taken appropriately into consideration. If they take the position that it is in the general interest that this agreement has been executed and we are going to have to pay the price of it, I protest against discriminating against any segment of this country for the remainder of it.

Senator CONNALLY. How could they reduce any tariff without hurting those who produce that particular article in the United States?

Senator PEPPER. I think the principle will have to be that unless there is a shortage in production of that commodity in this country so that the public interest requires that there be a larger volume of that commodity, we should not allow any substantial quantity of that commodity to come into this country at a time, at least, when it is being produced by the producers of this country.

If we do that, you cannot avoid the logical conclusion that a part of the prosperity that we reap from that policy comes from a part of our own people, and we might just as well say that we are going to take a part of the wealth of Texas and appropriate it to the benefit of New York or Michigan as to carry out the principle that has that inevitable effect.

So that, what I want to address myself to is the hope that the Committee can formulate some appropriate policy that will be appropriate not only to such an agreement as that between the United

States and Cuba, but will be appropriate to a situation like that between the United States and Mexico, or even the United States and some of the other off-shore areas, so that there will be some principle that will determine the degree to which we will allow competition with what we produce in this country.

I am perfectly willing to make it into a general principle of the law directing the Department of Agriculture, for example, to determine whether or not in the period that it is imposed that imports of agricultural or horticultural products will be allowed in this country when there is not a substantial competition from domestic producers. If there is, then limit the quantity that may come in. If there is not—it may come in at an off season as far as our own domestic producers are concerned—and if so, well and good. Nobody can have any objection to that, but we ought not to allow the gates of this country to be opened to a flood of agricultural or horticultural commodities when our people at home here are trying their best to find a market for what they are growing in the commodities of this character.

I realize that the time of the committee is limited, and I apologize for not, perhaps, giving the committee more light upon this subject. I have preferred to present the principle to the committee rather than any particular language for an amendment, but I do earnestly urge upon the committee that it will take proper counsel and that it will at least put into this trade-agreements law the principle that shall determine the degree to which and the circumstances under which agricultural or horticultural commodities may be allowed to come into this country at a time and under circumstances which will put them into competition with the production of the commodities of that character by the producers of this country.

I thank the chairman.

The CHAIRMAN. We all can attest the fact, Senator, that you have been diligent about this matter. I am interested deeply, and of course Senator Connally is too, because I was raised in a town that raises and sends out about 150 carloads in the season into the market, and our trouble has been with the Canadian situation, and I think that this committee has done a great work in reducing the tariff on tomatoes and some other vegetables in the Canadian agreement. Of course, it is a hard and delicate situation—

Senator CONNALLY (interposing). That did not hurt Canada because they do not raise any tomatoes.

The CHAIRMAN. They have hothouses.

Senator BROWN. They raise a good many tomatoes in Ontario in July and August.

The CHAIRMAN. The trouble is that they come in and glut the market at one time. Texas tomatoes may come in at the same time as Mississippi, but Florida's comes in a little earlier than Texas, except the lower part, I think.

Senator BROWN. How do you compare 19 million pounds of tomatoes shipped into Canada from the United States to 6,000 cars of tomatoes coming in from Cuba here? How do they compare? I am unable to translate the pounds into cars.

Senator PEPPER. Frankly, I don't know. I am sorry that I cannot tell you.

Senator BROWN. In other words, do the tomatoes that we ship to Canada substantially equal the carloads that we get from Cuba?

Senator PEPPER. Senator, I am sorry that I cannot answer that question. I know only that the statistics indicate here that, Florida at least, has not been getting any new market in Canada or our production would have been increased. I will try to get that information for the Senator.

(It is later stated that there are 20,000 to 30,000 pounds of tomatoes to a carload.)

Senator PEPPER. The Chairman spoke a moment ago very effectively about this question of glutting. Here is what happens to Florida. The way the Cubans ship into the New York market, and that is the one that we are primarily interested in, of course, is by shipboard, naturally. A shipload of tomatoes, for example, will come into the New York market, on, I think, Monday, Wednesday, and Friday. A particular shipload of tomatoes, we will say, comes in to New York on Monday. The market is glutted. Meantime, our carloads of tomatoes come dribbling in from Florida. On Tuesday, the produce dealers in New York say, "There is no use to load up today; there is going to be another ship in here from Cuba tomorrow." Then on Thursday they say the same thing, "There will be another Cuban ship in here tomorrow." And Friday afternoon and Saturday they will say, "We will go over the week end and wait for another Cuban ship on Monday."

I approached this thing originally with a view to trying to get the producers in Florida and the producers in Cuba to come to some sort of an intelligent understanding so that they would ship their products so as not to glut the market. However, the way it works out in practice is that in the first place, Cuba is producing tomatoes cheaper than we; secondly, they have a very fine commodity, and thirdly, it goes into the market in tremendous quantities all at one time. The inevitable effects are depressing and result in the glutting of the market to which our people are trying to get access.

Mr. Chairman, you have been very kind.

The CHAIRMAN. The figures show that for the four seasons before the Cuban agreement was made, the price average was 3.8, and that on the four seasons since the agreement has been made, the price has increased to 4.3.

Senator PEPPER. That probably is true, Mr. Chairman.

The CHAIRMAN. That is only as to prices.

Senator PEPPER. Yes; that is as to prices. That is part of the general spread in prices, you know, that has been going on since 1932 and 1933.

I thank the committee, and I will just say this in conclusion, Mr. Chairman; I believe the people of this country would not complain, and in fact would appreciate our Government working out any kind of bargaining by which we can exchange the products that we do not need for some products with some other people that they do not need, or if we can supplement their economy with excess from ours, and supplement ours with excess from theirs. However, we must, in my opinion, define and limit the degree of competition with our local people if we are not going to provoke from the country a very determined and eventually successful remonstrance against the whole bargaining idea. Therefore, as a friend of this administration and as a friend of the trade-agreements law, which in the long run in general

has done much good, I hope the committee will find some means of alleviating and removing these points of conflict so that that remonstrance will not come in the future.

Senator BROWN. The Cuban treaty was the first treaty?

Senator PEPPER. Yes, sir.

Senator BROWN. When did that become effective?

Senator PEPPER. In the seasons 1934-35 for the first time.

Senator BROWN. It is subject now to the six months' termination?

Senator PEPPER. That is right.

Senator BROWN. It would seem to me if I were a member of the committee of the State Department that handles this matter that I would be convinced by your argument—I think you have made a splendid argument. You have, I take it, presented that argument fully to the State Department and have gotten no relief?

Senator PEPPER. I have repeatedly presented it to the State Department, and the Department of Agriculture, and they have been just as courteous and gracious and considerate as they could be in listening to me, but they simply have a different idea about the subject.

Senator BROWN. You cannot get any relief there?

Senator PEPPER. That is right. As I told a gentleman this morning, it reminded me of the story I heard about Lord Hastings, in which Lord Elton, Hastings' counsel, would continue to make objections to questions, and the Lords would solemnly rise and go out into another room and decide on the objection and come back and sit down and rule. After the case had continued for several years, some wag remarked, "The court moves, but the case stands still."

The CHAIRMAN. Thank you very much.

The committee has received a letter from the Undersecretary of Commerce, Mr. Noble of the Department of Commerce, expressing the vital interest of that Department in this trade agreements program and giving its unqualified approval to the extension of this program. That communication will be inserted in the record, without objection.

(The letter is as follows:)

DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington, February 28, 1940.

HON. PAT HARRISON,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: As the Government agency specifically charged by the Congress with the responsibility for promoting business, both domestic and foreign, the Department of Commerce is vitally interested in the reciprocal trade agreements program. Not only has the Department actively participated in the formulation and negotiation of the 22 agreements concluded under the authority of the act of 1934, as extended, but through its constant and intimate contact with the various branches of American business, it has found itself in an exceptional position to appraise their practical results.

A careful analysis of the evidence that has been assembled by this Department, whether from private sources or through its own exhaustive studies, points to the definite conclusion that trade agreements have made a notable contribution to the well-being and prosperity of our country. As the artificial barriers that were so seriously obstructing its development have been gradually lowered through the negotiation of trade agreements, a progressive revival has taken place in our foreign trade, the value of which rose from \$3,125,000,000 in 1933, the last year before the Trade Agreements Act was approved, to \$5,496,000,000 in 1939. This revival has constituted a very important factor in broadening and stimulating our domestic markets and in providing increased purchasing power and employment.

There is a further cogent reason why legislation that will make possible the continuance of our present commercial policy is essential at this time. When hostilities in Europe cease, all nations, including the United States, will be confronted with economic problems of such vast import that their solution will be possible only through the exercise of the highest degree of intelligence and statesmanship. Some means of restoring a normal interchange of goods and services must be found if we are to escape disaster. The future of the United States will be directly involved, and if we are to protect our vital interests, discharge our responsibility toward the rest of mankind, and contribute to a lasting peace, it is my opinion that we would be extremely ill-advised to abandon the far-sighted policy that finds expression in the trade-agreements program.

Briefly, these are some of the reasons why the Department of Commerce earnestly hopes that your committee will give its unqualified approval to an extension of the present authority to conclude reciprocal trade agreements with foreign countries.

Very sincerely yours,

EDWARD J. NOBLE,
Acting Secretary of Commerce.

The CHAIRMAN. I have received a letter from Mr. Lubin, Commissioner of Labor Statistics, referring to certain remarks made by Mr. Walter F. Peabody in his testimony before the committee a few days ago. In his letter Mr. Lubin answers certain criticisms made by Mr. Peabody. Without objection, the letter will be inserted in the record in order that members may have an opportunity to read it.

(Same is as follows:)

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, March 4, 1940.

HON. PAT HARRISON,
United States Senate, Washington, D. C.

MY DEAR SENATOR HARRISON: I have been informed that, at the hearings before the Senate Finance Committee on the renewal of the Trade Agreements Act, Mr. Walter Peabody in his testimony presented February 29, 1940, made certain criticisms of the figures which I presented in my testimony before the Ways and Means Committee of the House of Representatives on January 27.

I should be grateful if your committee would approve the inclusion in the record of the hearings before your committee the reply to Mr. Peabody's criticism which is set forth below.

Although I do not have before me a copy of Mr. Peabody's testimony, I have been reliably informed that Mr. Peabody objected to my use of index figures relating to the numbers of persons employed in the production of certain manufactured goods for export. Mr. Peabody's contention, as I understand it, is that these index figures, which indicate the percentage increase in the number of workers employed in production for export, are misleading, since they do not show how small are the actual numbers of workers so employed.

This criticism is based on a most serious misapprehension as to the significance of the figures involved. The absolute figures, which Mr. Peabody prefers, are open to misinterpretation, due to the fact that they do not reveal the entire story of the effect of increased exports upon employment. The number of workers employed, on which my index figures are based, relate only to those employed in the final stage of manufacture. To illustrate: The figures relating to the numbers employed in producing agricultural machinery for export, which are based on census statistics of employment in the agricultural machinery and implements industry, do not include workers employed in the steel industry in making the steel which is used in the production of the agricultural machinery, or the miners employed in producing the coal which is used in producing the steel and in making the steel into machinery, or the labor employed in transporting the coal from the mine to the factory, and so forth. Hence when it is stated, for instance, that approximately 10,000 workers were employed in making farm machines and implements for export in 1938, only a partial story of the true effect of these exports is revealed. Although the statement is technically correct, the 10,000 workers represent only a part, and probably a minor part, of the total number of workers employed in producing farm machines and implements for export in 1938.

It is not misleading, however, to say that the number of workers employed in producing agricultural machinery for export increased over 250 percent from 1934 to 1938. Although the percentage figure, or index number, is calculated from the number of workers employed in the final stage of manufacture only, it is clear that the numbers employed in the various earlier stages, including the production of the raw materials, must have increased in somewhere near the same proportion. Hence the use of the index number gives a much more reliable estimate of the rate of increase from 1934 to 1938 in the total number of workers employed in producing agricultural machinery for export.

It would, of course, be most interesting to know the total number of persons employed in producing our principal exports of manufactured goods. To do so, however, would require an enormous amount of statistical research. To illustrate: The automotive industry buys about 20 percent of all the steel produced in the United States, 80 percent of all the rubber goods, 73 percent of the plate glass, and so on through a long list of "materials" which are in reality highly manufactured products. To calculate the total amount of labor employed in producing exports of automobiles alone would be a major project of statistical research.

In addition to the above, I would like to mention certain further relevant considerations. Estimates of the increase in employment due to trade agreement concessions do not measure the entire benefits to labor resulting from these concessions. They do not reflect the benefits secured in safeguarding our export trade against curtailment through the imposition of new restrictions by foreign countries. It is of course impossible to determine statistically how much our exports of particular commodities might have suffered from new restrictions if there had been no trade agreements. Nevertheless, in view of the continued growth of economic nationalism in various foreign countries in recent years, I believe this is a highly important consideration.

Furthermore, the maintenance or expansion of exports of the products of our mass-production industries helps to increase the volume of output and hence to lower unit costs of production. This makes it impossible for the industries concerned to make greater profits and thereby to pay higher wages to those employed in producing the goods which are actually exported and to pay higher prices for the raw and semimanufactured goods they consume, thus making it possible for other industries to pay higher wages. I pointed out in my testimony that the trade agreements have benefited particularly those of our industries which pay the highest wages. I might have added that the mere expansion of exports by increasing production and lowering unit costs helps those industries to pay higher wages than they might otherwise be able to.

Finally, I wish to refer in this connection to the passage in my testimony which is quoted below:

"There is one other important point which must be taken into account in forming a balanced judgment regarding the trade-agreements program but which is sufficiently self-evident as not to require elaboration at this time, namely, the fact that additional employment and additional wages in the export industries create additional purchasing power for a wide variety of goods and services which do not enter directly into international trade, so that the total additional employment resulting from trade agreements is undoubtedly much greater than that involved in the production and transportation of exported goods."

Cordially,

ISADOR LUBIN,
Commissioner of Labor Statistics.

The CHAIRMAN. I have received a telegram and a letter from Mr. William A. Benitt, a dairy farmer residing in Hastings, Minn., urging favorable action on the extension of the trade-agreements program. They will be inserted, without objection.

(Same are as follows:)

[Telegrams]

HASTINGS, MINN.

Senator PAT HARRISON, *Chairman:*

Senate Finance Committee Senate Office Bldg. Washington. Urge favorable action on reciprocal trade agreements law. As a farmer believe results of agreements have been generally beneficial. Method of arriving at agreements likely to result in saner tariff policy than having Congress besieged by all kinds of special

interests each looking out for self without regard to public interest. Tariff is economic question not political football.

WILLIAM A. BENNETT.

"APPLE ACRES"—FRESH FARM FOODS

WILLIAM A. BENNETT—LINDA J. BENNETT

HASTINGS, MINN., March 2, 1940.

Senator PAT HARRISON,
*Chairman, Senate Finance Committee,
 Senate Office Building, Washington, D. C.*

MY DEAR SENATOR HARRISON:

The purpose of this letter is to set forth in very brief form the view of Minnesota farmers that may differ from the views set forth by members of Minnesota at present in Washington. How large that number who differ is I do not pretend to know. Neither does anybody know what portion of the membership of farm organizations and cooperatives entertains the views expressed by those Minnesota men.

So far as the Minnesota Farm Bureau is concerned, it can be said that our country farm bureau endorsed the trade agreements without requiring Senate approval. The same can be said of many other counties.

Resolutions of farm cooperatives may be given careful consideration, and they may not. There are occasions where they are passed upon with very little deliberation. They may represent the views of the majority and they may not. It is safe to say that they do not represent the views of all.

Should the Senate ratify the agreements? In saying that Senate approval should not be required, I do not mean to imply lack of ability on the part of that body, nor a lack of faith. Is it not rather a question of the amount of detail with which the Senate is going to concern itself? Could it not be said with equal force that rates of the Interstate Commerce Commission should be ratified by the Senate? Or that the Senate should require approval of actions of the Federal Reserve Board, the Farm Credit Administration, the A. A. A., or the actions of a host of other activities of government departments or independent establishments?

The trade agreements program is rounding out its sixth year. In those years, has anybody been "sold down the river"? or has anybody been harmed in a manner so as to call for protective measures? I think we should except the war period, and probably the period immediately preceding it. Normal economic relations simply do not exist in such a period. Nations with their backs to the wall, engaged in a life and death struggle, can hardly be blamed if they do not buy as much of our beef as we would like to have them. Excepting that period and without going into details, a disinterested appraisal of the entire situation cannot escape the conclusion that the agreements have been generally beneficial.

It requires no expert to ascertain whether or not the tariffs of 1922 and 1930 cured the ills of agriculture. The trade agreements are carefully and cautiously rectifying those mistakes. Therefore let us not amend the law in a manner that is equivalent to nullification.

If Senate ratification is going to be required, we should not forget the direction from which pressure is going to be brought on the Senators. If all parties interested could be equally represented at tariff hearings there would probably not be such serious objection to Senate ratification. Past tariff hearings, however, show that pressure comes from persons or groups who are interested in raising or maintaining a duty on a specific article or items. The consumer, producers who are not organized, exporters, and the public generally are seldom represented. If they are represented they are usually not effectively represented. Under such conditions does the Senate get a clear picture of public sentiment? Is it not always a one-sided pressure?

Consider the Smoot-Hawley tariff. The purpose originally was a limited revision. The final result was a general tariff revision. This was not the fault of the Congress, but an inevitable result of the method of tariff-making. Probably the trade-agreements law was adopted to permit the Congress to escape from one-sided pressure, log-rolling tactics, and "you scratch my back and I'll scratch yours" strategy. Again, the Congress is not to be blamed. It is rather the method.

Let us not forget the fundamental considerations of foreign trade. Trade between nations is possible only through exchange of gold, goods, or services. The United States has a substantial portion of the world's monetary supply of

gold. We are also a creditor nation. Trade then must necessarily be a matter of exchanging goods and services. If we accept that fact, and if we agree that the exchange of commodities is generally desirable, then our foreign economic policy should be such that commodities may flow with relative freedom. It should also indicate that in order to sell abroad, the United States must also be willing to receive goods and services in return. This is simply another way of saying that if we wish to export, we must also be willing to import.

In urging favorable action on the trade-agreements law, I should also like to urge against amendments which may in effect defeat the very purpose that it is intended to accomplish. After all, it is an economic question. Let us approach it with reason, not emotion.

Respectfully yours,

WILLIAM A. BENITT.

The CHAIRMAN. Several times during the course of these hearings reference has been made to the report of the business advisory council on the trade-agreements program. As chairman of the committee, I have received a letter from Mr. W. L. Batt, chairman of the council, transmitting the report adopted by the council, and there is also attached a list of the membership of the council. The council approves the trade-agreements program. I think the letter, the report, and the membership list of the council should be incorporated in our printed proceedings. Without objection, these will be placed in the record.

(Same are as follows:)

BUSINESS ADVISORY COUNCIL FOR THE DEPARTMENT OF COMMERCE,
Washington, D. C., February 29, 1940.

HON. PAT HARRISON,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR HARRISON: At the last meeting of the business advisory council a report on the reciprocal trade-agreement program was approved for submission to the Secretary of Commerce.

Since that time the report has been made public and I take the liberty now of calling this report to your attention and to the attention of your colleagues on the Senate Finance Committee.

In suggesting that you give consideration to this material, I wish to reemphasize something that is stated in the report, namely, that the handling of our all-important tariff problem should be entirely free from partisan aspects and significance of a political character, as well as partisan influences springing from class or group privileges, but should reflect a statesmanlike approach to the best interests of our national economy as a whole.

