1945 EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS ACT

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

SEVENTY-NINTH CONGRESS

FIRST SESSION

ON

H. R. 3240

AN ACT TO EXTEND THE AUTHORITY OF THE PRESIDENT UNDER SECTION 350 OF THE TARIFF ACT OF 1930, AS AMENDED, AND FOR OTHER PURPOSES

[REVISED]

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1945 EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS ACT

WEDNESDAY, MAY 30, 1945

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

The committee met, pursuant to call, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Walsh, Bailey, Gerry, Johnson, McMahon, La Follette, Butler, and Bushfield.

Also present: Senator Joseph C. O'Mahoney.

The CHAIRMAN. The committee will please come to order.

We regret that we have not a full committee this morning. I had thought it might be advisable to postpone the opening until tomorrow, but we will be faced with almost the same situation during the entire week. Senators Connally and Vandenberg are at San Francisco and are not expected here until after the 6th of June, in any event. We have two members of the committee, Senator Thomas and I believe Senator Millikin who are not able to be on hand because of illness. Today, Senator Barkley is away—he will be in tomorrow—and Senator Taft is away, and they are both away on engagements that they made prior to the passage of this H. R. 3240 by the House. Other members of the committee are also away on trips, including Senator Hawkes, who cannot return to the city immediately, in any event, and, therefore, it seemed best to go ahead with the hearing this morning.

The committee has before it H. R. 3240, an act to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes. The bill will be included in the record at this point.

(H. R. 3240 is as follows:)

[H. R. 3240, 79th Cong., 1st sess.]

AN ACT To extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes

Be it enacted 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 and extended, is hereby extended for a further period of three years from June 12, 1945.

SEC. 2. (a) The second sentence of subsection (a) (2) of such section, as amended (U. S. C., 1940 edition, Supp. IV, title 19, sec. 1351 (a) (2)), is amended to read as follows: "No proclamation shall be made increasing or decreasing by more than 50 per centum any rate of duty, however established, existing on January 1, 1945, (even though temporarily suspended by Act of Congress) or transferring any article between the dutiable and free lists."

(b) The proviso of subsection (b) of such section (U. S. C., 1940 edition, sec. 1351 (b)) is amended to read as follows: "*Provided*, That the duties on such an article shall in no case be increased or decreased by more than 50 per centum of the duties, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress)".

SEC. 3. Such section 350 is further amended by adding at the end thereof a new subsection to read as follows:

"(d) (1) When any rate of duty has been increased or decreased for the duration of war or an emergency, by agreement or otherwise, any further increase or decrease shall be computed upon the basis of the postwar or postemergency rate carried in such agreement or otherwise.

"(2) Where under a foreign trade agreement the United States has reserved the unqualified right to withdraw or modify, after the termination of war or an emergency, a rate on a specific commodity, the rate on such commodity to be considered as 'existing on January 1, 1945' for the purpose of this section shall be the rate which would have existed if the agreement had not been entered into.

"(3) No proclamation shall be made pursuant to this section for the purpose of carrying out any foreign trade agreement the proclamation with respect to which has been terminated in whole by the President prior to the date this subsection is enacted."

SEC. 4. Section 4 of the Act entitled "An Act to amend the Tariff Act of 1930", approved June 12, 1934 (U. S. C., 1940 edition, title 19, sec. 1354), relating to the governmental agencies from which the President shall seek information and advice with respect to foreign trade agreements, is amended by inserting after "Departments of State," the following: "War, Navy,".

Passed the Housed of Representatives May 26, 1945.

Attest: SOUTH TRIMBLE, *Clerk*.

Senator WALSH. Mr. Chairman.

The CHAIRMAN. Senator Walsh.

Senator WALSH. I would like to say something and perhaps get the sense of the committee about the length of these hearings. Those who have been long on the committee are familiar with the general question of reciprocal trade agreements. Our conflict in the past has been largely over the length of time we devote to the reciprocal trade agreements each time they expire, when they are up for extension.

Now, there have been long hearings in the House, and I do not think this committee ought to be asked to sit and go over all that testimony again. I hope it will not be necessary.