It is in this spirit that the members of the business advisory council have approached the question of extension of the powers contained in the Reciprocal Trade Agreement Act of 1934.

Sincerely yours,

W. L. BATT, *Chairman.*

Membership of Council

Hon. Harry L. Hopkins, ex officio general chairman.

W. L. Batt, chairman.

John D. Biggers, vice chairman.

Harvey Couch, vice chairman.

M. B. Folsom, vice chairman.

Clarence Francis, vice chairman.

Walter White, assistant to the chairman.

N. T. Bartlett, secretary.

Clarence Avildsen, chairman, board of directors, United Drill & Tool Corporation, 411 West Ontario Street, Chicago, Ill.

W. L. Batt (chairman of the council), president, SKF Industries, Inc., Front Street and Erie Avenue, Philadelphia, Pa.

John D. Biggers, president, Libbey-Owens-Ford Glass Co., Toledo, Ohio.

Vannevar Bush, president, Carnegie Institution of Washington, Sixteenth and P Streets NW., Washington, D. C.

- C. A. Cannon, president, Cannon Mills Co., Kannapolis, N. C.
 W. Dale Clark, president, the Omaha National Bank, Omaha, Nebr.
 Carle C. Conway, chairman, Continental Can Co., Inc., 100 East Forty-second Street, New York, N. Y.
 Harvey Couch, president, Arkansas Power & Light Co., Pine Bluff, Ark.
 W. Howard Cox, president, the Union Central Life Insurance Co., Cincinnati, Ohio.
 William H. Danforth, chairman of the board, Ralston, Purina Co., St. Louis, Mo.
 R. R. Deupress, president, the Procter & Gamble Co., Cincinnati, Ohio.
 William C. Dickerman, president, American Locomotive Company, 30 Church Street, New York, N. Y.
 Franklin D'Olier, president, the Prudential Insurance Co. of America, 763 Broad Street, Newark, N. J.
 Gano Dunn, president, the J. G. White Engineering Corporation, 80 Broad Street, New York, N. Y.
 W. Y. Elliott, department of government, Harvard University, Cambridge, Mass.
 Robert V. Fleming, president, the Riggs National Bank, Washington, D. C.
 J. F. Fogarty, chairman, executive and finance committee, the North American Co., 60 Broadway, New York, N. Y.
 Mr. B. Folsom, treasurer, Eastman Kodak Co., 343 State Street, Rochester, N. Y.
 Clarence Francis, president, General Foods Corporation, 250 Park Avenue, New York, N. Y.
 H. B. Friele, vice president, the Nakat Packing Corporation, Dexter Horton Building, Seattle, Wash.
 Rolland J. Hamilton, president, American Radiator Co., 40 West Fortieth Street, New York, N. Y.
 John W. Hanes, Elin, N. C.
 W. A. Harriman, chairman of the board, Union Pacific Railroad Co., New York, N. Y.
 Henry H. Heimann, executive manager, National Association of Credit Men, 1 Park Avenue, New York, N. Y.
 George A. Hill, Jr., president, Houston Oil Co. of Texas, Petroleum Building, Houston, Tex.
 Thomas S. Holden, vice president, F. W. Dodge Corporation, 119 West Fortieth Street, New York, N. Y.
 Charles R. Hook, president, the American Rolling Mill Co., Middletown, Ohio.
 James W. Hook, president, the Geometric Tool Co., New Haven, Conn.
 Jay C. Hormel, president, George A. Hormel & Co., Austin, Minn.
 Oscar Johnston, president, National Cotton Council of America, Scott, Miss.
 Cornelius F. Kelley, president, Anaconda Copper Mining Co., 25 Broadway, New York, N. Y.
 H. P. Kendall, president, the Kendall Co., 140 Federal Street, Boston, Mass.
 Fred I. Kent, treasurer, National Industrial Conference Board, 100 Broadway, New York, N. Y.
 Louis E. Kirstein, vice president, William Filene's Sons Co., Boston, Mass.
 deLancey Kountze, chairman of the board, Devos & Reynolds Co., Inc., 1 West Forty-seventh Street, New York, N. Y.
 Arthur Kudner, president, Arthur Kudner, Inc., International Building, Rockefeller Center, New York, N. Y.
 Paul W. Litchfield, president, the Goodyear Tire & Rubber Co., 44 East Market Street, Akron, Ohio.
 Stacy May, assistant director, the Social Sciences, the Rockefeller Foundation, 49 West Forty-ninth Street, New York, N. Y.
 Thomas B. McCabe, president, Scott Paper Co., Front and Market Streets, Chester, Pa.
 Earl M. McGowin, vice president, W. T. Smith Lumber Co., Inc., Chapman, Ala.
 George H. Mead, president, Mead Corporation, Dayton, Ohio.
 James D. Mooney, vice president, General Motors Corporation, 1775 Broadway, New York, N. Y.
 D. M. Nelson, executive vice president, Sears, Roebuck & Co., Chicago, Ill.
 W. S. Newell, president, Bath Iron Works Corporation, Bath, Maine.
 J. C. Nichols, president, J. C. Nichols Investment Co., 310 Ward Parkway, Country Club Plaza, Kansas City, Mo.

Nicholas H. Noyes, vice president, Eli Lilly & Co., 740 South Alabama Street, Indianapolis, Ind.

Richard C. Patterson, Jr., chairman, Radio Keith Orpheum Corporation, 1270 Sixth Avenue, New York, N. Y.

George A. Sloan, 60 Broadway, New York, N. Y.

Blackwell Smith, Wright, Gordon, Zachry & Parlin, 63 Wall Street, New York, N. Y.

E. R. Stettinius, Jr., chairman, board of directors, United States Steel Corporation, 71 Broadway, New York, N. Y.

Hardwick Stires, Scudder, Stevens, & Clark, 1 Wall Street, New York, N. Y.

R. Douglas Stuart, vice president, the Quaker Oats Co., 141 West Jackson Boulevard, Chicago, Ill.

Walter C. Teagle, chairman of the board, Standard Oil Co. (N. J.), 30 Rockefeller Plaza, New York, N. Y.

J. T. Trippe, president, Pan American Airways System, Chrysler Building, New York, N. Y.

Sidney J. Weinberg, partner, Goldman, Sachs & Co., 30 Pine Street, New York, N. Y.

W. H. Wheeler, Jr., president, Pitney-Bowes Postage Meter Co., Stamford, Conn.

A. D. Whiteside, president, Dun & Bradstreet, Inc., 200 Broadway, New York, N. Y.

S. Clay Williams, chairman, board of directors, R. J. Reynolds Tobacco Co., Winston-Salem, N. C.

R. W. Woodruff, chairman of the board, the Coca-Cola Co., 101 West Tenth Street, Wilmington, Del.

D. Robert Yarnall, Yarnall-Waring Co., Chestnut Hill, Philadelphia, Pa.

BUSINESS ADVISORY COUNCIL REPORT ON RECIPROCAL TRADE AGREEMENTS PROGRAM

(Approved by the Business Advisory Council, January 12, 1940)

SUMMARY

1. The Business Advisory Council favors businesslike and scientific methods in tariff making as indispensable to safeguarding our national welfare and the American standards of living.

2. The council wishes to reemphasize its belief that the results of trade agreements must be regarded in the light of their effect on our national economy as a whole and not solely in the light of their effect on a given segment of industry or agriculture.

3. The council recognizes that national interests require that in tariff making, consideration be given to the international economic interests of American citizens, as well as to the activities of American citizens at home. An enlargement of our opportunities for trade and investment in foreign countries is now essential to maximum national prosperity. These ends the Business Advisory Council believes will be served by an extension by Congress for a reasonable period of time of executive power to negotiate and proclaim trade agreements provided for in the Trade Agreements Act originally approved June 12, 1934.

4. Since these agreements in a much higher degree than customary in international negotiations involve specific and practical commercial considerations of vital importance to large sections of our industry and agriculture, we urge an active and constructive cooperation with all interests involved. In the case of concessions which are to be made, our people are entitled to be assured of decisions which are calculated to conserve and foster enterprise to the benefit of the broadest interests of our economy.

5. The council thus reaffirms the support which it gave in May 1938 to the efforts of the Government to promote our foreign trade through the instrumentalities of the trade agreements program.

ALTERNATIVES

The necessity for the continuation of the trade agreements program is emphasized when the alternatives are contemplated. Support for or opposition to the program must in final analysis rest on some fundamental conception of purpose and procedure in which domestic political issues play no part.

First with respect to procedure. No one, we believe, should wish to return tariff making to a system unduly influenced by sectionalism, group and class influences.

This result would follow either a failure of Congress to extend the Trade

Agreements Act or an introduction into the Act of a requirement that every individual agreement negotiated by the Executive must be submitted to Congress or to the Senate for ratification. Our reciprocity experience, particularly with the Kassar treaties, demonstrates that the requirement that such individual agreements must receive the approval of Congress merely precipitates another tariff discussion in Congress with all its political, regional, and class difficulties.

Such procedure precludes the development of a consecutive commercial policy such as this country needs. The Council, therefore, favors a policy under which Congress after laying down the principles and defining the limits which are to guide negotiations with foreign countries leaves the Executive free to negotiate and proclaim individual agreements.

As long as the administrative handling of this program is subject to Congressional review or adjustment at reasonable periodic intervals, we have no fear of undemocratic abuses of the powers placed in the hands of the Executive.

Turning to the question of substantive policy, we conceive the purpose of the program to be the gradual and scientific adjustment of tariff barriers in this and in other countries to the end that there may be a more unrestricted and greater exchange of manufactured goods, products of the soil, and of minerals. The alternative to the present trade agreements program is a greater dependence on self-containment leading to a reduction in the standard of living and to economic isolation. Such an act would tend to bring a degree of regulatory control destructive of free enterprise and of the democratic processes which we prize so highly. The logic of this tendency is found expressing itself in those countries which have endeavored to control their economies in this fashion.

Blocked or controlled exchanges, barter agreements, embargoes, military blockades, and bilateral negotiations seriously impede economic progress. Unfortunately there have been in certain countries an increase in the number of measures of this character, adopted for military and for economic reasons.

The trade agreements program of the United States Government has been our answer to this movement. The leadership which we have thus assumed against destructive trends and toward a sound development of mutually beneficial trade should not now be surrendered. It is not the providence of this report to consider the details of individual agreements. Available statistics demonstrate, however, that the trade agreements now in force have materially improved American trade and, therefore, have contributed to national prosperity and to an improvement of our national standard of living.

Moreover, they have contributed to international good will. The principles which they have reduced to practice should be kept alive not only because of their immediate benefit but also because they will become a point of departure for economic reconstruction at the end of the hostilities which now unhappily disturb the world. When nations begin to discuss constructive measures for economic and political peace the United States Government should not be without the flexible procedure provided in the trade agreements program in making its contribution to the economic rehabilitation of the nations. In our opinion it would be disastrous for the United States at this time to abandon its leadership in the struggle against excessive economic nationalism. The problem of reconstruction to be faced after the war will vitally affect this country and the trade agreements program, as has been indicated, will provide an essential instrumentality for the reestablishment of sound and constructive commercial policies.

UNCONDITIONAL MOST-FAVORED-NATION PRINCIPLE

The unconditional most-favored-nation principle, introduced into our commercial treaty structure by Charles Evans Hughes when Secretary of State has become under Cordell Hull an active instrument for the establishment of equality of commercial treatment in world commerce.

Although criticism has been directed against the automatic generalizations of concessions to third countries entitled to most-favored-nation treatment, a more careful examination of the principles of trade negotiation indicate that this is sound policy. In negotiating trade agreements our Government adheres to the policy of granting major tariff concessions only on items of which the negotiating country is the principal supplier to the United States. In addition, it has introduced other provisions in trade agreements which protect all elements of our economy from unfair advantages which may accrue to third countries as a result of the unconditional most-favored-nation principle.

The affirmative advantage of this principle, however, must not be overlooked. It is a constant protection against discrimination which might arise at the time a trade agreement goes into effect or which may subsequently arise. In addition,

at the same time that the United States Government generalizes concessions all other countries with which it has most-favored-nation treaties extend to the United States concessions made to other countries. A statistical analysis of existing trade agreements shows that many reductions in the tariff rates of foreign countries have benefited our commerce through the automatic operation of the most-favored-nation principle.

When negotiations begin under the principles of the trade agreements program our negotiators consider not merely the effect of concessions made to the particular foreign country with which negotiations are being carried on but also the effect of any concession upon our entire commerce. In other words, negotiations under the trade agreements program are in effect negotiations of multilateral arrangements and concessions are made and received, having in mind their total effect after their generalization upon our domestic economy on the one hand, and on the other upon our expanding foreign trade.

THE OVER-ALL PROBLEM OF OUR DOMESTIC ECONOMY

The council favors the trade agreements program because it offers a scientific and flexible method, free from undue local political pressure, for appraising the over-all problem of our domestic economy, as well as the effect of concessions upon local and group interests.

Our great exporting interests, industrial, agricultural, and mercantile, are finding in the trade agreements program protection against discrimination and other restrictions by foreign governments as well as a means of stabilizing reasonable tariffs. Resulting enlargement of foreign markets tends to create prosperity in enterprises engaged in export trade which in turn expands the home market in the United States for the products of our stockman and farmer, as well as for the goods of our manufacturers.

The flow of our people's savings abroad, particularly into productive enterprises, is closely related to the growth of trade. An integral part of any policy which looks toward trade expansion is the full support of the rights of American investments in foreign countries. We believe therefore that our Government in negotiating trade agreements with other countries might well place greater emphasis on the fair treatment of American investments as an important consideration in granting tariff concessions.

These agreements, in a much higher degree than customary in international negotiations, involve specific and practical commercial considerations of vital importance to large sections of our industry and agriculture. Because mistakes may be irreparable, we urge an active cooperation with all interests involved in any given case and that there be increased consideration of facts and arguments before conclusions are reached. Our people are entitled to expect that in determining concessions which are to be made the United States Government will base its decisions upon careful analyses of competitive factors and effects on markets, and so conserve and foster enterprise to the benefit of the broadest interests of our economy.

The CHAIRMAN. It has been requested that an article appearing in the publication "American Exporter," of February 1940, written by Mr. Franklin Johnston, the publisher of that publication—discussing the trade agreements program—be inserted in the records. Without objection, that article will be placed in the record.

(The same is as follows:)

THE SCANDAL IN THE TRADE AGREEMENTS PROGRAM¹

Some straight from the shoulder facts of importance to American industry

(By Franklin Johnston, Publisher, American Exporter)

Before beginning the discussion of this highly controversial subject, let me introduce myself. For my interest in exposing the truth about the Hull reciprocal tariff policy is not merely academic.

I admit I have an axe to grind. Frankly, my interest in the tariff is primarily to foster the prosperity of the manufacturer. The more money American manufacturers make, the better I like it.

I am no lobbyist. The some 800 American manufacturers who as advertisers employed my paper last year to help increase their sales, did so for our influence with buyers abroad, not with Congress.

¹ This article appears only in those copies of the American Exporter, February 1940 issue, circulating within the United States.

These manufacturers vary all the way from small manufacturers feeling their way in export to great corporations with huge export organizations, such as Chrysler, Firestone, General Electric, International Harvester and Westinghouse. Mostly they are makers of finished manufactures.

These constituents of mine, if I may call them so, normally average 16% export to total sales. That's two months' production each year. It is often the difference between red ink and black.

From 1932 to 1937 these manufacturers increased their exports on an average of 288%.

One manufacturer of household appliances, exporting for 59 years, wrote me that exports represented one-third of their total business and were up 735% over 1932.

A manufacturer of agricultural machinery reported that their exports were 25% of total sales and showed a gain of 1,062% over 1932.

A manufacturer of machinery, exporting for 16 years, with export 20% of total business, reported a gain of 60% over 1932.

An automotive manufacturer, with export 40% of total business reported a gain of 720% over 1932.

A hardware manufacturer, exporting for 39 years, reported a gain of 400% over 1932.

Let me add that when an American manufacturer sells 16% of his product abroad, that means not only that his plant is working two months a year on export, or that his workers gain two months work a year from export, but it also means that 16% of all the raw materials he uses are just as much export as though they were shipped to London, Capetown, Bombay, or Buenos Aires, instead of to Detroit, Chicago, New Haven, or St. Louis, as they may appear on your records.

And that means that 16% of the employment in the mines, cotton fields, wool farms, etc., necessary for those exports is just as much due to export as the 16% in the exporting manufacturing plant itself. And that 16% of the groceries sold to workers in those plants is due to export.

And so on ad infinitum.

THE PURPOSE HERE

In view of the controversy raging in Washington over the renewal of the President's authority to enter into reciprocal trade agreements, and the statements being issued by both sides, including Secretary of State Hull, I decided to compile for the benefit of manufacturers, the facts, independently and objectively.

Here they are. I hope you will read them. For the subject is vital to your future prosperity. And you will have to read clear through to find the scandal.

These figures are not derived from any association or from the Department of State, or any body or bureau which is trying to prove something. In view of some of the current statements being made about reciprocity, I think you will find some of these figures as amazing as Mae West's.

The first thing I wanted to verify was to what an extent our exports have really increased from the low point of 1932 to the period when the trade agreement program may be said to have been working under a nearly full head of steam.

Below are the figures for some specific industries.

These are huge gains. Tremendous gains. Though I have been watching exports for years, these increases, when I delve into history and put them down in black and white, astonish even me.

1939 FIGURES RESEMBLE 1938

Think what those increases mean also in employment of factory workers.

Full figures for 1939 are not entirely apropos, because of the effect of the European war in the later months. But those for the first nine months of 1939 show no striking changes from the 1938 figures.

In the first nine months of 1939 our total exports of finished manufactures were 5% greater than in the same period of 1938.

Since September 1, exports have increased still more, because of war conditions, but this increase is not to be credited to reciprocity.

Nothing could be plainer than the fact that American manufacturers and American factory workers are far better off now than they were under the Hawley-Smoot tariff, unmodified by the Hull trade agreements, so far as their exports are concerned.

How U. S. exports in certain industries compare

	1932	1938	Percent Increase
Leather manufactures.....	\$3,181,000	\$3,651,401	+177%
Cotton manufactures.....	30,248,000	45,311,483	+23%
Wool manufactures.....	883,000	1,912,169	+120%
Silk manufactures.....	4,547,000	6,001,343	+33%
Rayon, etc., manufactures.....	2,493,000	11,031,491	+291%
Rubber and manufactures.....	10,364,000	27,181,610	+60%
Paper and manufactures.....	18,328,000	25,013,234	+66%
Petroleum and products.....	208,381,000	388,620,287	+86%
Glass and glass products.....	4,007,000	8,331,914	+107%
Iron and steel semi-manufactures.....	11,517,000	131,850,761	+810%
Steel mill products manufactures.....	14,338,000	62,493,084	+256%
Iron and steel advanced manufactures.....	19,780,000	43,209,620	+118%
Tools.....	3,958,000	11,537,337	+195%
Electrical machinery and apparatus.....	43,039,000	102,151,152	+137%
Radio sets.....	7,322,000	10,551,647	+43%
Household electric refrigerators.....	3,360,000	10,707,791	+224%
Power-generating machinery.....	4,096,000	17,069,292	+267%
Construction and conveying machinery.....	3,828,000	23,914,120	+528%
Mining, well and pumping machinery.....	10,566,000	63,583,248	+504%
Power driven metal-working machinery.....	12,024,000	97,270,610	+708%
Textile, sewing and shoe machinery.....	9,441,000	16,341,897	+72%
Other industrial machinery.....	15,792,000	47,700,645	+204%
Office appliances.....	14,809,000	28,919,760	+98%
Printing machinery.....	4,716,000	9,748,207	+100%
Agricultural machinery and implements.....	10,548,000	75,435,305	+618%
Motor trucks, busses and chassis.....	11,717,000	72,110,030	+518%
Passenger cars and chassis.....	23,801,000	100,143,211	+320%
Automobile parts and accessories.....	40,047,000	98,128,000	+130%
Aircraft, parts and accessories.....	2,070,000	68,200,050	+3,300%
Motorboats.....	210,000	1,000,050	+405%
Marine engines, except Diesel.....	125,000	1,617,068	+1,250%
Chemicals and related products.....	59,992,000	110,250,000	+84%
Pigments, paints and varnishes.....	10,390,000	18,054,592	+80%
Toys, athletic and sporting goods.....	1,741,000	8,608,480	+194%
Musical instruments.....	1,339,000	2,815,103	+116%
Miscellaneous office supplies.....	3,528,000	6,088,112	+71%
Photographic and projection goods.....	13,538,000	19,861,847	+46%
Scientific and professional instruments.....	8,493,000	11,693,870	+118%
Rubber and manufactures.....	10,304,000	27,181,610	+66%

WAS IT A FAIR PRICE?