Furthermore, it seems to me the issue is a very narrow one. I sense the fact that there are no members of this committee who are opposed to the continuing of the present law. The issue is what reasons are there for changing the present law and increasing the rates that have been proposed and are contained in the House bill. That is a very narrow issue, as to what are the reasons for changing the present law and increasing the power to make additional rates by the President. If we can confine it, Mr. Chairman—and I hope we can—to that issue we ought to dispose of these hearings very quickly, especially in view of the fact that we have all the House records and we ought not to have to hear those who testified already before the House committee. I would like your views about that, Mr. Chairman, and the views of the members of the committee.

The CHAIRMAN. I would like the views of the members of the committee present. I had taken much the same view. Most of the witnesses who have asked to be listed for this hearing have been advised that we would like for them to limit their oral statements, with the privilege of putting in any brief, and confine, as far as possible, those statements to the changes that are proposed in this bill over previous bills renewing the agreements. I would like to have the view of the committee on that.

You may be perfectly frank to express yourselves, gentlemen. There would seem to be no necessity for prolonged hearings, particularly in view of the lengthy hearings before the House committee. We have scheduled hearings that will take us through this week, at least, but we hope to conclude them—and I think we can unless we go back into the whole field of trade agreements and repeat much of the testimony that is in the House hearings—as per schedule. The House hearings have been made available to all the members of the committee, I believe. The clerk has sent them to your office, and we have other copies that are available here, if you wish to use them.

What is your view, Senator La Follette?

Senator LA FOLLETTE. Mr. Chairman, I would like to ask how many people have indicated that they would like to be heard.

The CHAIRMAN. Mr. Clerk, will you give us that?

The CLERK. Between 45 and 50.

Senator WALSH. Of course, every lawyer employed by an industry that is affected by this bill wants to appear again as well as he did in the House, I suppose.

The CHAIRMAN. I think for the most part, though, those witnesses will not have very lengthy statements. I say most of them; I would not say all of them, because there may be exceptions. What is your view of it, Senator Butler?

Senator BUTLER. Well, I will be sympathetic with having the hearings as short as possible, but I do not think we should make any decisions this morning.

The CHAIRMAN. Not any final decisions. I thought we would get the drift of the sentiment of the committee on it.

Senator BUTLER. As the hearings develop they might open something up. It certainly is one of the most important pieces of legislation that we will be called upon to consider for a long time.

The CHAIRMAN. I will be glad to hear any of you express yourself on that.

Senator JOHNSON. Senator, I do not think we ought to have a filibuster or a prolonged hearing. I think most of us are too busy to have that sort of thing, but I do hope that we consider the element of fairness, so the pros and cons will have an equal opportunity. In other words, I would hate to see the State Department come down here and have unlimited time and use up 2 or 3 days and then have the opponents of this measure limited to, say, 10 minutes. That seems to me to be absolutely inequitable and unfair, and I would be opposed to that. At the same time I hope we can hold them all down and that they will be as brief as possible and not cover ground that has been covered time after time in this committee which has been thoroughly covered and gone over in the House.

I am very much in sympathy with the position of Senator Walsh, that the only issue in this is the 50-percent reduction. I hope that the witnesses will confine their testimony to that feature of the proposal. We are all familiar with reciprocal trade agreements as such. That is my view, Mr. Chairman, with emphasis on equality and fairness all around.

The CHAIRMAN. Senator McMahon?

Senator MCMAHON. I am the newest member of the committee, Senator. I think it behooves me to say that I will follow along with just exactly what the committee wants to do about it.

Senator LA FOLLETTE. May I suggest, Mr. Chairman, that we might proceed for day or two and get some feel about how this thing is going to run, and when there is a larger representation of committee membership we might take it up in a day or two. We can postpone decision.

The CHAIRMAN. We did not make any decision today. I simply wanted to see what the general idea was.

Senator Bushfield, do you have any views?