But what about their domestic business. After all that's 84% of my constituents' business and it would be folly to sacrifice that 84% in order to stimulate the 16%; to make tariff concessions which would make them lose five steps backward for every one forward.

Has American industry and American factory labor paid too high a price for those export gains?

Here is what has happened to American manufacturing in general since 1932:

U. S. index of industrial production: Manufactures

[Average 1923=100]

Pre-Reciprocity.....	1932	63
Pre-Reciprocity.....	1933	75
Cuban agreement goes into effect.....	1934	78
Three more agreements go into effect.....	1935	90
Nine more agreements go into effect.....	1936	105
Two more agreements go into effect.....	1937	109
Two more agreements go into effect.....	1938	84
Two more agreements go into effect (9 months).....	1939	98

GAIN 1939 over 1932=55%.

Note that as the reciprocal agreements went into effect, instead of our industrial production falling off, it actually increased.

WHAT CAUSED 1938 SLUMP?

To what an extent the slump in 1938 was due to the Hull agreements and to what an extent it was due to the C. I. O. drive could be a matter of debate.

Personally, I think it was John L. Lewis' round.

Especially as the agreements coming into effect in 1938 were those with Ecuador and Czechoslovakia, only one of which affected industrial imports.

A 55% increase of manufacturing production does not, in itself, indicate that foreign manufactured goods have been flooding this country under the Hull tariff policy.

As a matter of fact, they haven't.

In 1938 imports of finished manufactures had increased over 1932 by only \$77,000,000.

But in the same time exports of finished manufactures had increased by \$800,000,000.

Thus for every dollar industry lost in the home market, it gained \$11.67 in the export market. Assuming that all these imports were competitive, which, of course, is not the truth.

40% of our imports of finished manufactures come in duty free, indicating, politics being what they are, that they do not compete with American goods.

From 1934 to 1938 inclusive, exports of finished manufactures aggregated three billion dollars more than they would have done if we had continued at the 1932-1933 level.

That was three cool billion dollars of added business.

Back in the golden days of 1929, when everything was hunkydory, for every dollar of finished goods imported, we exported \$2.54 worth.

But in the bleak days of 1932, with the Hawley-Smoot tariff in full force and effect, the ratio had fallen to only \$1.83 worth of such exports for each dollar of imports.

SIX YEARS LATER

In 1938, with the Hull tariff policy going strong the ratio had risen to \$3.65 of exports for each dollar of imports, the highest on record up to 1939, when it rose still higher, to \$3.84.

Note how tremendously industry's balance of trade has increased during the period that the reciprocal-trade-agreements policy has been in effect.

Finished manufactures

	Exports	Imports	Export excess
1932.....	\$624,228,000	\$340,591,000	\$283,637,000
1933.....	616,659,000	322,220,000	294,439,000
1934.....	878,839,000	350,223,000	528,616,000
1935.....	994,308,000	405,617,000	588,691,000
1936.....	1,154,099,000	465,853,000	688,246,000
1937.....	1,616,548,000	551,250,000	1,065,298,000
1938.....	1,523,432,000	417,566,000	1,105,866,000

As a matter of fact, believe it or not, imports of finished manufactures were much larger under the Harding, Coolidge, and Hoover administrations than they have been during the Hull program.

In 1923 imports of finished manufactures were valued at \$771,300,000 and from 1926 to 1929 they averaged \$913,726,000 a year.

But the highest figure under the Hull program has been \$551,250,000 in 1937.

By the way, note that while U. S. manufacturing has increased 55% since 1932, U. S. exports of finished manufactures have increased 144%. The export gain is more than double the total.

But what about semimanufactured goods?

Exports and imports of semimanufactured goods compare as follows:

	Exports	Imports	Export Excess		Exports	Imports	Export Excess
1932.....	\$166,727,000	\$147,963,000	\$18,764,000	1936.....	\$304,760,000	\$324,641,000	\$72,119,000
1933.....	237,641,000	177,940,000	59,032,000	1937.....	678,268,000	431,641,000	246,627,000
1934.....	341,837,000	212,145,000	129,692,000	1938.....	505,798,000	278,817,000	226,981,000
1935.....	349,838,000	284,644,000	65,214,000				

By the way, from 68% to 70% of our imports of semimanufactured goods come in duty free, indicating that they are, in general, noncompetitive.

JUST SUPPOSE

Just suppose, for the sake of illustration, that Mr. Hull wanted to appeal to the voters in industry, both manufacturers and workers, as a protectionist. Think of his talking points.

He could point with pride to the fact that under his policy imports of finished goods are less than half what they were under the Republicans in 1929.

That we have sold 3 billion dollars more of American finished goods and allowed the foreigners to sell us only half a billion dollars' worth more.

That exports of finished manufactures have increased since 1932 by 144%, but imports of them have increased only 22%.

That the ratio of exports to imports of semi-manufactured foods has risen from \$1.83 to \$1 in 1932 to \$1.82 to \$1 in 1938.

That manufacturing production has increased as high as 73% over 1932.

MANUFACTURING PROFITS

Over and over again the critics of the Hull reciprocal tariff policy assert that it isn't the quantity of imports that causes the damage to our industries but their effect on price levels, and, therefore, of course, on profits.

Yet few of us who face a pay roll every week would swap today's profits for those of 1932. In fact, profit was almost a lost word in those days.

Here is how manufacturing profits compare up to 1937, the latest figures the census has published thereon.

That is a matter in which I am keenly sensitive. For when profits fall off manufacturers have a quaint habit of reducing their advertising expenditures.

Here is how the profits of all manufacturing corporations in the U. S. compare:

Report of Commissioner of Internal Revenue

	Net after tax	Net to gross		Net after tax	Net to gross
1927	\$2,673,000,000	4.9%	1933	\$77,000,000	0.2%
1928	3,400,000,000	5.2%	1934	778,000,000	1.9%
1929	3,934,000,000	5.6%	1935	1,509,000,000	3.2%
1930	877,000,000	1.6%	1936	2,870,000,000	4.6%
1931	-913,000,000	-2.1%	1937	2,548,000,000	4.1%
1932	-1,827,000,000	-3.7%			

Note that in 1936 manufacturing profits were the largest since 1929. In the same year imports, until then, were the largest since 1930.

And this in spite of the truly shocking increase of federal and state taxes.

The rate of taxes paid went up from 16% of the net in 1929 to 33% in 1937—and getting worse.

In the years 1931 and 1932, when the Hawley-Smoot tariff was operating unmodified by the Hull agreements, you will note that the combined "profits" of all American manufacturers comprised a sea of red ink amounting to \$2,740,000,000.

And I need not ask exporting American manufacturers what the loss of their 16% export to total sales would mean to their profit and loss statement.

Not all the manufacturers with whom I am doing business as a publisher make their financial statements public. But some do.

I looked over the other day the latest financial statements of a group of these manufacturing companies, with whom I am doing business, picked at random in that they were all made public in recent weeks.

I found that of 28 important exporting manufacturers only eight showed any profit in 1932.

Combined "profits" for the 28 in 1932 was a loss of \$26,201,143.

Figures for 1939, mostly to September 30th only, show that 24 out of the 28 made a profit and the combined profits of the entire group were \$84,655,491, indicating that their profits for the entire year would exceed \$100,000,000.

One company whose business is approximately 25% export lost \$250,000 in 1932, earned \$1,000,000 in nine months in 1939.

If we have been overcharged for the tariff concessions we wrung from foreign countries, it is evidently not the American manufacturer who paid the bill.

It must have been a couple of other fellows.

LET US NOT FORGET

Before looking for the victims of the policy, let's turn back the pages of history and look at the state of the nation in 1932.

If the reciprocal tariff policy has, in fact, been a mistaken one, it would be only fair to remember that the situation which faced the nation in 1932 was one which might well excuse drastic experimentation even on the tariff.

Depression, bankruptcy, unemployment, and despair stalked the land.

Memory is kind and few of us realize today how tremendous the drop actually was from the lush days of 1929 to the grim days of 1932. Four short years.

It was a period when hope long deferred made the heart sick, when the number of bankruptcies increased 3,000 in one year.

Glaze at those figures.

U. S. Unemployment

(American Federation of Labor Estimate)

1929	1,864,000
1932	13,182,000

Factories with products valued at \$5,000 or more a year

	Number	Wage earners	Wages	Value of products
1929	209,862	8,821,757	\$11,607,287,154	\$99,950,609,712
1933	141,769	6,055,736	8,201,576,029	31,356,840,236
Shrinkage	68,093	2,766,021	6,345,711,125	38,602,069,374

Commercial failures

	Number	Liabilities
1929	22,909	\$463,250,000
1932	31,522	928,313,000

Pretty grim, what?

The United States had encountered depressions before. But this was the granddaddy of them all.

WHY WAS THIS DEPRESSION DIFFERENT?

Why was this particular depression, which began in 1929, so much more severe and so much more prolonged than previous periods of recession?

A nation which had been told over and over again in 1928 and early 1929 that we had solved the secret of perpetual prosperity, woke up to the greatest reaction that a country in peace time had ever encountered. Read what some of the wise men said in 1928 and 1929. Read 'em and weep.

Slowly it began to seem to a widening number of people that we were up against something new. And that something new was the relative weight in our domestic commerce of our export trade, for both our agricultural and industrial plants had been vastly expanded by the World War.

For years before 1914 we had had an excess of merchandise exports over imports of roughly half a billion dollars a year. And everything was hunky-dory.

That excess was absorbed by dividends we were paying Europe for their investments here, immigrant remittances, what we paid foreign shipping, banking and insurance companies and tourists' expenditures abroad.

The differences between what the rest of the world spent with us and what we spent with them was adjusted by the transfer of gold.

Then came the war. Our exports zoomed from around two billion dollars a year to a peak of eight billion dollars in 1920. But imports went up to only five billion dollars.

So as against a 300% increase in our exports, there was an increase of only 200% in imports.

EXCESS OF EXPORTS BECAME HUGE

Instead of our normal half a billion dollar a year export excess, we piled up from 1915 to 1918 an excess of exports over imports of eleven billion dollars.

This meant absorbing foreign gold and foreign-owned American securities and in addition making huge loans abroad.

Then came the dawn. Peace. But we kept right on selling more abroad than we bought. And by 1920, when our exports reached the highest level in the history of any nation, we had piled up an excess of merchandise exports over imports of 30 billion dollars.

In seven years our excess of exports over imports was what it would have been normally in 30 years.

Exports can only be paid for in one of three ways, by goods, services, or gold. A balance of trade such as eight billion dollars of exports to only five billions of imports called for huge loans to meet the huge excess of exports over imports, year after year.

The United States treasury loaned 13 billion dollars of which 11 billion plus interest is still unpaid and in all human probability never will be.

We don't want the debt paid in merchandise and they can't pay much more gold. We have over 60% of the world's supply now.

A banker once pointed out that it is no trick to borrow money. The hard part is to pay it back.

Yet the whole world seems to have ignored that simple truth from 1921 to 1929.

AN AGE OF LOANS

American bankers almost forced loans on Latin America, no hard job, at that, and meanwhile, in the Fordney-McCumber tariff of 1922 we jacked up tariff rates and we continued to sell more abroad than we bought.

Meanwhile we had become a creditor, not a debtor, nation. Instead of our paying Europe interest and dividends, almost the entire world was paying us interest.

From 1920 to 1929 our continued huge excess of exports was financed by loans. We loaned abroad an additional eight billion dollars, this time by private investors. And what a headache that has been!

Every South American borrower, save only Argentina, is in whole or partial default. Also Germany. Pity the widows and orphans who invested in them.

We had the (Charles) Dawes plan; the (Owen D.) Young plan; loans to Chile, Peru, Brazil, Argentina, Uruguay, Colombia. Plans and loans arranged by some of the greatest pillars of financial society. Apparently the simplest lessons of trade and finance were tossed out of the window.

But the delusion was not confined to this side of the Atlantic. Britain's Stanley Baldwin, a steel maker turned politician, came across and blithely signed an agreement which undertook to pay us a huge sum annually on the British war debt.

The British paid ten billion dollars and then threw up the sponge. For the first time in history, John Bull had defaulted on a note.

Up to 1930 a total of \$2,749,663,012 was repaid our government by our foreign debtors of which Great Britain paid 73% although her share of the total debt was only 45%.

THE POPULAR VIEWPOINT

When pesky economists warned us that we were on the road to ruin by trying to collect so fast on political, not on economic debts, while at the same time adhering to a high tariff policy, and continuing an excess of exports over imports, the answer, in the words of one eminent political leader was: "They hired the money didn't they?"

That was the popular verdict.

Even after the crash in 1929 few in high places seemed to have sensed the situation.

For amazing as it seems now, in 1930 we kept right on making loans abroad. A billion dollars that year, in fact. But that was virtually the last.

The withdrawal of these loans not only sent our export trade into a tailspin, but upset the economy of nearly every country in the world.

Note how precipitate was the decline of our exports during that period:

U. S. Exports

Year	Value	Year's decline
1929	\$5,157,183,000	
1930	3,781,172,000	-26.6%
1931	2,877,082,000	-33.3%
1932	1,670,151,000	-49.7%

This was the greatest shrinkage of exports in the history of the Nation. By 1932 and 1933 our exports were only 10% of what they were at the depth of the post-war reaction in 1922, after we fell off the eight billion dollar export plateau.

Exports of crude materials were at the lowest level since 1906; crude foodstuffs since 1895, semifinished manufactures since 1904, and finished manufactures since 1911.

Domestic business was terrible. As Will Rogers put it, the Republicans had turned the party over to Herbert Hoover just as it ran out of liquor.

FEW REALIZED DEPRESSION'S DEPTH

Few besides theoretical economists and "internationalists," which came to be a term of reproach because of the foreign loan fiasco, seemed to realize that this was anything but just one of those short, sharp depressions which we have to meet and overcome at intervals, purely American and not connected with world economy at all.

So we proceeded to correct it along traditional lines of Americanism. In the face of over a billion dollar decrease in imports, we increased tariff rates against

Our imports of crude foodstuffs had fallen to the lowest level in 18 years so we raised the duty on imports of crude foodstuffs!

And so, in 1930, Congress passed, and President Hoover signed, the Hawley-Smoot tariff act, raising our tariff wall still higher.

One enthusiastic Senator, Tom Watson of Indiana, assured the country that this tariff act would restore prosperity "within 30 days."

Here's how it restored prosperity:

Industrial production, manufactures

1923-25 Average =	100	1931	81
1930	96	1932	64

Commercial Failures:

1930	26,355	1932	31,822
1931	28,285		

U. S. Unemployment:

1930	4,777,000	1932	13,182,000
1931	8,738,000		

Brother, can you spare a dime?

FOREIGN GOVERNMENTS INFURIATED

The storm warnings which economists had raised—1,000 of them had petitioned President Hoover not to sign the bill—were followed by a hurricane which swept over our export trade.

Already in difficulties by the withdrawal of our foreign loans, foreign governments were infuriated by our new tariff.

It wasn't so much what we did, it was the nasty way we did it at such a critical time for the rest of the world, much of which was already in debt to us.

From 1929 to 1933 the gold value of world trade fell off 61%.

In that period our own export trade fell off 73%; our manufacturing output 55%. The N. Y. Times averages of stock prices, 25 railroad, 25 industries, fell off 90%, from a high of \$311.90 on September 29, 1929 to \$33.95 on July 8, 1933. (They have since recovered, up to January 9, 1940, to \$110.)

The rest of the world looked on us as a blind Samson destroying our own economic life as we brought down the temple of world trade.

Great Britain, too, felt obliged to discontinue making loans abroad. Currency after currency was set adrift and the gold standard collapsed with Great Britain being forced off gold in 1931.

That the length, breadth, and depth of our depression which began in 1929 was due to world conditions was now becoming the view of an increasing number of Americans:

Note these figures:

Gold value of world trade

1929.....	100.0	| 1931.....	57.8
1930.....	80.0	| 1932.....	39.1

It seems obvious enough now that there must have been a very direct connection between our own difficulties and a 61% drop in world trade, but we were a long time finding it out.

DOLLAR EXCHANGE

The demand for American dollars, both to buy American goods and to pay the interest on foreign bonds, became so acute that not only did the rates of exchange break to low levels, but country after country put in import and exchange controls and import restrictions, all detrimental to American exports.

Here is how the value of certain foreign monies in terms of U. S. dollars had shrunk from 1929 to 1932:

	Values in U. S. Currency	
	1929	1932
Argentine peso.....	\$0.95	\$0.58
Australian pound.....	4.80	2.79
Brazilian milreis.....	.118	.071
Chilean peso.....	.120	.079
New Zealand pound.....	4.88	3.20
United Kingdom pound.....	4.86	3.60
Uruguayan peso.....	.986	.47
Sweden, krona.....	.2078	.1847

Put yourself in the place of the foreign merchant who buys American goods. In the United Kingdom to buy \$1,000 worth of American merchandise cost him £200 in 1929.

But in 1932 that same amount of American merchandise cost him £300.

In the case of an Australian merchant, \$1,000 of American goods which had cost him only £200 now cost £360; in Brazil the cost of \$1,000 had changed from 8,000 milreis to 14,000 milreis; in Uruguay from 1,000 pesos to 2,000 pesos.

In many countries merchants were forbidden to buy dollars to pay for export goods. They could only deposit local money and the manufacturers had to wait until enough exchange was available to secure dollars. Thus millions of dollars were frozen for long periods before American manufacturers could secure payment, some \$33,000,000 in Brazil alone—all since paid, by the way.

And yet the amazing thing was that export business continued.

Many manufacturers told me in those days that their export business actually held up better than their domestic business did.

Export trade was bad, but domestic seemed, if anything, worse.

ENTER CORDELL HULL

It was in those dark days that tariff reciprocity was proposed as a method of solving the dollar-exchange problem by increasing imports and at the same time securing tariff concessions abroad which would revive our exports.

Exports were by then down 76% from 1929. And domestic trade was about as bad. For steel production was down 71%; automobiles, 74%.

The theory of increasing exports by reciprocal tariff agreements was originally a Republican one and first gained prominence under the great Republican leader, James G. Blaine.

Republican Presidents Harrison, McKinley, and Taft were all active in promoting, actual reciprocal tariff agreements.

The acquisition of Alaska, Hawaii, Puerto Rico and the Canal Zone was, from a tariff standpoint, reciprocity.

We charged them no duty, and they in turn charged us none.

And look at the result:

Hawaii buys 90% of all her imports from us; Puerto Rico, 90% and Alaska 99%.

Under President Taft reciprocal free trade relations were established with the Philippines, and 60% of all their imports are from the U. S. A.

Our total exports to those four markets in 1938 almost equalled our exports to all of South America.

On the independence of Cuba, the Republicans made a reciprocal tariff arrangement with her, each country according the other a lower rate of duty than charged the goods of other nations.

President Taft tried to negotiate a reciprocal tariff agreement with Canada but Canada rejected it.

From the Republican record, therefore, there is nothing heretical in the principle of reducing our tariff rates in order to increase our exports.

THE PROGRAM BEGINS

The present Hull reciprocal trade agreement program went into action in 1934.

Nearly every one of the agreements since made met opposition, some of it bitter, with frequent prophecies of industrial and agricultural doom.

For example, the American Iron and Steel Institute strongly opposed the steel concessions in the agreement with Belgium which became effective in May 1935.

Yet here is how steel fared:

U. S. steel production per year

	Tons
Hawley-Smoot, 1932.....	8,781,000
Pre-Belgian agreement, 1934.....	10,138,000
Belgian reciprocity for 8 months, 1935.....	21,373,000
Belgian reciprocity for 12 months, 1935.....	31,029,000

In other words, in the year 1935 when the Belgian agreement, so feared by the American Iron and Steel Institute, was in effect for eight months of the year, American steel production increased 5,000,000 tons. And in the next year, when it was in effect for 12 months, it increased another 10,000,000 tons.

By 1937 the American steel production was 4½ times as great as it was in 1932 under the unmodified Hawley-Smoot rates.

Something has brought the steel industry back from the almost bottomless pit of 1933. Perhaps it was the renewal of our export trade.

Average steel ingot production and operating rates as compiled by the American Iron and Steel Institute itself compared as follows:

	Gross tons	Percent of capacity		Gross tons	Percent of capacity
1929 daily average.....	174,638	89	1936 weekly average.....	906,929	86.8
1933 daily average.....	72,884	33.5	1937 weekly average.....	949,423	72.2
1934 daily average.....	82,312	37.3	1938 weekly average.....	1,32,072	39.6
1935 daily average.....	107,543	48.5	1939 weekly average.....	850,890	62.8

STEEL EXPORT VS. IMPORTS

It is the theory of the trade agreement program that whatever sacrifices an industry makes by way of tariff concessions as in the case of the steel industry will be more than offset by increased exports direct, or indirect.

In the case of steel, for example, better world conditions and better tariff rates on American products tend to increase exports of automobiles, machinery refrigerators, and many other items in which steel is a large component, as well as exports of steel itself.

Even as regards steel mill products themselves the experience since the Belgian agreement was made is by no means unfavorable as the following table shows (steel mill products include only such items as structural iron and steel, pipe

wire, nails, etc.; do not include tools, cutlery or any products in which steel is used):

Steel mill products—Manufactures

	Exports	Imports		Exports	Imports
1926-1930 average	\$80,475,000	\$17,369,000	1935	\$28,082,000	\$10,808,000
1931	80,913,000	9,017,000	1936	32,014,000	13,068,000
1932	14,338,000	5,593,000	1937	67,037,000	16,224,000
1933	19,742,000	5,950,000	1938	62,433,000	10,762,000
1934	31,777,000	0,136,000	1939 (9 months)	41,807,000	9,134,000

Note that in 1938 imports of steel mill products were up four million dollars from 1934 when the trade program began but exports were up 21 million dollars.

This wide discrepancy is due, of course, partly to the rearmament program in Europe which, since 1935, has completely altered the world steel situation.

It is true that in 1935 imports of steel mill products increased while exports fell off, but, as an offset, total steel production in this country increased enormously that year and exports of American commodities, in which steel is a large factor, also increased greatly in 1935.

As against a slight increase in imports of steel mill products in 1935 of five million dollars there was an increase in exports of industrial machinery of 37 million dollars; electrical machinery and apparatus, 15 million dollars; office appliances, 4 million dollars; agricultural machinery and implements, 11 million dollars; automobiles and other vehicles, 37 million dollars, or an increase for those items alone of approximately 105 million dollars. Made of steel.

TEXTILE PLANTS NOW STORES

I have debated the merits or iniquities, as you prefer, of the reciprocal-trade agreement program with New England textile men who all but ran me out of town.

One of the saddest sights I know of are those great former textile plants in Fall River used for cash and carry stores, storage warehouses, clothing manufacturing, everything in the world but textile mills.

Yet how can New England lay the flattering unction to its soul that its textile troubles are alone due to foreign competition, or that the tariff can make or break them?

Turn to page 800 of the Statistical Abstract of the United States and read that the number of cotton spindles operated in New England declined for nine consecutive years from 1924 to 1933.

That while in 1928 New England mills consumed 21% of the cotton used in all U. S. mills and cotton-growing states used 75%, in 1938 New England used 12% and the cotton-growing states used 85%.

Not that it has any bearing, but the largest amount of cotton consumed in New England mills, since 1930, was in 1937, up 58% from 1932.

American manufacturers of woolen goods especially fought against concessions given to Great Britain on woolen goods. Yet in the first 9 months that that agreement was in force, our imports of wool manufactures were actually less than in the same period of 1938.

The lace industry has been especially critical of the reciprocal agreement with France, yet machine-made lace imports in 1938 were less in value than before the agreement and they were 60% less than the 1926-1930 average under the Fordney-McCumber tariff.

I have heard Massachusetts fish men complain about the imports of Canadian fish, but note that in 1938 our total fish imports were actually less by 45 million pounds than the 1926-1930 average. Total fish imports from all countries amounted to about 2½ pounds per capita for the whole nation—say five meals out of the 1,095 in the year.

THE GRAND ILLUSION

The man who sees red whenever the word "import" is mentioned is laboring under the delusion that increased imports are a signal for domestic depression.

The fact is that imports into the United States fall off in times of domestic distress and increase as times improve.

Thus in 1938 when steel production fell off 44%, our total imports fell off one billion dollars.

Increased imports, instead of something to be alarmed about, are a sign of domestic prosperity.

In 1932, when domestic business was in the slough of despond, *our imports were the lowest in 23 years.*

By 1937, the best year since 1929, they rose to \$3,083,668,000, up 128% above the low point in our domestic depression.

But 1938 was an off year in domestic trade. And sure enough, imports fell off, by more than a billion dollars, receding to \$1,960,528,000.

Note how whenever our manufacturing output increases imports also increase, not decline, but how they fall off whenever our manufacturing activity diminishes:

United States industrial production,

[Manufactures 1923-25=100]

		U. S. imports			U. S. imports
1932.....	63	\$1,322,774,000	1936.....	105	\$2,422,502,000
1933.....	75	1,449,559,000	1937.....	100	3,083,668,000
1934.....	78	1,655,055,000	1938.....	84	1,960,528,000
1935.....	90	2,047,485,000	1939 (9 mos.).....	98	2,050,000,000

¹ Estimated.

The fact is that 48% of all our imports are raw materials and semifinancitures used by American industry. More manufacturing, more imports.

EXPORT AND DOMESTIC EXPANSIONS SIMULTANEOUS

Striking evidence of how domestic trade expansion is always accompanied by increasing exports is shown in the case of the month of November 1939.

In November 1939, factory employment reached the highest figure since November 1929. Steel production reached the highest figure for any November on record.

And in November our imports were the largest for any November since 1930.

As a matter of fact, 60% of all our imports are duty free anyway; nobody seems to have any interest in keeping them out.

HOW THE FARMER WAS "SOLD DOWN THE RIVER"

Farmers have been told that Mr. Hull has, in order to stimulate manufacturing activity, sold the farmer down the river through his reciprocal pacts.

Here is how that has worked out:

In 1933 U. S. exports of crude foodstuffs had dropped 74% from 1929 and were the lowest in value in 59 years.

The Hull program promised to revive our export markets by tariff bargaining, for agriculture as well as industry.

Did he make good for agriculture? Despite crop curtailment and droughts, exports of crude foodstuffs in 1938 reached \$249,041,000, the highest level since 1929 and within 8% of that 1929 level.

Increase over 1933 was 418%!

Exports of finished manufactures increased only 144% and we felt pretty good about that.

Of all the intellectual frauds in this controversy the statement that the farmer has been sold down the river is the greatest fraud of all.

One way this is done is to assert that our agricultural exports have fallen off. This is arrived at by including cotton, but cotton farmers received a subsidy to reduce production, and hence export. It is not fair to blame all the vagaries of our farm policy on the trade-agreement program.

Here is how the grain farmer has fared in the two-way trade:

Grains and preparations

	Exports	Imports	Excess of exports		Exports	Imports	Excess of exports
1929....	\$289,357,000	\$20,004,000	+\$269,353,000	1935...	\$28,020,000	\$73,314,000	-\$45,294,000
1932....	66,917,000	7,661,000	+\$59,256,000	1936....	20,556,000	84,424,000	-\$63,868,000
1933....	31,540,000	13,528,000	+\$18,012,000	1937....	94,143,000	102,392,000	-\$8,249,000
1934....	39,406,000	33,481,000	+\$5,925,000	1938....	223,583,000	7,976,269	+\$215,606,731

WHAT ARE AGRICULTURAL IMPORTS?

Some of those discussing this question have dwelt on our large agricultural imports without taking the trouble to tell us that these include rubber, coffee, tea, cocoa, silk, bananas, and tropical speices.

Large corn imports occurred in 1935, 1936, and 1937 because of drought here, but these had no relation to the reciprocal program and virtually ceased after 1937. Mr. Hull had no more to do with the drought and the corn imports than Charlie McCarthy.

Eliminate our imports of corn in the drought and here is how grain and preparations imports compare:

U. S. imports, grain and preparations

	Total	Total exclusive of corn		Total	Total exclusive of corn
1929.....	\$20,004,000	\$19,577,000	1935.....	\$73,314,000	\$53,022,000
1932.....	7,681,000	7,495,000	1936.....	84,424,000	68,342,000
1933.....	13,328,000	13,000,000	1937.....	102,392,000	46,208,000
1934.....	33,481,000	31,951,000	1938.....	7,976,260	7,718,567

Note that in 1938 our imports of grains and preparations were actually only 40% of the 1929 level and only 26% of what they were when the reciprocal tariff program began.

Again, if Mr. Hull wanted to pose as a high protectionist, what a story he could tell.

Mark Sullivan reported the other day the statement of a Western voter who had seen a can of Argentine canned beef and said that there must be something wrong with an Administration which allowed foreign canned meat into this country.

Now the fact is that we have no trade agreement with Argentina. Such an agreement, next to the British one, would have been the brightest feather in Mr. Hull's cap. He must have ardently desired its consummation.

Yet recently, Mr. Hull called the whole deal off, because Argentina asked too much, offered too little. Mr. Hull, says James A. Farley, is the most sincere man he has ever met in politics, which is covering a good deal of territory.

Argentine canned beef, and Brazilian and Uruguayan, too, has been coming into this country for years and years. Mostly packed by American-owned plants, too. Armour, Swift, and Wilson.

HOW MEAT IMPORTS COMPARE

Again, if Mr. Hull wanted to pose as a protectionist, he could point out that under his tariff rates our imports of total meat products have averaged less than under the Fordney-McCumber tariff.

Note that in only one year, 1937, did these imports exceed the figures in 1926-1930 under the Fordney-McCumber tariff.

And that was the year in which employment in the United States was within 6% of the all-time record in 1929. People were just eating more meat.

U. S. meat-product imports

1926-1930 average (Fordney-McCumber).....	\$33,356,000	1935 (Hull).....	\$19,178,000
1932 (Hawley-Smoot).....	7,636,000	1936 (Hull).....	25,615,000
1933 (Hawley-Smoot).....	9,443,000	1937 (Hull).....	39,838,000
1934 (Hull).....	12,840,000	1938 (Hull).....	29,777,968
		1939 (Hull).....	27,312,000

Dairy interests fought reciprocity. Here is how dairy imports compare:

Dairy imports

1926-1930 average (Fordney-McCumber).....	\$31,700,000	1935 (Hull).....	\$15,001,000
1932 (Hawley-Smoot).....	13,098,000	1936 (Hull).....	16,103,000
1933 (Hawley-Smoot).....	10,066,000	1937 (Hull).....	15,798,000
1934 (Hull).....	10,891,000	1938 (Hull).....	12,066,000
		1939 (Hull).....	13,000,000

Note that dairy imports, under reciprocity, have never been over half of what they were under the Fordney-McCumber tariff.

TYPICAL FARM "FACTS"

Some of the charges made against the program by those speaking for farmers seem reckless in their ignoring of the facts. I heard one speaker blame the drop in wool prices in 1938 on the British agreement.

Now get this:

The British trade agreement did not come into effect until January 1, 1939.

That agreement did not reduce the tariff on wool.

The tariff on wool was not reduced as the result of any of the trade agreements. The rate is the Hawley-Smoot rate.

Imports of wool in 1938, the year the price broke, fell off 77% from 1937, when the price was high.

They were 72% less than they were even in 1926-1930 under the Fordney-McCumber tariff.

Putting the blame for the wool price slump in 1938 on the trade agreements is even less logical than the old army game of charging whatever was lost to the latest deserter.

This same speaker denounced the reduction of duty on turkeys in the Canadian agreement. No such reduction was, in fact, made.

As a matter of fact, imports of live turkeys in the first nine months of 1939 amounted to only \$1,158 and dead ones to \$10,517.

Our total exports of all poultry in the first nine months of 1939 actually exceeded our imports.

Those wool and turkey incidents are two examples of the type of unwarranted charges which are hurled through the air with the greatest of ease. Few in the audience will bother to check.

By the way, if you want to check my figures, you will find most of them in the Statistical Abstract of the United States, \$1.50, and the Monthly Summary of Foreign Commerce of the United States for December, 1938, cost \$1.50 a year. Address the United States Government Printing Office, Washington, D. C.

Or buy a copy of the World Almanac from any newsdealer for 60 cents and you will find the vast majority of the figures there.

RECIPROCIDY IS NOT FREE TRADE

The authority given to the executive department to alter tariff rates under the reciprocal tariff is much more limited than is generally believed.

It does not even approach anything like free trade.

The executive cannot reduce the rates of the Hawley-Smoot tariff by more than 50%. The executive cannot transfer an item from the dutiable to the free list.

The reduction of duties has, in general, not been sharp. In 1937 rates of duties to value of dutiable imports were only about 5% less than in 1929 under the Fordney-McCumber tariff, but they are 35% less than in 1932 under the Hawley-Smoot tariff.

Rates of duties to value of dutiable imports

	Percent		Percent
1929.....	40. 10	1934.....	46. 70
1930.....	44. 71	1935.....	42. 88
1931.....	53. 21	1936.....	39. 28
1932.....	59. 06	1937.....	37. 81
1933.....	53. 58		

By individual schedules, here are how 1937 rates compared with previous ones.

	Payne- Aldrich 1912	Fordney- Mc- Cumber 1929	Hawley- Smoot 1932	Hull 1937
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1. Chemicals, oils, and paints.....	25.91	30.70	44.02	35.13
2. Earthen, earthenware, and glass.....	50.72	48.85	54.47	48.80
3. Metals and manufactures.....	34.35	35.48	37.46	32.57
4. Wood and manufactures.....	13.48	24.70	22.44	10.05
5. Sugar, molasses, and manufactures.....	48.18	83.07	168.21	86.03
6. Tobacco and manufactures.....	82.19	05.07	82.31	70.20
7. Agricultural products and provisions.....	20.01	22.90	47.89	34.43
8. Spirits, wines, and other beverages.....	83.98	84.63	38.38	81.48
9. Cotton manufactures.....	45.51	36.43	47.63	38.94
10. Flax, hemp, and jute.....	45.15	19.01	81.09	24.83
11. Wool and manufactures.....	55.98	70.82	84.14	82.52
12. Silk and manufactures.....	51.54	68.00	59.43	54.44
13. Rayon, etc.....			59.98	43.20
14. Paper and books.....	21.41	23.32	26.66	31.69
15. Sundries.....	24.72	37.65	40.46	29.13

Study that table dispassionately for a moment.

Note that in more than half, eight out of fifteen schedules, the Hull rates are actually higher than under the Fordney-McCumber tariff.

Six out of fifteen are higher than the Payne-Aldrich rates.

The average is, of course, less than under the Hawley-Smoot tariff, but except in the case of sugar the reductions would hardly seem revolutionary. The rates average, in fact, not much less than those of the Fordney-McCumber tariff, which was considered high tariff in its days.

By the way, take a look at the rate of duty that raw sugar paid in 1932, namely 166%. That was a honey.

Then take a look at what that rate helped do to our export trade with Cuba in 1932. It was off just 72% from the 1926-1930 average and 89% from the 1921-1926 average.

DELEGATION OF AUTHORITY

Congress has been very lavish since 1933 in delegating authority. Too much so. The immense authority given more or less irresponsible bureaucrats to interpret and enforce the will of Congress terrifies me at times.

But some delegation of authority is inevitable and in the intricacies of modern civilization this becomes increasingly so. In tariff matters it becomes increasingly impossible for Congress to intelligently consider the voluminous details necessary to intelligent action.

The result is that tariff legislation becomes the hodge podge result of log rolling.

Congress, under the Republicans, recognized the necessity of some delegation of authority, by delegating to the President in the Fordney-McCumber Act of 1922 and the Hawley-Smoot Act of 1930 the authority to reduce rates by not more than 50% under certain conditions. Or to increase them by not more than 50%.

So that, too, like the principle of reciprocity, is accepted Republican doctrine.

And when that delegation of tariff making was made, by Congress, an authority which President Harding, Coolidge, and Hoover all used to lower tariff rates, as well as raise them, we lived in a very different tariff world than we do today.

If we want to gain any bargaining benefits whatever from reducing our tariff rates only the executive can bargain effectively.

For the centralization of power abroad has gone to an extreme undreamt of in 1922.

You cannot deal with the other big powers of the world today by Senatorial debate. It just can't be done.

Even in 1929 Senator Vandenberg said over the radio: "It is impossible to change these tariffs congressionally. The infirmities which now attach to general tariff making would re-attach to this perennial submission of the tariff to congressional surgery."

WHAT EXPORTING MANUFACTURERS SAID

When the trade agreements legislation first came up in Congress shortly after the present administration took hold in 1933, we asked the manufacturers with whom we do business whether or not they favored tariff reciprocity as then proposed and subsequently enacted.

We received only three negative replies. All others replied that they were in favor. And they are all protectionists.

THE MOST FAVORED NATION POLICY

Some criticize Mr. Hull's definition of "most favored nation."

His liberality in this definition is in line with Mr. Hull's belief that general prosperity is being retarded not only by tariff barriers between us and other countries but by barriers between all countries. I am told that Mr. Hull is following the interpretation of most favored nation first made by Charles Evans Hughes, a Republican, when Secretary of State.

This part of the program is one on which there can be honest differences of opinion. As a practical matter, our liberal definition of "most favored nations" seems to have done more to make our negotiators timid in making tariff concessions than it has to break down our tariff walls.