Senator BUSHFIELD. I have read most of the hearings in the House, so I am somewhat familiar with the course of the testimony that has gone on there, and I will say to the chairman that there are something like 18 volumes of testimony. However, this thing appears to me to be one of the most important things that we have had before us this year. I feel as Senator Johnson expressed himself, it would be a mistake to try to limit the testimony of those who had something of importance to say. Of course, they all think it is important, but I have a number of farm groups who contacted me that are very deeply concerned about this whole situation, and I would not like to see the testimony confined strictly to the narrow issue that the distinguished Senator from Massachusetts has suggested, because even though it may be a repetition of testimony that has been put in before, these various groups in the country who have such a large stake in this matter, or think they do, should be given an opportunity to be heard.

The CHAIRMAN. Well, we will proceed and maybe discuss the matter tomorrow or the following morning, when we have a larger committee attendance. We always make efforts in this committee to limit the testimony to pertinent facts, as far as we can, but sometimes we start out with rules and we always vary them when it becomes necessary.

Secretary Clayton, will you come around, please, sir?

STATEMENT OF HON. WILLIAM L. CLAYTON, ASSISTANT SECRETARY OF STATE

The CHAIRMAN. I believe each member of the committee has before him the statement made by the Secretary before the Ways and Means Committee and also a copy of what he wishes to say to us this morning.

You may proceed, Mr. Clayton. If you wish to finish a preliminary statement without questions, you may do so, or if you wish to yield to questions as you go along, I will leave it to whichever way you desire.

Mr. CLAYTON. I think the former course might be better, Mr. Chairman, because in many cases I find the questions that are asked are covered in later portions of my statement.

The CHAIRMAN. Very well, you may make your preliminary statement and thereafter we will ask such questions as any member of the committee wishes to ask.

Mr. CLAYTON. As the chairman has said, copies of the statement I made before the House Ways and Means Committee are before the members of this committee, and I will not take the time to go over the same ground there. I would like, however, to discuss briefly a few of the high points which emerged from the House hearings and I will then endeavor to answer such questions as members of the committee may wish to ask.

The Trade Agreements Act is an essential part of the foreign economic policy of this administration.

The organization which is being set up in San Francisco to preserve the peace will fail of its purpose unless the nations of the world are as willing to cooperate in the economic field as they are in the political field.

Nations which act as enemies in the marketplace cannot long be friends at the council table.

This has been recognized in San Francisco by placing the social and economic council on a par with the assembly and the security council in the framework of the organization.

The delegates at San Francisco and the peoples for whom they speak know that victory in this war will not bring enduring peace but only the opportunity to work for enduring peace. They know, as their predecessors of 25 years ago failed to realize, that the most elaborate arrangements for the maintenance of political and military peace will soon disintegrate if the world again engages in the type of economic warfare it waged between the two World Wars.

The trade agreements program, the Bretton Woods proposals, the effort to break up the development of the cartelization of international trade, the removal of government restrictions and government trading, both here and abroad, are all part of our plan to get international commerce back into the hands of private people as quickly as war conditions will permit.

There are only two roads open to us in shaping our economic policies in the postwar world.

We can follow the path of economic liberalism, in keeping with our democratic principles and traditions, and without which no peace structure will long stand; or we can take the road to economic nationalism leading inevitably to regimentation, to state trading, to international irritations and retaliations and, in the end, to the creation of an atmosphere in which the seeds of conflict are sown.

I do not believe it is an overstatement to say that most of the other nations of the world will take the same road we take; but they will only take the road to economic liberalism if we give prompt and vigorous leadership.

We have been so busy winning the war that we have had too little time to think about the grave economic problems with which the world will be faced in the postwar period.

But we all recognize that a gigantic job of reconstruction and development is to be done in the world at the end of this war.

The United States is the principal source of supply of the enormous volume of machinery, equipment, tools, and technical "know-how" which will be required to do this job.

Surely no one can deny that it is in our own enlightened self-interest to help the world get back on its feet.

We cannot long expect to have a high level of employment and prosperity in our country if a good portion of the rest of the world is still flat on its back because of the devastation of the war.

Moreover, as is well known, there has been an enormous expansion during the war in our productive facilities of the very kind of goods that the rest of the world must have for reconstruction. So great has been this expansion that it is impossible for the home market to absorb our entire production. Hence, if these plants are to continue to operate and furnish jobs we must find markets abroad for their surplus production.