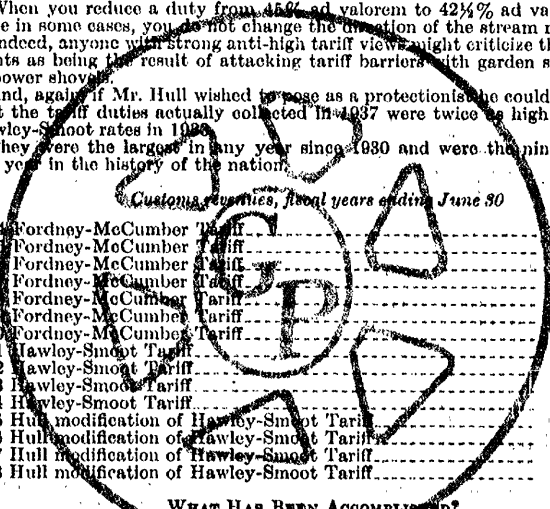
When you reduce a duty from 45% ad valorem to 42½% ad valorem, as was done in some cases, you do not change the direction of the stream materially.

Indeed, anyone with strong anti-high tariff views might criticize the Hull agreements as being the result of attacking tariff barriers with garden spades instead of power shovels.

And, again, if Mr. Hull wished to pose as a protectionist, he could rightly claim that the tariff duties actually collected in 1937 were twice as high as under the Hull-Smoot rates in 1933.

They were the largest in any year since 1930 and were the ninth largest for any year in the history of the nation.

Customs receipts, fiscal years ending June 30



1924 Fordney-McCumber Tariff	\$545, 638, 000
1925 Fordney-McCumber Tariff	547, 561, 000
1926 Fordney-McCumber Tariff	579, 430, 000
1927 Fordney-McCumber Tariff	605, 500, 000
1928 Fordney-McCumber Tariff	568, 986, 000
1929 Fordney-McCumber Tariff	602, 263, 000
1930 Fordney-McCumber Tariff	587, 001, 000
1931 Hawley-Smoot Tariff	378, 354, 000
1932 Hawley-Smoot Tariff	327, 755, 000
1933 Hawley-Smoot Tariff	250, 750, 000
1934 Hawley-Smoot Tariff	313, 434, 000
1935 Hull modification of Hawley-Smoot Tariff	348, 353, 000
1936 Hull modification of Hawley-Smoot Tariff	386, 812, 000
1937 Hull modification of Hawley-Smoot Tariff	486, 357, 000
1938 Hull modification of Hawley-Smoot Tariff	359, 187, 000

WHAT HAS BEEN ACCOMPLISHED?

I gave you impressive figures near the start of this study indicating the tremendous gains which exports of finished manufactures have made since the dark days of 1932.

Exports of finished manufactures increased from an average of 620 million dollars a year in 1932 and 1933 to an average of one billion, 568 million in 1937 and 1938. Or an increase of 150%.

Up to September, 1939, exports of finished manufactures since the Hull policy began were three billion seven hundred million dollars more than they would have been at the 1932-33 rate.

Near four billion dollars' worth more of American finished goods business than we would have had under the 1932-1933 conditions.

Mr. Hull would not of course, claim that his efforts alone accomplished all that huge gain. Other factors helped.

THE 60 CENT DOLLAR

Our revaluing the dollar in line with the old par of the pound sterling carried enormous influence on our own export trade.

For when in 1931 and 1932 the \$4.86 pound was worth only \$3.50, and Dominion currencies in like proportion, the British Empire became a good market to buy in, but a poor one to sell in.

Also a recovery in the volume of world trade had begun in 1933, a year before the Hull program got going, as follows:

	Volume of world trade, 1929=100	United States manufacturing production, 1923=100		Volume of world trade, 1929=100	United States manufacturing production, 1923=100
1929	100.0	119	1935	81.8	90
1930	98.0	95	1936	85.4	105
1931	85.5	80	1937	96.2	100
1932	74.0	63	1938	88.0	84
1933	75.5	75	1939	102.0	78
1934	78.5	78			

1-6 months.

7-9 months.

Indeed, it might be used as an argument for the Hull program to point out that while our manufacturing production rises and falls with the volume of world trade, our manufacturing production has increased 25.6% since 1934, while world trade has increased only 17.0%.

Even more impressive is the fact that in a period in which the volume of world trade increased 17.0%, OUR EXPORTS INCREASED 40%.

But you ain't heard nothing yet.

Listen to this: In those same 5 years our exports of finished manufactures increased 70%.

FOREIGN TRADE IN 1939

In the first 9 months of 1939 here is how our foreign trade compared with the same period of 1934:

	1934	1939	Change
Exports to Trade Agreement Countries	\$849,291,000	\$1,326,118,000	+56.1%
Exports to Non-Trade Agreement Countries	712,076,000	858,776,000	+20.6%
Imports from Trade Agreement Countries	712,267,000	983,916,000	+38.1%
Imports from Non-Trade Agreement Countries	629,626,000	637,030,000	+2.3%

That doesn't look like bad bargaining. For every dollar of increased imports from trade agreement countries, we have increased our exports to them by \$2.76.

The policy has not maintained peace, as Mr. Hull had hoped. But that, as Kipling said, is another story.

It has not brought our imports up so they equal our exports. We continue, creditor nation though we be, to sell more than we buy and thus to add to our inordinate, unprecedented and unhealthy share of the world's gold.

Again, if Mr. Hull wished to pose as a protectionist, he could point out that in 1938 we had the greatest so-called "favorable" balance of trade, that is excess of exports over imports, since 1922.

It was larger than in any year under the Fordney-McCumber tariff or the Hawley-Smoot tariff unmodified.

But such an unwieldy excess cannot but make the judicious grieve since it further upsets world economy and adds to our abnormal imports of gold.

Thus in 1938 our net imports of gold amounted to one billion 973 million dollars which was the highest figure up to that time in the history of the nation (1939 went higher as war clouds gathered).

WHAT RECIPROcity MEANS TO LABOR

The American Federation of Labor, as such, has taken no position on the reciprocal trade program.

But Mathew Woll, an important A. F. of L. leader, is considered the main-spring of "America's Wage Earners' Protective Conference" which opposes it and claims to be supported by between 700,000 and 800,000 of the Federation's 4,000,000 members.

It seems surprising that organized labor in the industries so largely dependent on export have not shown more militant support of the program.

Look at the figures of employment and try and find the logic of labor not supporting reciprocity:

Employment and unemployment

[The American Federation of Labor's own estimate]

Employment:	
No reciprocity:	
1932	36, 878, 000
1933	30, 959, 000
Reciprocity:	
1934	41, 002, 000
1935	42, 537, 000
1936	44, 783, 000
1937	46, 630, 000
1938	43, 600, 000
Unemployment:	
No reciprocity:	
1932	13, 182, 000
1933	13, 723, 000
Reciprocity:	
1934	12, 364, 000
1935	10, 652, 000
1936	9, 395, 000
1937	8, 282, 000
1938	10, 933, 000

Note that unemployment reached its low and employment its high in 1937, the year imports were largest, and that both got worse in 1938, the year imports fell off one billion dollars.

Also note that from 1933 to 1937 unemployment fell off 5,000,000 persons, employment increased 10,000,000.

It would take some doing to find an argument in those figures for labor opposing the Hull program.

On the other hand, I wonder if the American Federation of Labor has ever made a study of the amount of employment lost to American factory workers by the American branch factories opened in Canada, England, Germany, Australia, and Argentina after 1930, as a result of the increasing difficulty of exporting American goods to those markets because of tariffs and dollar exchange troubles.

NOW COMES THE SCANDAL

Now for the scandal in the situation. No, it is not a scandal of corruption or malfeasance. No Teapot Dome.

It is an intellectual scandal.

The scandal of ignoring present-day facts in favor of methods no longer applicable.

From 1929 to 1933 every nation in the world was building its tariff walls higher and higher. And the higher they built, the worse business got.

Then under Mr. Hull we set them a different example. We asked them to reduce those walls, not much, but about back to the levels of the prosperous years. And we offered to match them.

And as the walls were reduced business got better and better.

Yet in this country Mr. Hull proves once more the ancient saying, that a prophet is not without honor save in his own land.

Mr. Hull stands, to a degree, in the place of so many other originators of new practical ideas down through the ages.

Galileo was nearly burned at the stake because he insisted that the earth revolved around the sun.

Columbus was buffeted from pillar to post in trying to persuade people that the earth was not flat and that it was possible to sail westward to the east.

In the face of what has happened since the trade agreement program was begun, the attack on it now is an intellectual scandal on a par with the refusal of the medical profession for 20 long years to listen to Dr. Carols Finlay of Havana who had discovered that yellow fever was carried by mosquitoes, naming the one variety out of 800 which was the culprit.

THE BRITISH ARE STUBBORN TOO

It is an intellectual scandal on a par with the failure of the British Admiralty to listen to the pleas of Lloyd George for three years to try the convoy system to protect merchant shipping from U boats during the World War. Great Britain very nearly lost the war through this stubbornness.

Yet when the system which the admirals had violently opposed was finally tried out, of 16,657 vessels convoyed only 138 were lost. More vessels were lost to U-boats in the single month of April 1917, before the system was adopted, than in the 18 months after it was placed in operation.

It is an intellectual scandal on a par with the opposition of the British post-office author ~~the~~ Rowland Hill's plan for the "penny post," to take the place of the cumbersome previous system for letters costing as high as 24 cents each to deliver. Post office authorities could not believe but that a system of low postage rates, the same rate for the entire United Kingdom, would do anything but bankrupt the post office.

It is an intellectual scandal on a par with the failure of manufacturers to realize the importance of the work of Charles Goodyear. He produced hard rubber two years before a single person would believe him.

And when his son worked out a clear plan for a complete machine-made shoe, leading shoe manufacturers looked upon his idea as a mere chimera.

It is an intellectual scandal on a par with the indifference shown the Wright Brothers. At their first successful powered flight in spite of a general invitation to the public, only five persons showed up. It was four years later, and only after the Wrights had made successful deals with the British and French governments, that our own War Department would give them a hearing.

Yes, and it's a political scandal, too.

A political scandal in that after six years of such a successful demonstration of the policy's effectiveness in helping to restore trade, following the ghastly experience of 1931, 1932, and 1933, so many, in Congress and out, refuse to pay the slightest attention to the lessons of those past 10 years and would once more revert to the logrolling system of tariff adjustments, and in the face of world conditions as they are and are likely to be for some time to come, would once more hang the millstone of the Hawley-Smoot tariff around our necks.

Note the following tables as to exports and imports in certain specific industries.

Some significant comparisons

[1933 Foreign Trade]

	Exports	Imports
Iron and steel semifinufactures.....	\$131,859,764	\$3,138,487
Steel mill products manufactures.....	52,433,684	10,792,478
Iron and steel advanced manufactures.....	43,269,629	2,631,100
Tools.....	11,637,337	730,812
Electrical machinery and apparatus.....	102,151,152	2,019,133
Metal working machine tools.....	97,270,010	893,005
Agricultural machinery and implements (duty free)	75,435,303	3,920,159
Chemicals and related products.....	110,255,000	66,752,000
Pigments, paints and varnishes.....	18,654,592	1,368,000
Leather manufactures.....	8,651,401	8,282,173
Cotton manufactures.....	48,311,483	33,278,631
Wool manufactures.....	1,912,169	16,116,591
Silk manufactures.....	6,061,343	8,271,614
Rubber manufactures.....	27,181,516	610,000
Petroleum and products.....	388,026,287	39,462,423
Glass and glass products.....	8,331,914	6,528,952
Toys, athletic and sporting goods.....	5,098,480	2,556,000

Note that in the case of iron and steel semifinufactures, exports exceed imports by 43 to 1; steel mill products by 5 to 1; iron and steel advanced manufactures by 16 to 1, and tools by 15 to 1.

Also electrical machinery and apparatus by 50 to 1; pigments, paints, and varnishes by 14 to 1; rubber manufactures by 30 to 1; petroleum and products by 9 to 1.

How U. S. imports in certain industries compare

(Compare this table with the one of exports on page 2)

	1932	1938	Increase (percent)
Leather manufactures.....	\$9,809,000	\$8,282,173	-14
Shoes.....	2,006,000	3,397,048	+68
Cotton manufactures.....	20,969,000	33,278,631	+53
Wool manufactures.....	11,539,000	16,115,591	+31
Silk manufactures.....	5,933,000	8,271,514	+39
Rayon manufactures.....	2,821,000	6,065,836	+165
Rubber manufactures.....	888,000	910,000	+3
Paper and manufactures.....	94,135,000	112,978,358	+20
Petroleum and products.....	60,630,000	39,462,423	-35
Glass and glass products.....	3,667,000	9,529,052	+78
Iron and steel semifinances.....	4,029,000	3,138,497	-23
Steel-mill products, manufactures.....	5,593,000	10,762,478	+92
Iron and steel advanced manufactures.....	2,183,000	2,631,000	+20
Tools.....	584,000	730,842	+25
Electrical machinery and apparatus.....	1,049,000	2,019,133	+93
Metal-working machine tools.....	233,000	803,065	+283
Agricultural machinery and implements.....	959,000	3,020,150	+206
Chemicals and related products.....	47,852,000	78,020,928	+66
Pigments, paints, and varnishes.....	1,115,000	1,368,000	+6
Automobiles.....	251,000	374,862	+40
Toys, athletic and sporting goods.....	3,701,000	2,556,954	-32

U. S. Exports and imports

(000 omitted)

(Underwood)	Total exports	General imports	Excess of exports (+)
1922 (Payne-Aldrich).....	\$3,831,777	\$3,112,747	+\$719,030
1923 (Fordney-McCumber).....	4,167,493	3,792,600	+375,427
1924 (Fordney-McCumber).....	4,590,084	3,609,003	+981,021
1925 (Fordney-McCumber).....	4,099,848	4,229,689	-683,266
1926 (Fordney-McCumber).....	4,808,600	4,130,888	+677,772
1927 (Fordney-McCumber).....	4,895,378	4,181,742	+680,633
1928 (Fordney-McCumber).....	5,126,356	4,091,444	+1,036,912
1929 (Fordney-McCumber).....	5,240,995	4,309,361	+941,634
1930 (Hawley-Smoot).....	3,843,161	3,060,968	+782,278
1931 (Hawley-Smoot).....	2,424,269	2,090,635	+333,634
1932 (Hawley-Smoot).....	1,611,010	1,322,774	+288,232
1933 (Hawley-Smoot).....	1,674,094	1,445,559	+228,535
1931 ("Hull" modification).....	2,132,800	1,625,055	+477,745
1935 ("Hull" modification).....	2,282,874	2,047,485	+235,389
1936 ("Hull" modification).....	2,355,978	2,122,692	+233,286
1937 ("Hull" modification).....	3,349,107	3,683,668	-295,409
1938 ("Hull" modification).....	3,094,095	1,930,628	+1,133,567
1939 ("Hull" modification).....	3,177,344	2,318,218	+859,086

A CLEAR WARNING

In closing I want to quote these words from a great friend of American industry: "We must not repose in fancied security that we can forever sell everything and buy little or nothing . . . Reciprocity treaties are in harmony with the spirit of the times."

These are not the words of any free trader. They are the words of a strong protectionist.

They are words spoken by William McKinley in the last public address he ever made.

The CHAIRMAN. In addition, the committee has received a number of briefs, statements, letters, and so forth, from various organizations and associations, some favoring the extension of this program; others opposing the program. These briefs and statements are submitted in lieu of personal appearances. Without objection, the clerk is

instructed to incorporate those documents in our record for the information of committee members and Members of the Senate.

(The briefs are as follows:)

NATIONAL ASSOCIATION OF ALCOHOLIC BEVERAGE IMPORTERS, INC.,
Washington, D. C., January 17, 1940.

HON. PAT HARRISON,
Chairman, Senate Finance Committee, Washington, D. C.

DEAR SIR: At a meeting of the board of directors of the National Association of Alcoholic Beverage Importers, Inc., the following resolution was adopted unanimously:

"Resolved, That the National Association of Alcoholic Beverage Importers, Inc., go on record as strongly favoring the extension of the reciprocal trade agreement law, and that the Executive Vice President so notify the Secretary of State, the Chairman of the Committee on Ways and Means, and the Chairman of the Senate Finance Committee."

Very truly yours,

HARRY L. LOURIE,
Executive Vice President.

MORNINGSTAR, NICOL, INC.,
New York, February 3, 1940.

HON. PAT HARRISON,
Chairman of the Senate Committee on Finance, Washington, D. C.

DEAR SIR: We have noticed in the past few months a great deal of criticism of the reciprocal trade agreements, and we want to go strongly on record as favoring the renewal of the President's power to negotiate such treaties.

As manufacturers of starch products, through necessity we must purchase most of our raw materials abroad, but nevertheless employ American labor for the processing of this raw material.

The writer has gone through the tariff battles of the past and can't help but feel that the present method is not only fair and just, but that this whole troublesome matter has been reduced to a really scientific basis.

Hoping that you will use your influence to perpetuate the laws which, in our humble opinion, so greatly helped not only the manufacturer but the farmer, we beg leave to remain,

Respectfully yours,

MORNINGSTAR, NICOL, INC.,
JOSEPH MORNINGSTAR,
President.

FREEPORT SULPHUR CO.,
New York, February 8, 1940.

HON. PAT HARRISON,
United States Senate, Washington, D. C.

DEAR SENATOR HARRISON: I am very much interested in the economic and patriotic aspects of the proposal now before the Congress with respect to extending the powers of the Secretary of State to make reciprocal-trade agreements. I have followed the work of the State Department in this field with great interest from the beginning because I was one of the earliest, and perhaps one of the greatest, sufferers from this program. As a result of what I consider mistaken policy, the United States reduced the duty on manganese and thereby very nearly destroyed our subsidiary company, the Cuban-American Manganese Corporation, in whose development the War Department had been greatly interested as it considered that company an important part of its program for the national defense of this country.

In any such broad program as the reciprocal-trade-agreement program there must inevitably occur some mistakes, but it seems to me that to judge fairly such a program the mistakes should be balanced against the benefits. I was impressed from the first with the tremendous sincerity of purpose of the Secretary of State in carrying out this program, and I have the definite belief that the net results of this program have been to the advantage of the people of this country and of the world. I am convinced that we cannot have in this world the kind of peace and order that we so earnestly desire if the nations of the world are to continue in the direction of greater and greater restrictions to a free flow of trade. Secretary

Hull's program is an active force now working for the removal rather than the creation of new obstacles to world trade, and it seems to me that it would be a great practical mistake and one of great symbolic significance if this country should turn against this program at this time.

I feel strongly about the symbolic significance of Mr. Hull's program and his efforts and I am sure there are many more businessmen willing to consider the matter in its larger aspects rather than from the point of view of special interests to be served. I hope that you agree with this point of view and I should be most appreciative if you could find time to let me have the benefit of your views on this situation.

Faithfully yours,

LANGBORNE M. WILLIAMS, JR.

NATIONAL FOREIGN TRADE COUNCIL, INC.,
New York, N. Y., March 4, 1940.

HON. PAT HARRISON,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SIR: On behalf of the National Foreign Trade Council I respectfully submit for consideration by your Committee the grounds on which the Council supports the Joint Resolution 407 for the renewal of the Reciprocal Trade Agreements Act.

The National Foreign Trade Council was formed in 1914 for the purpose of coordinating national activities directed toward the promotion of American foreign trade. Its membership is nation-wide and comprises manufacturers, merchants, exporters and importers, railroad, shipping and airline services, banking, insurance, education, etc., representing the diverse interests concerned directly or indirectly in the promotion of the nation's foreign commerce.

Since its formation, the Council has organized annually the National Foreign Trade Convention, with an average attendance of 1,200 delegates from all sections of the country. The Final Declaration of these conventions constitutes the approved policy of the delegates in respect to questions relating to foreign trade.

At the close of the Great War the Convention unanimously advocated a "bargaining" tariff, as opposed to unilateral tariff making by the Congress. Attached are copies of the declarations of successive conventions of the Council, in support of the present foreign commercial policy initiated in 1934 by the Reciprocal Trade Agreements Act.

Although opinion in the United States had been gradually forming in favor of reciprocal tariff bargaining, it required an emergency of exceptional proportions—the world-wide depression that followed the crash in 1929—to turn the attention of the Congress to the enactment of measures which would give greater flexibility to tariff-making procedure and more scientific adjustment of our external economy to the realities of a changed world economy.

A study was made by the United States Tariff Commission in 1933, in response to Senate Resolution 325 of January 28, 1933, followed by a report containing a list of more than a thousand dutiable items more or less noncompetitive or unsuited for domestic production, and including also those imports which represented less than 5 percent of our total domestic production. This gave promise at the time that without detriment to any domestic product, numerous non-injurious import concessions could be made by the United States in the interest of an expanded production in our export industries.

The council, accordingly, supported the act of 1934 and, based on the favorable results shown, supported its renewal in March 1937. The council now supports the proposal in the Senate for a further time extension.

It is too great a strain on human credulity to be told that the favorable results shown by the operations of the act—as in the case practically of all existing agreements—are a mere coincidence, especially when the lower rates of trade increases in relation to our trade with nonagreement countries are reported with a similar coincidental regularity.

In 1933, according to the statistics of the Department of Commerce, the total foreign trade of the United States amounted to slightly over three billion dollars, compared with over 9½ billion dollars in 1929. In 1937, at which time the Reciprocal Trade Agreements Act had been in operation for 3 years, our total foreign trade amounted to nearly 6½ billion dollars. During this period also our exports to trade-agreement countries showed an increase of 61 percent, as compared with the value in 1934-35, and our exports to nonagreement countries showed an in-

crease of 38 percent. Our national income during this period rose by more than one-third, factory pay rolls by about one-half, and a rise in farm income of about one-half.

The Secretary of State and other Government officials have appeared at these hearings and presented figures showing the advantages that have been derived, both by American industry and American agriculture, from the agreements entered into with 21 countries. As a result of these hearings it should be possible to establish clearly all the facts in the case so that your committee may arrive at sound conclusions based upon these facts. The proposal to allow the present act to expire and to revert to congressional unilateral tariff-making, displays a significant unwillingness to be bound by the official record of the benefits obtained by the country from the operations of the present act.

If conditions in 1933 were found to be of the nature of an emergency that called for decisive steps in securing enactment of the Reciprocal Trade Agreements Act, it is certain that the situation at present is not one for less concern as to the adverse effects upon our slowly recovering foreign trade of a reversal of our tariff policy, at a time when international relations are so highly complicated by another European war.

It is the firm conviction of American businessmen engaged in foreign trade that under continued emergency conditions Congress should not now reverse its own tariff policy. Whatever may be done at the close of the war to review the entire situation, in the fuller light of world-trade conditions then existing, the Congress of the United States should refrain at this time from making any changes in tariff policy.

Self-interest alone makes it incumbent on the United States to participate actively in the leadership that will be required when peace comes, in formulating plans for the reconstruction of the shattered world economy, by which all countries may liquidate the losses incurred by another war and find their way back to a well ordered system of peace-time exchange of goods and services. With this end in view, it is of the highest importance that we maintain the principles and practices embodied in the Reciprocal Trade Agreements Act--to which the League of Nations, the International Chamber of Commerce and 21 countries representing 60 percent of the world's total trade, have already subscribed as giving highest promise of success as an alternative to economic nationalism and its numerous discriminatory restrictions on freedom of international commerce.

In view of the changes that already have taken place in the pattern of world trade, as a result of the wide chasm existing between the foreign-trade policies of totalitarian nations and those of democratic countries, and in view of the changes that are likely to arise as a result of the proposals for a system of economic federation of European nations after the war, it is essential that the United States present an united front in support of its foreign-trade policy. In view of those possible changes in economic relationships throughout the world, we should avoid further experimentation at this stage in American tariff-making which would expose America's foreign trade to the uncertainties bound to arise by reversion to congressional unilateral action.

The argument that Congress alone has the right to make tariff changes is not in question, seeing that the present procedure had the sanction of Congress and that it retains the power of review by the time limit applied by it to the act. After a severe depression which still is in course of liquidation, industrial and agricultural interests of this country are wholly unprepared for any disturbing changes relating to tariff-making powers which would distract the minds of those engaged in meeting and surmounting wartime foreign trade problems. This applies particularly to Latin America trade, which at the present time is engaging the serious thought and attention of both government and business. Having won these countries at successive Pan American conferences to the support of the principles and practices of our reciprocal trade agreements program, we should not, by abandonment of the present trade agreement system, weaken the economic ties between the other Americans and the United States and again leave them exposed to the economic domination of European totalitarian nations after the war has ceased and when competition again becomes acute.

In submitting this statement for your consideration, I quote from the unanimous declaration of the 1939 Convention attended by 1,207 delegates, as follows:

"This Convention continues its support of the Reciprocal Trade Agreements program as the most logical and effective method of permanently strengthening America's trade relations. The Convention urges the negotiation of further agreements, especially with Latin American countries, as a practical contribution to intercontinental economic solidarity. It is axiomatic that we can increase exports to Latin America only if we buy more of its products. We believe this can be accomplished without injury to our domestic production.

"The results to date of existing trade agreements have been encouraging. The value of American trade with the countries with which reciprocal agreements have been concluded has shown a greater rate of growth than that with the non-agreement countries. We look forward with confidence to the maintenance of the trade agreement principles during the present conflict in Europe and after its conclusion."

The attitude of the National Foreign Trade Council on the question of renewing the Reciprocal Trade Agreements Act in its present form has been summarized by our Chairman, Mr. James A. Farrell, in the following words:

"The great problem before the United States is the character of international trade after this war. Our foreign trade policy has been devised with the object of counteracting the totalitarian trend toward bilateralization of trade. It seems to me most unwise at this stage to weaken American efforts in this direction by a reversal of our tariff-making policy, when it is so necessary to avoid unnecessary changes which would add to the difficulties created by the war. It should be our aim to consolidate our position in world trade and to postpone to the close of the war review of our trade agreement policy in the light of conditions then prevailing."

Respectfully submitted for consideration by your Committee, I am,

Yours very truly,

E. P. THOMAS, *President.*

NATIONAL FOREIGN TRADE CONVENTION DECLARATIONS ON RECIPROCAL TRADE AGREEMENTS POLICY

1934—NEW YORK

The Reciprocal Trade Agreements Act not only provides opportunities to reduce or remove trade obstructions but also to provide in advance for the adjustment of such currency depreciation, exchange manipulation, or other elements, which later might tend to make the provisions agreed upon less effective or unoperative.

Encouragement should be given to exports which will create the largest amount of employment, and to the importation of suitable commodities for the purpose of creating foreign markets for our goods. Such commodities should be of a type to benefit American consumers, without danger of destructive competition to any producer activities conducted on an economically sound basis.

In negotiating reciprocal trade agreements with foreign countries, the aim should also be to secure equal treatment for American products abroad. Section 335 of the Tariff Act contains provisions against discrimination by foreign countries.

Our Government should endeavor to insure the equal treatment of American export trade by the removal of discriminations by foreign countries.

In the negotiation of any reciprocal trade agreement, adequate provision should be made to guarantee the supply of dollar exchange, at official rates, promptly on the maturity of the American drafts in the respective foreign countries. Like provision should be made for the return of the interest or other proceeds from American investments. Provision also should be made for prompt and satisfactory agreements, with the aid of the Departments of State and Commerce and the Export-Import Banks, if necessary, for the prompt refunding, at rates of exchange comparable to those prevailing when the goods were sold, of blocked balances immobilized in foreign countries up to the date of the new reciprocal trade agreement.

1935—HOUSTON

The Reciprocal Trade Agreements program has the support of this Convention. It provides the only constructive alternative to extreme economic nationalism which has already proved so damaging in its limitations on freedom of world commerce. The reciprocal trade agreements made by the State Department during the last year have been beneficial to our export and import trade, and are thereby contributing to domestic recovery and demonstrating that prudent negotiations do improve international trade relations without impairing the general domestic welfare. We deem such agreements a sound method of trade encouragement. The alternative—State monopolies, discriminative quotas, controls of exchange, forced balancing of exports against imports, etc.—are unsuited to traditional American policy. Evidence is accumulating that they are resulting in detriment to the countries practicing them and to their customers.

We commend the Secretary of State for making the policy of reciprocal trade agreements effective.

The Convention regards with satisfaction the conclusion of a reciprocal trade agreement between the United States and Canada, as evidence of the desire of both countries to free their commercial relations from a complexity of restraints damaging to both countries.

We urge that the Government give attention to further trade agreements with the countries of Latin America, to the end that a larger commerce may be developed with our natural markets throughout the Western Hemisphere.

Resumption of the multilateral system of exchange to avert permanent discriminatory trade controls, clearing agreements, currency depreciation, exchange manipulation, quotas and other unsettling devices, involves adherence to the unconditional most-favored-nation policy. This convention urges that the Reciprocal Trade Agreements policy be made permanent.

It is recommended that the Government continue its efforts to secure the equal treatment of American exports through the removal by foreign countries of discriminations against the products of the United States, and that when all negotiations fail the President shall apply the additional duties in section 338 of the Tariff Act.

The convention reiterates its declaration of 1934, that any foreign country accepting a reciprocal trade agreement should guarantee the supply of dollar exchange, at official rates, promptly on the maturity of the American drafts. Suitable provision should also be made for the return of the interest or other proceeds from American investments. The Export-Import Bank, when necessary and desirable, should facilitate at a reasonable rate of discount and under appropriate conditions, the liquidation of dollar obligations issued by a debtor foreign country or national bank for refunding at rates of exchange comparable to those prevailing when the goods were sold, and of blocked balances immobilized at the date of new reciprocal trade agreements.

1936--CHICAGO

This convention continues to support the reciprocal trade agreements program and the unconditional most-favored-nation principle in which it is based. It has proven to be the most effective means available for breaking down trade barriers which restrict world exchange of the products both of agriculture and industry.

We recommend the renewal of the Reciprocal Trade Agreements Act.

We urge that the procedure under which trade agreements are negotiated be reexamined and simplified, where possible. It would make for greater efficiency, for instance, if briefs and appearances at public hearings were specifically invited from only those industries or commodity groups on whose products the granting of concessions is under consideration by our Government. Under present procedure all whose trade might be affected, even remotely, must file briefs or enter appearance. The present practice of allowing all parties to make presentation on any item, however, should be continued.

We call attention to the fact that the reciprocal principle is vitiated when a country having a trade agreement with the United States permits uncontrolled entry from a third country of goods which have been subsidized in any form to a degree prejudicial to our ability to compete. We believe suitable steps should be taken to remedy this situation.

1937--CLEVELAND

This convention strongly supports the reciprocal trade agreements program based on the unconditional most-favored-nation principle. Our foreign trade has grown from \$4,330,000,000 in 1935 to \$4,872,000,000 in 1936, in which increase this program has played an important part, with benefit to American agriculture, American industry, and American labor.

Our exports to trade-agreement countries during 1936 gained 14 percent over 1935, while the increase to non-agreement countries was 4 percent. Imports from trade-agreement countries during 1936 gained 22 percent, over the preceding year, while imports from other countries were greater by 16 percent.

The more rapid increase of our exports to trade-agreement countries continued this year. During the first 9 months of 1937 our exports to agreement countries show a 44.5-percent gain over 1936, while the increase to others was 33 percent.

In terms of the actual values, the increase in exports to the agreement countries has exceeded the amount of increase in imports from these countries. Thus, the

increase in our exports to the agreement countries during the first 9 months of 1937 over 1936 amounted to \$277,000,000, while the value of the increased imports from these countries was \$203,000,000.

This trade-agreement policy has won international recognition as an effective instrument for bringing about more rapid recovery and has been endorsed by the International Chamber of Commerce as a most practical means for improving the internal and external economy of all nations.

We condemn the use in this and foreign countries of excise and turn-over taxes imposed solely on imported commodities, which tend to destroy the effectiveness of concessions granted in reciprocal trade agreements.

1938—NEW YORK

This Convention continues its support of the reciprocal trade agreements program as a most effective instrument for the expansion of world trade.

The Convention commends the objectives of agreements designed to enlarge and stabilize foreign markets for American products of agriculture and industry. The results to date have been encouraging. It is significant that the value of American exports to the countries with which reciprocal agreements have been concluded have shown a greater rate of growth than to the nonagreement countries.

The Convention looks forward to the early conclusion of agreements with Great Britain and the British Crown Colonies and with Canada for the benefits they will bring in themselves and for the impetus they will give to the expansion of world trade on a nondiscriminatory basis.

1939—NEW YORK

This Convention continues its support of the reciprocal trade agreements program as the most logical and effective method of permanently strengthening America's trade relations. The Convention urges the negotiation of further agreements, especially with Latin American countries, as a practical contribution to intercontinental economic solidarity. It is axiomatic that we can increase exports to Latin America only if we buy more of its products. We believe this can be accomplished without injury to our domestic production.

The results to date of existing trade agreements have been encouraging. The value of American trade with the countries with which reciprocal agreements have been concluded has shown a greater rate of growth than that with the non-agreement countries. We look forward with confidence to the maintenance of the trade-agreement principles during the present conflict in Europe and after its conclusion.

THE UNITED STATES POTTERS ASSOCIATION,
New York, N. Y., March 4, 1934.

BRIEF OF THE UNITED STATES POTTERS ASSOCIATION

MEMORANDUM OF THE UNITED STATES POTTERS ASSOCIATION IN OPPOSITION TO EXTENDING THE AUTHORITY GIVEN TO THE PRESIDENT UNDER THE TARIFF ACT OF 1930 AS AMENDED AS PROVIDED FOR IN THE DOUGHTON BILL, HOUSE JOINT RESOLUTION 407.

(By John E. Dowsing, tariff counsel)

We oppose the extension of this bill for several reasons. The bill as originally passed has been declared by eminent lawyers in and out of Congress as definitely unconstitutional. We believe that Congress on the whole realizes the mistake that was made in divesting itself of its constitutional authority to enter into treaties with foreign countries and giving that authority to the Secretary of State. While the bill ostensibly empowers the President to enter into these treaties it is, of course, known and understood that the Secretary of State is the man who really enters into the treaties. These treaties are prepared and arranged without proper regard for the American industries and rarely, if ever have American industries been accorded the proper opportunity to be heard on matters affecting their very existence. The conduct of these treaty hearings and arrangements are, as no doubt your committee is thoroughly aware of, very one sided. The representatives of the country negotiating such treaties are fully informed of the status of the American industry that is to be affected by lowering of the tariff on the competitive merchandise when imported into this country, but the American

industry is not afforded the same opportunity to know the reasons that are advanced by the negotiating country why they should be given preference on some rate of duty on some commodity.

Further, we do not believe that when our domestic industries do appear before the committee that full weight is given to the testimony presented at that time by said American industry. In other words, that before the public hearing of the industry to be affected is permitted to come forward and present its case the concession to be given is practically concluded and arranged for and for that reason no great attention is paid to what American industries submit. We feel that this manner of writing a new tariff seriously infringes the prerogative of Congress and that is what these treaties amount to, the writing of a new tariff. The rates of duty are not only lowered but a new language is introduced changing completely the tariff set-up. This is too serious a matter to longer permit Government employees thoroughly unqualified by any business experience to pass on the needs of American industry and its millions of workmen in not only slashing the tariff to the contracting country but also broadcasting this beneficial concession to all other countries of the world regardless of whether such countries concede anything whatever for this benefit of sending their goods into this market at a greatly reduced rate of duty. Why this act was ever called in the first place a reciprocity act is not clear to anyone as it is not reciprocal in any sense nor intended to be. When through mutual concessions we agree to reduce tariff rates on a particular import from a given nation, we automatically extend the same concession to all nations under the favored-nation principle irrespective of whether they give us reciprocal concession.

We do not believe that a legitimate reason can be presented by the Department of State for the continuance of this Reciprocity Act, particularly in view of the fact that it has definitely failed to accomplish that of greatly increasing the exports of our goods. At the time House Joint Resolution 96 was passed the State Department urged its passage on the grounds that it would increase our export business. The statistics show that the increase in exports has not been with the countries with whom these treaties were entered into. On the contrary, the increased exportations have been either with countries that we do not have treaties with or with those countries such as Japan, Germany, Italy, Great Britain, etc., to whom great quantities of materials necessary to carry on the war with which said countries are now engaged and would have been done regardless of any treaty. No treaty had anything to do with the terrific amount of exports of scrap iron, steel, automobiles, parts of automobiles, airplanes, etc., to Japan for the past 4 or 5 years. The same applies to the sale of war materials to Germany, Italy, Great Britain as well as France. Hence, it is apparent that the very purpose urged by Secretary Hull for the passing of the reciprocity bill in the first place is without merit and certainly should not be considered as a reason for extending the unconstitutional measure.

It has been claimed that these reciprocal treaties were necessary to adjust the difficulties of agriculture. Under these treaties millions of dollars worth of agricultural products have been imported into this country at greatly reduced rates of duty. The American farmer has thus been deprived of the sale of millions of dollars worth of his products. In no instance have these so-called reciprocity trade treaties been advantageous to American industry and agriculture but the contrary is the case.

We trust that the committee in its wisdom will not recommend a continuance of this Reciprocity Act and thereby fasten this very unjust legislation around the necks of American industry and American labor. It is respectfully submitted that your committee should be primarily interested in bringing about prosperity here in this country and giving employment to our millions of unemployed workmen. Jobs and jobs alone are the only thing that will bring back prosperity and jobs cannot be given unless our factories are permitted to work at full speed. We can, however, of course, through short-sighted policy continue to take care of the unemployed of Europe and let our millions walk the streets while various forms of taxes must be inaugurated to take care of these unemployed. On the one hand we will be declaring for America first in preference to the pauper countries of Europe, while on the other hand we will be declaring for free trade and the deliberate handing of our markets over to the foreigners. Surely there can be no question as to which the Senate Finance Committee should choose.

If Congress honestly feels that the present tariff act should be modified, then a bill to that effect should be presented and hearings held before subcommittees so that American industries may have the opportunity of presenting their side of the case and have the facts and testimony adduced carefully considered and weighed

and not permit a committee from some other branch of the Government to write an existing law off of our statute books.

Supplementing this memorandum we wish to respectfully refer to our testimony given before the Ways and Means Committee March 8, 1934, appearing on page 227 of the published records and also on page 362 of the published records of the hearings before the Committee on Finance, United States Senate, February 10 through 15, 1937. Our objections set forth at that time are just as pertinent today.

AMERICAN WATCH ASSEMBLERS' ASSOCIATION, INC.,
New York City, March 4, 1940.

Committee on Finance, United States Senate,
Washington, D. C.

GENTLEMEN: The American Watch Assemblers' Association, an organization national in scope and representing more than 80 percent of importers of watches and watch parts wishes to go on record as unreservedly favoring the continuance and extension of the Trade Agreements Act. The vital task now confronting our domestic economy and the prosperity of the American people consists of arresting those forces of intense nationalism, such as high tariff walls, which are destroying foreign trade and thereby laying the foundations for world wars into which our own country must inevitably be drawn. Our industry employs American labor running into the thousands in the assembling of watches imported from various European countries, especially from Switzerland. The reciprocal trade agreements program has generally resulted in increasing imports and exports for the benefit of American industry as well as for the benefit of international goodwill. Valuable concessions have been obtained from Swiss manufacturers that have benefited our industry as a result of these agreements. Smuggling, which was one of the most vexing problems confronting American watch manufacturers and dealers, has been almost entirely wiped out by virtue of the cooperation given by Swiss manufacturers under existing reciprocal trade practices.