To sum up:

We have the goods for sale and the world desperately needs these goods in enormous quantities; the problem is to find the dollars with which to make payment.

Under these circumstances, does anyone doubt that some way will be found to bring buyer and seller together?

In the final analysis, our customers must pay in their own goods and services, but this will not be possible for several years for the obvious reason that they will first have to restore and develop their own productive facilities before they can produce a surplus over and beyond their own requirements.

Hence, it will be necessary to grant credits through the facilities of the International Bank for Reconstruction and Development, if its establishment is approved by the Congress, and through the Export-Import Bank, if the Congress provides it with additional lending facilities, and through other sources, private and governmental.

In all probability our investments abroad, governmental and private, will total some billions of dollars in the first few years after the war, assuming always that we are successful in building a world organization for the preservation of peace which will give reasonable hope to expect that the peace of the world will not again be broken, at least for many years to come.

Now, for the debtor countries to pay the interest and dividends on such investments and continue to buy our goods it is absolutely essential that trade discriminations be eliminated and that excessive barriers to the international movement of goods, such as tariffs, quotas, et cetera, be substantially lowered.

This the trade agreements program is doing and should continue to do.

Nobody wants to repeat the course we followed after the First World War. We had somewhat the same problem then that we have now. The way we met that problem was to provide lavishly the necessary credits which foreign countries required for buying our goods but we accompanied that with three separate advances in the tariff which made it impossible for our foreign debtors to make payment in dollars. They received goods, not dollars, but we asked them to repay in dollars, which they could not do.

The trouble was that our change from a debtor to a great creditor nation was so sudden that we continued to act like a debtor.

Everybody remembers the consequences of that policy. We not only lost our money but we created much international ill will as well; and when we suddenly stopped lending, our exports dried up. These actions of ours played an important part in deepening and widening the depression which followed.

The Trade Agreements Act authorizes the President to make agreements with other countries whereby we trade concessions in our import duties on goods we buy from them for reductions in their import duties and other restrictions on goods they buy from us.

This is merely the application of the principle of good business and of good, hard, common sense to the job of tariff adjustment.

No one familiar with the exorbitant rates in the Smoot-Hawley bill, many of them running over 100 percent, can deny that tariff adjustment, selectively and carefully made, is called for.

At the time the Trade Agreements Act went into effect, 11 years ago, the average rate of duty on our dutiable imports under the Smoot-Hawley bill was about 50 percent.

Under the careful, selective process of tariff adjustment under the Hull trade agreements program, this average rate of duty has been brought down to about 35 percent.

In the meantime corresponding concessions have been obtained in the import duties of other countries, international trade has been materially expanded and no American industry can show that it has been seriously injured in the process.

A rumor has freely circulated that certain American industries have been singled out as inefficient industries and, if the additional authority provided for in the bill is granted, the State Department will use such authority to "trade off" these inefficient industries for other industries which can compete in the world market.

Nothing could be further from the truth than this.

The State Department has never construed the Trade Agreements Act as a license to remake the industrial or agricultural pattern of America. The record of 11 years of administration of the act should prove that.

If, however, there is any doubt in any one's mind regarding the use of the act to seriously injure American industry, this doubt should be completely dispelled by the letter of May 25 from President Truman to the Honorable Sam Rayburn. This short letter reads as follows:

> My Dear Mr. Speaker: Supplementing our conversation yesterday, I wish to repeat that I regard the pending measure for the renewal and strengthening of the Trade Agreements Act as of the first order of importance for the success of my administration.
>
> I assume there is no doubt that the act will be renewed. The real question is whether the renewal is to be in such form as to make the act effective. For that purpose the enlargement of authority provided by section 2 of the pending bill is essential.
>
> I have had drawn to my attention statements to the effect that this increased authority might be used in such a way as to endanger or "trade out" segments of American industry, American agriculture, or American labor. No such action was taken under President Roosevelt and Cordell Hull, and no such action will take place under my Presidency.
>
> Sincerely yours,
>
> Harry S. Truman.

Although the Trade Agreements Act has been in effect for 11 years, there are still hundreds of imported commodities on which the rates of duty are unduly restrictive—many rates are in excess of 50 percent, and in this group are many commodities with rates of duty running over 75 percent, and even in excess of 100 percent.

It is essential that the additional authority asked for in section 2 be granted because the full reduction permitted under the original act has already been made in respect of certain commodities supplies by our principal foreign customers. In respect of the United Kingdom and Canada, our two best customers, we have already made reductions under the program on about 90 percent of our total dutiable imports from these countries. In respect of the other western European countries and the principal Latin-American countries, we have also used up the major part of our bargaining power.

Now, it is highly desirable, with the resumption of peacetime trade following the end of the war, that new trade agreements be negotiated with these countries. Good business considerations dictate this.

The pattern of postwar trade will differ in many important respects from the trade of the prewar period.

For this reason, and also because it is so much in our interest to bring about a further lowering of foreign trade barriers against our exports, we should negotiate new trade agreements with these countries. But we cannot accomplish this purpose unless we have something with which to negotiate. Section 2 gives us the additional bargaining power which we require.

Let me make it perfectly clear, however, that section 2 does not give us authority to reduce rates by 75 percent from the original Smoot-Hawley rates as so many people seem to think.

Section 2 of the bill gives us authority to make agreements involving reductions in our rates up to 50 percent of the tariff rates in effect on January 1, 1945.

It should be pointed out that in respect of 37 percent of our dutiable imports by value, no reduction whatever has been made so far in import duties under the Reciprocal Trade Agreements Act.

Hence, as to these imports, amounting to 37 percent of the total, the present bill gives no additional authority whatsoever.

In respect of another 21 percent of dutiable imports by value, reductions in duty have been made in varying percentages under 50 percent. Therefore, some additional authority is provided in the pending bill in respect of these imports.

As regards the remaining 42 percent of our dutiable imports by value, agreements have been entered into providing for the full 50-percent reduction in duties authorized under the original act. If Congress should grant the authority provided for in section 2 of the pending bill, the President would then have authority to reduce the duties on the commodities constituting this 42 percent of our imports by another 50 percent.

May I point out, however, that this bill is merely an enabling act and that it will be as carefully and deliberately administered in the future as it has been in the past. It has taken 11 years under the old law to make the full authorized reductions on 42 percent of our dutiable imports. All reductions have been very carefully and selectively made and have been hedged about, when needed, with all kinds of special safeguards. The House Ways and Means Committee describes the process very well in the following excerpt from their report on the bill:

> One of the most striking features of the trade-agreements program, as is apparent from any fair analysis of the agreements, is the extreme care which the President and the trade-agreements organization have taken in protecting the interests of American producers. In cases where it appears that some concession is desirable but that an unrestricted concession might cause damage, the concessions actually made have been definitely limited. Pursuant to the wise authority conferred by the original act not only to proclaim changes in duties but also impose "additional import restrictions," concessions have been circumscribed, wherever necessary, by reclassifications, changes in form of duties, tariff quotas, and absolute quotas. It is the intent of the law and also that of the committee, that these same protective measures shall be used in connection with future agreements whenever circumstances require them.

Other witnesses will testify in detail regarding the procedure followed in the administration of the act but I would like to point out here that so much care and deliberation are used in the entire process that the shortest length of time in which an agreement has been negotiated is

5 months and that the average period of negotiation has been in excess of 1 year.

In conclusion may I say, I am certain that the committee knows that there is throughout the world a great shortage of goods of all kinds. For most goods, it will take several years to overcome this shortage.

Meantime, in the United States, due to a great increase in productive facilities, to important technological progress and to the enormous savings which have been accumulated during the war, we are almost certain to enjoy for the first few postwar years a great expansion in our peacetime economy as compared with the prewar period.

Many economists expect, as soon as reconversion has been completed that we shall approach a total national production of goods and services of 150 to 160 billions of dollars as compared with 100 billions in 1939.

Meantime, most of the rest of the world will be busily engaged with problems of reconstruction and development and restocking of goods so that they will not possess surpluses in any considerable volume out of which to export to the United States or any other country.