In contrast to the chaotic, prohibitive tariff rates in existence under previous tariff acts, the Trade Agreements Act of 1934 has placed the establishment of rates in the hands of experts qualified by training in the fields of commerce, agriculture, labor and industry in the scientific adjustment of tariffs to conform with shifting international circumstances and to correspond with the ever changing needs of the American people. The beneficial results following the enactment of this legislation make it imperative that it be continued.

The American Watch Assemblers' Association speaks not only for its own members but for the thousands of small retail dealers who are dependent upon us for their continued existence in business. We urge the Committee on Finance to recommend without qualification the continuation of the existing trade agreements act in the interest of our industry in particular and in the further interest of general world peace promoted by such legislation.

Enclosed you will a list of members of the American Watch Assemblers Association.

Very respectfully yours,

I. ROBBINS KORNBLIET,
Executive Secretary.

AMERICAN WATCH ASSEMBLERS' ASSOCIATION, INC., MEMBERSHIP LIST

Ace Watch Co., 80 Nassau Street, New York City.
Adels, L. Co., 64 West Forty-eighth Street, New York City.
Aisenstein-Woronock & Sons, Inc., 630 Fifth Avenue, New York City.
Bayer, Pretzfelder & Mills, Inc., 15 Maiden Lane, New York City.
Benrus Watch Co., 200 Hudson Street, New York City.
Bulova Watch Co., 580 Fifth Avenue, New York City.
Cardinal Watch & Diamond Co., 720 Olive Street, St. Louis, Mo.
Chase Watch Corporation, 68 Nassau Street, New York City.
Cohen, A. & Sons Corporation, 584 Broadway, New York City.
Concord Watch Co., 10 West Forty-seventh Street, New York City.
Croton Watch Co., Inc., 48 West Forty-eighth Street, New York City.
DePree Watch Co., Inc., 48 West Forty-eighth Street, New York City.
Dorie Watch Co., 15 Maiden Lane, New York City.
Epstein, Morris & Bro., 580 Fifth Avenue, New York City.
Evkob Watch Co., 41 Maiden Lane, New York City.

Gothic Jar-Proof Watch Corporation, 10 West Forty-seventh Street, New York City.

Graef, Jean R., Inc., 9 Rockefeller Plaza, New York City.

Gruen Watch Co., Time Hill, Cincinnati, Ohio.

Gsell, R. & Co., Inc., 15 West Thirty-seventh Street, New York City.

Harman Watch Co., 2 West Forty-seventh Street, New York City.

Harteveldt, H. H. Co., Inc., 630 Fifth Avenue, New York City.

Helbros Watch Co., 2 West Forty-sixth Street, New York City.

Invicta-Seeland, Inc., 580 Fifth Avenue, New York City.

Jewel Watch Co., Inc., 9 Maiden Lane, New York City.

Koerber, Walter, 9 Rockefeller Plaza, New York City.

LaSalle Importing Co., Inc., 93 Nassau Street, New York City.

Lauret Watch Co., 48 West Forty-eighth Street, New York City.

Lehman Watch Co., 209 Post Street, San Francisco.

Longines-Wittnauer Co., Inc., 6 West Forty-eighth Street, New York City.

Louis Watch Co., Inc., 580 Fifth Avenue, New York City.

Maire, O., Inc., 45 Lispenard Street, New York City.

Maylan, A. R. and J. E., 264 West Fortieth Street, New York City.

Morris, Norman M., Inc., 608 Fifth Avenue, New York City.

Movado Watch Agency, Inc., 610 Fifth Avenue, New York City.

Muney, Wm. A., Inc., 630 Fifth Avenue, New York City.

Norman Watch Co., 82 Bowery, New York City.

Ollendorff Watch Co., Inc., 20 West Forty-seventh Street, New York City.

Parker Watch Co., Inc., 580 Fifth Avenue, New York City.

Pierce Watch Co., Inc., 22 West Forty-eighth Street, New York City.

Pollak, Frank, 72 Bowery, New York City.

Racine, Jules & Co., 20 West Forty-seventh Street, New York City.

Reliable Watch Co., Inc., 116 Nassau Street, New York City.

Rima Watch Co., 15 Maiden Lane, New York City.

Rodman, S., Sons, 64 West Forty-eighth Street, New York City.

Roxy Watch Co., 12 John Street, New York City.

Savoy Watch Co., Inc., 62 West Forty-seventh Street, New York City.

Schein & Engel, 170 Broadway, New York City.

Schultz, J., 15 West Forty-seventh Street, New York City.

Schwob, L. A., 22 West Forty-eighth Street, New York City.

Sickles, Louis, 1015 Chestnut Street, Philadelphia, Pa.

Solow, Harold, 9 Maiden Lane, New York City.

Tavannes Watch Co., Inc., 608 Fifth Avenue, New York City.

Wylar Watch Corporation, 9 Rockefeller Plaza, New York City.

Paul Breguette Watch Co., 601 Thirteenth Street NW., Washington, D. C.

Hampden Watch Co., 29 East Madison Street, Chicago, Ill.

NATIONAL FOREIGN TRADE COUNCIL, INC.,
New York, N. Y., March 4, 1940.

Senator PAT HARRISON,
Chairman, Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR HARRISON: Since our committee presented its views on the renewal of the Reciprocal Trade Agreement Act, bill H. J. Res. 407, during the hearings before the House Ways and Means Committee (see pp. 2455-2469 of the printed record), there have been several important developments, which we desire to bring to your attention in the following statement. We request that this additional statement be included in the printed record of the hearings before your Committee.

The reciprocal trade agreement in effect between Cuba and the United States has been most beneficial to both countries. In 1933, the last year before the pact with Cuba, our exports to the Island were valued at \$25,000,000 and our imports at \$58,500,000. In 1939, the trade had expanded both in imports and exports; our imports from Cuba being valued at \$105,000,000, and our exports to Cuba at \$81,000,000. The reciprocal trade agreement between the two countries has had an important part in this development of trade, for the concessions exchanged between the two countries have been mutually beneficial.

Not only have we made larger sales to Cuba, but we have also enjoyed a larger percentage of the total Cuban imports. Of the 1933 Cuban imports our share was 54 percent, in 1938 it was 80 percent, the most favorable ratio of any country with which we trade.

Our exports to Cuba have been of benefit to all groups in the United States. In 1939, farm products accounted for 359,000 tons, or 42 percent of all the tonnage imported by Cuba from the United States. Manufactured items totaled 335,000 tons or 39 percent. Lumber comprised 10 percent of the export tonnage and the remaining 9 percent represented miscellaneous goods. These figures are based upon the tonnage figures as issued by the Agencia More of Habana, Cuba. Our own Department of Commerce figures are not available in detail for 1939 as yet, but by major classes they compare with corresponding figures for 1933 as follows:

Major classes of products	1933	1939
Crude materials.....	\$1,241,000	\$4,253,000
Crude foodstuffs.....	637,000	2,748,000
Manufactured foodstuffs.....	5,479,000	16,892,000
Semimanufactures.....	4,223,000	11,298,000
Finished manufactures.....	13,177,000	45,709,000
Total.....	24,760,000	80,900,000

The 15 leading categories of products purchased from the United States by Cuba in 1939 were, according again to the Agencia More:

Product:	Tonnage	Product:	Tonnage
Rice.....	102,510	Lard.....	31,435
Wheat flour.....	85,505	Food (not identified).....	28,720
Lumber.....	85,305	Autos, machinery.....	27,010
Petroleum.....	74,645	Grains.....	26,225
Fruits, vegetables.....	55,725	Wire, pipe.....	20,705
Chemicals.....	54,295	Glass.....	14,385
Structural iron, steel.....	51,565		
Paper.....	33,510	Total, all products.....	848,155
Textiles.....	32,225		

Some notable benefits which American farmers have derived from the reciprocal trade agreement with Cuba are shown by the following gains in 1938 over 1933:

	1933	1938
Hog-lard imports.....	\$530,000	\$3,969,000
Wheat flour.....	2,935,000	5,353,000
Rice.....	110,000	5,175,000
Bacon and salted, cured, and smoked pork.....	26,000	51,000
Potatoes.....	155,000	589,000

In addition, American manufacturers also benefited, for Cuba increased in 1938 over 1933 her purchases from the United States of:

	1933	1938
Lumber.....	\$20,000	\$233,000
Automobiles, trucks, and chassis.....	480,000	3,211,000
Iron and steel pipe.....	103,000	385,000
Steel wire and manufactures.....	206,000	738,000
Cotton cloth.....	1,886,000	3,032,000

Cuba also purchased more American radio apparatus, structural steel and other metal products, upper and patent leather, paperboard and writing paper, glass containers, certain non-proprietary-druggist preparations, cigarettes, and toys.

American consumers and industry also benefited through increased purchases of Cuban sugar, tobacco, fruits and vegetables, and rum.

Cuba's economy depends upon her sales of sugar to the United States, and increase in these sales are of the results of the reciprocal trade agreement. Cuba has consequently enjoyed better economic conditions and is able in turn to make larger purchases of American products. She needs the continued application of the pact.

As the reciprocal trade agreement has played such an important part in Cuba's welfare and in America's sales to the island, we again record our full approval

of the renewal of the Reciprocal Trade Agreements Act for another 3 years, confident that the further extension will bring additional trade expansion and mutual value.

Respectfully yours,

H. H. PIKE, JR.
Chairman, Cuban Committee.

NATIONAL COTTONSEED PRODUCTS ASSOCIATION, INC.,
Memphis, Tenn., March 5, 1940.

HON. PAT HARRISON,
Chairman, Committee on Finance, United States Senator,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: The enclosed statement, prepared a short time ago, represents the viewpoint of the cottonseed industry with respect to the reciprocal trade agreements program, now subject to hearings before your committee. I am sending it to you as information and for such use as you see fit.

Yours very truly,

T. H. GREGORY,
Executive Vice President.

RECIPROCAL TRADE AGREEMENTS

What promises to be one of the most bitter battles in the present Congress is already shaping up in the House—namely: the question of renewing the Reciprocal Trade Agreements Act. The legislation, passed originally in 1934 and renewed in 1937 for 3 years, gives the President the power to conclude trade agreements with foreign nations providing for the adjustment of tariffs and other trade restrictions. In the making of such agreements, duties or excise taxes may be raised or lowered by no more than 50 percent and articles may not be transferred between the dutiable and the free lists. Agreements are not subject to approval by Congress.

The trade-agreements program developed out of the reaction against the Smoot-Hawley Tariff Act of 1930. That act, which its sponsors claimed would restore American prosperity, raised import duties to the highest level in the Nation's history. It was followed by a series of retaliatory measures on the part of foreign nations and by the drastic decline in both our foreign and domestic trade. Rather than improving the position of American agriculture and industry, it was an important contributing factor to one of the worst depressions this country has experienced.

By 1932 and 1933, the view was widely held that a downward revision of the tariff would assist substantially in bringing about improved economic conditions. The Democratic candidate for President was able to state emphatically that he favored such a revision and still was elected—something which had not been possible for 20 years.

Three alternative methods of tariff revision were open to the United States: (1) an agreement among a large group of nations to reduce tariffs, (2) unilateral reduction of our own tariff and (3) negotiation of agreements with individual countries. The first method was attempted at the World Economic Conference in London in 1933 and it failed completely. Because of the pressure of local interests on Congress, the second method promised little success. Furthermore, a general reduction of the American tariff was no guarantee that other nations would follow suit and we therefore would have given something for nothing. The third method—negotiation of reciprocal trade agreements—was therefore chosen.

Since its enactment 5½ years ago, agreements have been concluded with 21 nations, as follows: Cuba, Belgium, Haiti, Sweden, Brazil, Canada, the Netherlands and colonies, Switzerland, Honduras, Colombia, France and colonies, Guatemala, Nicaragua,¹ Finland, El Salvador, Ecuador, United Kingdom and colonies, Costa Rica, Czechoslovakia,² Venezuela, and Turkey.

From its inception, the trade-agreements program has been under attack by various groups who felt, whether correctly or incorrectly, that their interests were being adversely affected. As new agreements were signed and tariff reductions were granted on an increasing number of commodities, this criticism has grown in volume. Today, it is evident that the issue of whether or not the program is

¹ Suspended because of monetary difficulties.

² Abrogated since absorption of country by Germany.

to be continued will be decided by the present Congress and that the decision will be a close one. For this reason, it is worthwhile to take a brief look at what has happened under the agreements.

Between 1929 and 1932, our exports declined by 60.3 percent; our imports declined by 60.9 percent. Since that time, the trend has been reversed. Between 1932 and 1938, exports increased by 92.1 percent; imports increased by 48.2 percent. From the point of view of those who believe we must export more than we import, our trade position is better than it was in 1929, except that we have not recovered the volume of foreign trade carried on in that year. Of course, not all this increase can be attributed to trade agreements. Some measure of the importance of the agreements is indicated, however, by the fact that, between 1934-35 and 1937-38, our exports to trade-agreement countries increased by 62.1 percent while exports to other countries rose only 37.9 percent. The contrast is even more marked in the case of agricultural products. Exports of such products to trade-agreement countries have increased by 50 percent while exports to nonagreement countries have actually declined.

Aside from imports and exports, there is one aspect of foreign trade and the reciprocal agreements which is almost wholly overlooked in discussions of the subject. That is their effect upon the domestic market. Foreign trade involves more than just the exchange of exports for imports. It is estimated that there are some 3,000,000 persons employed directly in the United States producing commodities for export; but this is only one side of the picture. A particular branch of agriculture or industry does not have to be in the export business to benefit from exports and from the reciprocal trade agreements. In 1938, the automobile industry sold 11.1 percent of its output in foreign markets. In the same year, that industry provided employment for 306,000 factory workers. In other words, about 34,000 workers (not including office employees) owed their employment to export sales. It is a simple fact that 34,000 workers can consume a lot of food and clothing from our farms and a large quantity of the varied output of our factories. Their level of consumption was certainly much higher than it would have been had they been on relief.

What is more, the purchases of these workers provided thousands of additional workers with jobs in the fields of transportation, communication, and trade, etc. It has been estimated that every time the capital-goods industries employ two new workers the service industries have to hire three new workers.

While the automobile industry is not strictly a capital-goods industry—it may be classed as a “consumers’ capital-goods industry”—it is probable that the employment of one new worker in that industry is matched by the employment of at least one additional worker in other industries. Thus the farmer or the manufacturer, who may not export a single unit of his products, benefits substantially from sales to workers employed as the result of increased exports. The significant point is that exports bring about an expansion of the domestic market that is of equal or greater importance than actual export sales themselves.

The cottonseed industry, like every other American industry, has a stake in foreign trade and in the trade-agreements program. The difference is that its stake is greater than that of most other industries. For one thing, the industry is interested in the duties and taxes imposed upon imported fats and oils which compete with cottonseed oil. The desire to maintain such duties and taxes for whatever protection they afford is logical so long as most of the industry's purchases must be made in a highly protected market.

Of even greater importance, is the industry's dependence upon cotton. During the last 10 years, in spite of the artificial controls imposed upon it, 47 percent of the cotton produced in this country has been exported. In other words, 47 percent of the cottonseed industry's supply of raw materials is dependent upon the export market for cotton. Destroy that market and it is not difficult to envisage the future of the industry. Ten- or even twenty-cent cotton oil is of little value to a mill if it has no seed to crush.

Obviously, the discontinuance of the trade-agreements program would not mean the automatic loss of the export market for cotton and the disappearance of half the industry's supply of raw materials. In the first place, the agreements already concluded will remain in effect until abrogated by the specific action of the President or Congress. Its abandonment, however, would signify a return to the type of tariff policy which preceded it, namely: the pressure of each group for higher and higher duties on its own products and the steadily increasing restriction of foreign trade. In such a scramble, any one industry may or may not obtain equitable treatment. Assuming that it does, the net result would be a loss for, as pointed out above, the restriction of foreign trade results in contraction

of the domestic market as well. The cottonseed industry would have to face the additional condition that a return to this type of tariff policy would eventually reduce the supply of raw materials upon which it relies for existence.

The current debate over reciprocal trade agreements is a phase of the age-old agreement between the short-run and the long-run point of view, between local or limited interest and the national interest. The restriction of imports does confer advantages upon particular groups and over short periods of time. In the long run, such restriction reduces the volume of trade in both domestic and foreign markets and leads to greater governmental control over all economic activity.

MEMORANDUM IN SUPPORT OF EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

(By Cigar Manufacturers Association of America, Inc., 200 Fifth Avenue, New York, N. Y.)

This memorandum is submitted by the Cigar Manufacturers Association of America, Inc., the members of which produce collectively upwards of 85 percent of all domestic cigars with annual sales of approximately \$150,000,000. The Association desires to express its hearty endorsement of the Reciprocal Trade Agreements Act and to urge that conditions throughout the world today, requiring adjustment of trade barriers, justify the continuation of the Reciprocal Trade Agreements program.

The serious inroads made upon our foreign trade since the last World War, particularly with regard to several South American republics, have been a source of grave concern to the United States. Regaining these markets was essential, and the negotiation and consummation of reciprocal trade agreements has resulted in the recapture of some of them. The program, despite the fact that some nations are now at war, must not be abated or retarded. A well-ordered policy of foreign trade will look and plan for the future if the gains already made are to be preserved.

The foreign-trade policy pursued by the Department of State since 1934 has had a most beneficial effect on the commerce of the United States. In a report issued by the Chamber of Commerce of the United States on January 20, 1940, Mr. E. L. Backer, manager of the Foreign Commerce Department, stated:

"Our export trade in 1938 with countries with which we at that time had trade agreements increased 68 percent over the 1931-35 average; our export trade with nonagreement countries increased 45 percent. Our import trade with agreement countries, in the same comparison, increased 21 percent; our import trade with nonagreement countries increased 10 percent."

Since the many industries which have benefited as a result of the present policy of the Administration will undoubtedly point out the numerous advantages which have accrued to their separate industries, this memorandum is confined to the cigar manufacturing industry and its allied industries and the benefits contemplated under the Reciprocal Trade-Agreements Act.

The reciprocal trade agreement of 1934 with Cuba granted certain concessions on the importation of Cuban tobacco with reciprocal benefits to the Island of Cuba with respect to imports of certain food products, industrial machinery and rubber products. This treaty was later abrogated because of the unconstitutionality of the Agricultural Adjustment Act, as declared by the Supreme Court of the United States on July 6, 1936.

Realizing the seriousness to the industry of the reinstatement of the former higher duty rate on tobacco the association became active in recommending the negotiation of a supplemental reciprocal trade-agreement with Cuba. Such agreement was consummated after public hearings and made effective on December 23, 1939.

Among the matters effected under this supplemental trade agreement was a reduction of approximately 40 percent in the tariff on Cuban leaf tobacco. An examination of recent trends in the cigar industry and their effect not only on the American grower of cigar leaf tobacco but on the American cigar worker will be helpful in appraising the value of this tariff reduction to all sections of American industry.

In the two decades beginning with 1920 figures compiled by the Commissioner of Internal Revenue show that there has been a persistent and continued decline in cigar consumption in the United States. In 1920 more than 8½ billion cigars were consumed; in 1930 about 6¼ billion, in 1939 only 5½ billion. Even more significant than the decline in consumption was the shift in price level. A survey by the association discloses that class C cigars, retailing at 8 to 15 cents, dropped

by 1937 from almost 40 percent of total production to 10.18 percent. Class A cigars (5 cents or less) rose from 30 to about 88 percent of total production by 1937, and have now reached nearly 90 percent.