Germany and Japan, both powerful competitors in the prewar period, will undoubtedly be industrially impotent for many years following the end of this war.

On the whole, therefore, the grave fears expressed by some segments of American industry regarding the passage of this bill appear to be wholly unjustified.

On the contrary, there is very good reason to fear the consequences if this bill should fail to pass.

If we fail to adopt the tariff policy which this bill embodies, we cannot expect to receive the returns that will be due us on the large foreign loans which we shall inevitably make during the reconstruction period.

We must decide now whether we are to repeat the dangerous mistakes of the 1920's. We learned then what we should have known before, that foreign loans in the long run can be repaid only in goods and services. Where there is no disposition to accept additional quantities of goods and services, efforts to obtain repayment of foreign loans are bound to fail, and to generate international friction and hostility in the process.

Rather than give money away under the misapprehension that we are lending it, I should prefer that we give it away in the knowledge that we are giving it away. But a third alternative, which I prefer to either of these, is to lend it and get it back.

An effective trade-agreements program, which this bill would authorize, would enable us to create the conditions in which repayment could be made. By a careful and selective process of scaling down our tariff barriers, we may expect to receive in return for our loans, not notices of default, but useful goods and services as well as important concessions for our exports.

The usefulness of this bill, however, in facilitating the repayment of our foreign loans, is overshadowed by the profound impact which it would have on the structure of the world's economic system.

In the critical years immediately ahead of us, this bill is an instrument we need to resist the growth and spread of economic nationalism, and to reinforce economic liberalism and free enterprise.

Strong currents of nationalism have always been among the aftermaths of great wars. This war is no exception. Powerful impulses toward economic nationalism are already apparent in other countries. I am convinced that these forces can be curbed, and that the world can be made to move in the direction of the liberal free-enterprise system in which we believe and upon which our whole economic structure rests.

But this will only be possible if we provide the leadership, vigorously and promptly.

This bill is one of the decisive tests of our willingness to take that leadership.

There are some who suggest that we should not act decisively now. We should wait, they say, until we can tell exactly what is going to happen abroad, and meanwhile, they urge, it is enough simply to renew the old law for a year or two, as a token of our intention to do some serious thinking about this matter later on.

Such a policy of marking time by the United States is the surest means of entrenching the institutions of economic nationalism in other countries.

The rest of the world cannot afford the luxury of marking time. For them the time for decisions is now.

The action which we take on this bill will be a crucial factor in determining how those decisions are made. If we choose the policies which will encourage and strengthen economic liberalism and free enterprise in the markets of the world, most countries will go along with us.

If we choose other policies, we must expect these countries to decide in favor of state trading new and higher trade barriers, new discriminations, and the cartelization of their industries.

I believe that our country and the world can prosper in an environment of free enterprise and economic liberalism; but we cannot prosper unless we are prepared to give practical effect to the principles we hold. Favorable action on the bill before your committee is, I believe, one of the steps which is necessary to make our system work.

The CHAIRMAN. Thank you very much, Mr. Clayton.

Are there any questions, Senator Walsh?

Senator WALSH. Not at the moment.

The CHAIRMAN. Senator La Follette?

Senator LA FOLLETTE. Not at the moment.

The CHAIRMAN. Senator Bailey, do you have any questions now?

Senator BAILEY. No.

The CHAIRMAN. Senator Butler?

Senator BUTLER. I think somebody should ask Mr. Clayton some questions. Some of the oldest members perhaps should lead.

I have been interested, of course, in reading the statement. A good many questions occurred to me at the time of the reading of it. I do not know if the most important ones occur to me now, but one of them is this:

You anticipate further reductions if this section 2 is passed and I would kind of like to know on what line of commodities that further reduction will probably come. Will it not come on commodities that already have had their 50-percent reduction?

Mr. CLAYTON. Senator Butler, that is a very natural question, but it is impossible to answer it, and if I could answer it it would be, in effect, an admission of a great defect in the trade-agreements program.