This sharp decline in cigar production has naturally been reflected in a marked decrease in the production of domestic cigar leaf tobacco, grown in Connecticut, Florida, Georgia, Massachusetts, Minnesota, New York, Ohio, Pennsylvania and Wisconsin. For the years 1928-32 there was an average production of about 172½ million pounds (Crops and Markets, U. S. Department of Agriculture, Dec. 1, 1936). In 1938 production amounted to about 107 million pounds and in 1939 to about 126 million pounds. The increase over the prior year is due largely to increased yield per acre rather than increased acreage.

This steady decline in cigar consumption and the consequent decrease in domestic cigar-leaf production are due not only to economic conditions generally, but to increased competition from cigarettes. The shift in public favor, it has frequently been urged, is not inevitable or permanent, but instead the cigar industry requires an effective stimulus, which it is believed is supplied in part by the readjustment of the Cuban tobacco-tariff rates.

The unique aroma and flavor and the general suitability for cigar purposes of Cuban tobacco are well known. The two most important classes of cigars today, classes A and C, accordingly employ it. In general, class C has included the Clear Habana (all Habana filler and wrapper) and the higher grades of cigars blended of a Havana filler and a domestic binder or wrapper or both. Class A has predominantly included pure domestic and domestic filler type blended with some Habana filler.

The price range of cigars has traditionally been an inflexible one and therefore cigar manufacturers in recent years have found it necessary, in order to meet competition, to improve the quality and value of their cigars by adding to domestic or Puerto Rican filler some of the more expensive Habana product.

The extent to which Havana filler and scrap is used in blend with domestic has frequently been emphasized by our foreign trade authorities. (See, e. g., Analysis of Cuban-American Trade During the First 2 Years Under the Reciprocal Agreement, Department of State, January 19, 1937, p. 22; U. S. Tariff Commission Report on Cigar Wrapper Tobacco, report No. 16, second series, p. 15.)

Far from adversely affecting the domestic tobacco grower, the readjustment of the Cuban tariff rates will undoubtedly benefit him. There is no competition between Cuban filler and domestic wrapper and binder. Indeed about 70 percent of the Connecticut Valley production of such types is used to blend with the Havana product. Respecting domestic filler tobacco, the higher price of the Cuban product prevents it from being used as a complete substitute for that commodity rather than as a blending ingredient. The best evidence that the American tobacco leaf farmer believes he will benefit from the reduction is that the request for such reduction was supported by the petitions of several thousand farmers in Wisconsin, Ohio, and Pennsylvania, the chief cigar tobacco growing sections of the country.

The cigar manufacturing industry employs upwards of 56,000 workers, who together with the members of their families are dependent upon the industry for a livelihood. It is believed that the increased availability of Cuban tobacco will make possible further improvement in the quality of the cigar which should renew the popularity of and the demand and appreciation for cigars in all classes. This will have a beneficial effect upon the consumption of cigars generally. The resultant increase in volume of cigar consumption should give more stable employment to those already employed and require the employment of more workers in the cigar manufacturing industry and the related fields. It is likely moreover to permit of a more effective program of advertising which would further stimulate cigar sales.

Thus it is believed that the supplemental trade agreement with Cuba will greatly benefit the American grower, consumer, cigar worker and cigar manufacturer. It is a splendid illustration of the inestimable benefits all branches of American industry derive from the Reciprocal Trade Agreements Act. We believe the act supplies necessary and practical stimulants to our domestic economy and keeps open the channels of foreign commerce.

The association, therefore, urges that the period of the Reciprocal Trade Agreements Act be extended.

Respectfully submitted.

CIGAR MANUFACTURERS ASSOCIATION OF AMERICA, INC.,
By EDWARD W. GARCIA, *President*.
SAMUEL BLUMBERG, *General Counsel*.

FEBRUARY 10, 1940.

TANNERS' COUNCIL OF AMERICA,
Washington, March 6, 1940.

CHAIRMAN, COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

DEAR SIR: The Tanners' Council requests that inclosed statement in regard to patent-leather imports from Canada be included with report of hearings on trade agreements by Finance Committee.

Very truly yours,

E. A. BRAND.

IMPORTS OF PATENT LEATHER FROM CANADA

May we call to your attention certain facts in connection with the importation of patent leather from Canada which have become extremely important to domestic producers. In 1939 imports of patent leather from Canada increased tremendously, thereby very seriously affecting the domestic producers of this leather. This increase in imports of patent side leather was the direct result of a reduction in the applicable tariff rate to 7½ from 10 percent in the Canadian trade agreement effective January 1, 1939. The reduced United States duty, it should be noted, compares with a Canadian rate of 20 percent for American patent leather.

There is shown below a record of patent leather imports from Canada since 1930. Imports in 1939 were the largest since 1929 and were very sharply higher than in recent years. From these data it would seem perfectly clear that reduction in the patent-leather duty has caused a sharp increase in imports into the United States.

TABLE I

	Square feet	Dollars		Square feet	Dollars
1930.....	1,521,536	391,075	1935.....	88,905	10,590
1931.....	241,630	56,940	1936.....	439,451	85,884
1932.....	225,911	44,712	1937.....	216,765	49,747
1933.....	223,442	32,315	1938.....	63,665	12,614
1934.....	198,766	31,521	1939.....	2,028,776	497,160

It is extremely important to note that the 1939 imports were much more important in relation to the total domestic market than imports 10 years ago or more. Since then consumption of patent has declined strikingly. In 1930 the total deliveries of patent leather by United States tanners was approximately 4,911,000 sides. By 1939, however, the available market for patent had declined to 2,915,000 sides. Although total leather demand in 1939 increased substantially from the semidepression level of 1938, patent leather deliveries showed only a negligible gain. The following table compares deliveries of domestically produced patent leather since 1930.

TABLE II.—Patent leather deliveries

	Total	Exports		Total	Exports
1930.....	4,911,000	1,379,000	1935.....	3,153,000	998,000
1931.....	4,698,000	1,672,000	1936.....	3,302,000	660,000
1932.....	3,028,000	1,325,000	1937.....	2,927,000	725,000
1933.....	3,942,000	1,330,000	1938.....	2,630,000	572,690
1934.....	3,123,000	944,000	1939.....	2,915,000	332,000

As a result of the shrinking domestic market and the loss of our export market for patent leather, the gain in Canadian shipments to the United States is vitally serious. United States tanners are now confronted not only with inequality in tariff rates, but by several clear disadvantages in relative cost of production. Hides cost the United States tanner 10 percent more than the Canadian tanner, since by virtue of this country's duty on raw hides, the market in the United States remains about 10 percent higher than world markets. Production costs are, of course, substantially higher in this country with wage rates averaging

25 to 33 percent more than in Canada. Finally, since the drop in Canadian currency a further advantage has accrued to the producers in Canada.

We believe it absolutely important to note here the general inequality between the high Canadian tariff and comparable United States rates. United States patent leather is dutiable at 20 percent in Canada. In addition, however, preferential Empire rates tend to exclude United States patent from the British market and to encourage the use of Canadian leather. The latter enters the United Kingdom free, whereas United States leather must pay 7½ percent.

The above facts cannot, we believe, be dismissed as incidental results of trade reciprocity. Patent leather producers of the United States do not ask for preferential treatment. They merely desire that an unjust and unfair situation be corrected in order to protect the domestic industry from extinction.

Very truly yours,

TANNERS' COUNCIL OF AMERICA,
MERRILL A. WATSON,
Executive Vice President.

MARCH 6, 1940.

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: Since my attitude toward certain tariff questions was brought into the hearings before the Senate Finance Committee on March 1, I desire that the following statement be included as part of the printed record. As a manufacturer of linoleum and felt-base floor covering and therefore a large consumer of linseed oil and other drying oils, neither the Armstrong Cork Co., of which I am president, nor so far as I know anyone else connected with the linoleum industry, opposed the increase in the duty on imported flaxseed and the upward adjustment of the compensatory rate on linseed oil in the 1930 Tariff Act. At that time a modest increase was also made in the duty on inlaid linoleum and we, along with the American flaxseed growers, recognized that there was a definite relationship existing between the duty on this raw material and the duties on the finished goods as Dr. Coulter indicated in his testimony. The tariff rates on flaxseed and linseed oil have not been changed since the 1930 act.

There is a serious deficiency in the domestic production of flaxseed (linseed oil) as well as the other drying oils. We produce no perilla oil in this country; we produce no hempseed oil and we produce only a fractional part of our requirements of tung oil. All these oils, as well as two-thirds of our requirements of linseed oil must come from abroad. In 1936 very naturally we opposed the enactment of a tax of 4½ cents per pound on perilla and hempseed oils. A duty on perilla and hempseed oils can be justified only on the theory that they compete with linseed oil. Therefore such duty should be correlated to the effective duty (3.3 cents per pound) on imported linseed oil, the latter being by far the most important of the drying oils. A year ago in connection with legislation to tax the compensation of public officers and employees, certain Senators proposed amendments to the taxes on vegetable oils that would have increased the existing import tax of 4½ cents per pound on perilla and hempseed oil to 5 cents, and in addition would have taxed the floor stocks of these oils at the rate of 5 cents per pound, notwithstanding the fact that an import duty might already have been paid. Our position in opposing such taxes was entirely consistent with our position taken in 1930. It is also to be noted that under the British trade agreement negotiated in 1938 the duties on linoleum and felt-base floor covering were reduced to the lowest level in the history of the American industry. At the same time, as I have pointed out, the trend has been to increase duties on certain of the drying oils of which there is no domestic production.

I am in favor of true reciprocity in foreign trade. I also subscribe to the doctrine of a protective tariff for American industry, realizing full well that every square yard of linoleum or felt-base floor covering that is imported into the United States from Great Britain and other European countries, displaces precisely an equivalent amount of American-made linoleum or felt base and to that degree the lower-paid European workman displaces American labor. One can logically believe in protecting American industry and at the same time be opposed to the

erection of tariff barriers that virtually embargo the imports of necessary raw materials of which there is little or no domestic production.

Respectfully submitted.

HWP:ELA

H. W. PRENTIS, Jr.,
President, Armstrong Cork Co.

[Telegram]

LOS ANGELES, CALIF., March 7, 1940.

HON. PAT HARRISON,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

I respectfully urge your committee to favor amendment of the Reciprocal Trade Act to the end that all trade treaties consummated under the act must be ratified by the United States Senate. To the best of my knowledge there is no livestock association which favors extension of this act in its present form and practically all of such associations have resolved in favor of such amendment. May I also request that this wire be read to your committee and placed in the record.

HUBBARD RUSSELL,
Past President, American National Live Stock Association.

The CHAIRMAN. I wish to call a matter to the attention of the representatives of the Tariff Commission who are present. If possible the committee would like to have furnished it data respecting the mass of figures which were given by Mr. Holman on yesterday; the committee would like to receive the reaction of the Commission to the statistical data; and if it can be furnished to us in time, which I doubt, before this legislation goes to the Senate floor, we would like to have whatever is furnished incorporated in the printed record. Without objection, that procedure will be followed, if it can be furnished in time for printing in the record. If not, I hope that it will be placed in our hands during the course of the debate in the Senate.

(If the data referred to above is furnished the committee in time, same will appear in the revised print of these proceedings.)

Mr. MICHAEL AHEARN. Mr. Chairman, Miss Sara McPike, President of the St. Catherine Welfare Association of Yonkers, New York, was scheduled to come here today. She could not appear due to a severe illness, and she states not only for the St. Catherine Welfare Association, but also for the Ladies Catholic Benevolent Legion, the International Catholic Alumnae, the St. Francis Guild of Social Justice, the Guild of St. Clair and the Women Investors in America, Inc. I should like to present her statement for the record.

The CHAIRMAN. Miss McPike's name was on the calendar of witnesses, I think for yesterday. Without objection, the statement of Miss Sara McPike will be incorporated in the record.

(The same is as follows:)

STATEMENT IN OPPOSITION TO HOUSE JOINT RESOLUTION 407, EXTENDING THE RECIPROCAL TRADE AGREEMENT ACTS FOR A 3-YEAR PERIOD, PRESENTED TO THE SENATE FINANCE COMMITTEE BY MISS SARA MCPIKE, PRESIDENT ST. CATHERINE WELFARE ASSOCIATION, 2 ELINOR PLACE, YONKERS, N. Y., MARCH 6, 1940.

To the Chairman and Members of the Senate Finance Committee:

GENTLEMEN: I extremely regret that a severe illness prevents me from appearing before you in person. However—no matter how severe that illness may be—I cannot allow the representations of various women's organizations—made either directly or through representatives—to go unanswered.

Other women's organizations from whom you have heard, have set forth they represented and spoke for the woman consumer—alleging she was in favor of extending the Reciprocal Trade Agreements Act. I might say I am particularly allergic to that word "consumer," especially after all the Dies Committee has uncovered in connection with the use of that word.

I can tell you that the American women are unalterably opposed to any extension of this act.

I speak not only in behalf of the St. Catherine Welfare Association, of which I have the honor to be president, but also for members of Ladies Catholic Benevolent Legion; International Catholic Alumnae; St. Francis Guild of Social Justice; Guild of St. Clair; and Women Investors in America, Inc.

The women whom I represent not only are consumers—but also have invested their savings in the development and expansion of American industry. Investors, I believe you would call them.

In addition, the majority of them are jobholders or the wives of jobholders, and, therefore, entirely dependent for their own security upon the earning power and prosperity of American industry and enterprise.

The objects of the St. Catherine Welfare Association are to promote knowledge of citizenship among women and a spirit of civic responsibility tending toward the solution of social problems in accordance with American traditions and ideals as well as to oppose socialism, fascism, and communism.

The organizations cited above number millions of real American women in this country, all thoroughly informed in the principles of true Americanism and pledged to do all in their power to preserve these principles and ideals for their children and their children's children.

They are working women, business women, professional women, and housewives. Many of them, in keeping with the Christian principles upon which this nation was founded and has grown, have invested their life savings in real estate, homes, and in the securities of the companies in which either they or their husbands have been employed.

They believe that their work, thrift, self-denial and courage to back new ventures were factors in developing and enriching this country. They feel certain that their general participation in the purchase of homes and industrial securities greatly helped the good employment and high wages of two decades ago.

Under the threat of share the wealth and low tariffs, their savings have almost vanished and many members face the future with dour misgivings. They are convinced there just will be no more relief when they are eventually forced to take the pauper's oath, which they have spent all their working lives striving to avoid.

Those appearing before you in favor of extending this act have made much of the alleged fact that it has aided our farmers. I use the words "alleged fact" advisedly, since study of Department of Commerce and Treasury reports do not support any such contention.

Personal examination of Department of Commerce reports for the 6 calendar years 1934 to 1939 inclusive, indicates that the total imports of farm products for that period were in excess of \$12,702,000,000, while our exports of farm products for the same period totaled only \$6,292,000,000, a difference of \$6,402,000,000 in favor of the imports.

That means our farmers have been swindled out of more than six and one-quarter billion dollars.

In return, they have been paid—according to Treasury reports, only \$4,357,000,000 in farm relief doles for the same period.

You will note, gentlemen, the difference between what the American farmer has lost—in our own domestic markets—to cheap-labor foreign farm products and what he has received from the Treasury in doles is more than two billion dollars.

Is it any wonder that we find today 85 percent of our farms mortgaged and 6 out of every 7 farms drawing Federal relief in one form or another?

That six and one-half billion dollar difference between what our farmers have sold the world and the cheap-labor foreign farm products which the Reciprocal Trade Agreements Act has allowed to be dumped on our domestic markets, is the answer for the regimentation and economic slavery in which the American farmer finds himself today.

In other words, our farmers have liquidated their farms—on time payments, to the United States Government by accepting the yearly dole or subsidy paid them by the present government. I think the right name for it is "hush money", paid to prevent complaints against this policy of giving foreign products preference in our domestic markets over those produced here by our own hard working people.

So much for what these trade agreements have done for our farmers.

Now what about the working people, who are likewise consumers? I believe telling you what this act has done to my own city of Yonkers, N. Y., will give you a true picture of its effect upon the home and industrial life of average American cities.

We are facing right now in Yonkers a brazen attempt on the part of our city council to rush a record high tax rate through. Why?

Until a few years ago Yonkers was listed among the prosperous cities of the country. Since the philosophy of "share the wealth" and low tariffs have become governmental policy, the two major industries of our city ceased to be wealth-producing. Calvin Coolidge once said: "The mere threat of distributing wealth, usually leaves little to distribute."

Tariff reduction in favor of Cuba caused two sugar refineries to close their doors, throwing 1,500 men out of work. The threat of reduced tariffs on rugs and carpets reduced the Smith Carpet Co., one of the largest carpet companies in the world if not the largest, to one-fourth its former capacity. Many fine buildings have been demolished to save taxes, while others remain silent more than half the year. As these two industries were among the largest taxpayers in the city, the burden has been placed on apartment houses and homes, with the result that the tax rate is confiscatory.

Thousands of people have left the city, while thousands of the former employees of the carpet industry and the sugar refineries are on a permanent dole. The tax rate to support welfare is the highest, or among the highest in the United States.

In consequence, 80 percent of the homes and small apartment houses are owned by the banks, insurance companies, and the Home Owners' Loan Corporation. As these groups can rent their houses cheaper than an ordinary individual, buying everything in gross, the future of any person who has his name still on the tax roll is a forerunner that it will soon be blazoned on the relief rolls.

Add to this so-called slum clearance, bought out of the brawn and sweat of the people who worked for years and denied themselves every luxury and some of the necessities of life in order not to be a charge on the community when they are no longer able to work, and you have some idea how well "share the wealth" and low tariffs helped the city of Yonkers. A house that cost \$18,000 10 years ago couldn't be sold for \$4,000 today.

If the treaties are as beneficial as their promoters claim, why has the United States more unemployed than all the nations of Europe? And that was the case even before the present war started.

If any great good has come to other parts of our country, through heavy taxation and low tariffs, the citizens of Yonkers would like to know who has been benefited, for many there believe they have contributed the savings of a lifetime only to further the experiments of Messrs. Roosevelt and Hull.

In closing—so there can be no misunderstanding—let me say that I am a life-long Democrat. Many of you gentlemen know me and my past activities both in behalf of woman suffrage and the Democratic Party. Some of you may recall that 25 years ago I carried the Manhattan banner up Pennsylvania Avenue to Capitol Hill in that historic march of American women insisting on their right to the vote.

I deeply regret my health does not permit me to appear before you today, carrying the banner of real American women who are fighting to protect their homes and their children from the insidious poison of alien "isms" that today is endeavoring to destroy our beloved Republic.

I am old in the councils of women and of my party. I still have the right to raise my voice in a rallying cry against this steady encroachment of un-American ideas through the legislative process.

Therefore, I beseech you gentlemen, as Americans representing American womanhood, to rally once more to our cause as you did 25 years ago. End this continued flooding of American markets with products produced by cheap foreign labor.

End these un-American reciprocal trade agreements and, by so doing, give the American working man and farmer an honest chance to earn his living in the American way, rather than continue to force him to submit to the slavery of political patronage and governmental dole in order to obtain his loved ones' daily bread.

The women of America—investors, job holders, and wives of job holders—all of them buyers and users of American-made goods—ask you to refuse any extension of the Reciprocal Trade Agreements Act. Make that the turning point in our return to true Americanism and the march to real recovery.

The CHAIRMAN. That closes the hearings. The proceedings are being printed as rapidly as possible, and will be available to the members just as soon as possible. The committee will adjourn.

(Whereupon, at 11:55 a. m., the hearings are closed, and the committee adjourned subject to call.)

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