Senator BUTLER. The law now provides a 50-percent reduction. The 50 percent has not been taken advantage of in certain lines on a great many commodities; is that right?

Mr. CLAYTON. That is right.

Senator BUTLER. I think on something like on 42 percent it has been taken advantage of.

Mr. CLAYTON. Yes.

Senator BUTLER. Now, if we grant a further power for reduction there is no likelihood that you will apply the further reduction on commodities that have not taken their 50 percent; it will apply on commodities that have already given their 50 percent?

Mr. CLAYTON. We cannot apply a further reduction under this bill on 37 percent of our imports on which there has been no reduction. There is no change whatever under this bill in respect of that 37 percent of our imports. As I stated in my statement, in respect of 21 percent of our imports we have made reductions in varying amounts under 50 percent. So this section 2 will give us some additional authority there. But the reason I said, Senator Butler, that if I could answer your question right off as to what field we would make these reductions, it would be an admission of a defect in the Trade Agreements Act, is this: We never know where we are going to make these reductions until the whole situation is thoroughly explored and studied. The trade-agreements machinery provides that after carefully looking over the field in order to determine whether an agreement should be made with country X, for example, we then look over the different commodities on which we might consider making concessions; we see what goods they export to us and the commodities we sell to them on which we would like concessions, and then we publish notice that the negotiation of an agreement with country X is under consideration, and we give a list of the commodities on which we expect to consider making concessions in our duties, and we give everybody an opportunity to come in and make any protest that they may wish to make in respect of any action on any one of those commodities. So that the result is we never know on what commodities we will even attempt to negotiate until that procedure has been finished.

Now, as an example, I think in the case of Belgium studies were made on about 160 commodities on which we might have granted concessions in negotiating that agreement, but when we got through with that agreement we had actually negotiated concessions on only 45 or 50, or about one-third. So that the whole process is so carefully and so selectively handled that we never know just what we are going to trade on until we get right up to the point.

Senator WALSH. Who, in the Department of State, handles these negotiations?

Mr. CLAYTON. Well, it is handled, Senator Walsh, by what is called the Interdepartmental Trade Agreements Committee.

Senator WALSH. Who is it composed of?

Mr. CLAYTON. It is composed of representatives of the Department of State, the Treasury, Commerce, Agriculture, and the United States Tariff Commission, those five agencies, and more recently the Office of Price Administration.

Senator WALSH. Will you give us the names of these agencies?

Mr. CLAYTON. The names of the representatives?

Senator WALSH. Individually.

Mr. CLAYTON. Yes, sir; I will insert them in the record.

(The information referred to is as follows:)

NAMES OF THE MEMBERS OF THE TRADE AGREEMENTS COMMITTEE AS OF MAY 31, 1945

Department of State: Charles B. Bunn, Chairman.
Department of the Treasury: V. Frank Coe, Norman T. Ness (alternate).
Department of Agriculture: Leslie A. Wheeler, G. B. L. Arner.
Department of Commerce: Amos E. Taylor, H. P. Macgowan (alternate).
United States Tariff Commission: Oscar B. Ryder.
Office of Price Administration: (Vacant).

Senator WALSH. Will you also furnish the committee with a table of the percentage of goods manufactured in this country that go into the export market in the various years from 1939 up to the present time?

Mr. CLAYTON. Well, we can do that, Senator Walsh, but I think it would be very deceptive as regards war years.

Senator WALSH. I should think so. Perhaps we ought to go back to 1925.

Mr. CLAYTON. From 1925 up to 1939?

Senator WALSH. Yes.

Mr. CLAYTON. Yes, sir; we will do that.

(The tabulation referred to is as follows:)

Percent of United States production exported, 1925–39

Year:	*Percent of total production of movable goods that are exported*	Year—Continued.	*Percent of total production of movable goods that are exported*
1925	10. 2	1933	6. 7
1927	10. 0	1935	6. 9
1929	9. 8	1937	7. 7
1931	7. 5	1939	7. 7

Source: Summary of Foreign Trade of the United States, 1941, United States Department of Commerce p. 55.

Senator WALSH. What is the percentage of our exports in relation to the total production now?

Mr. CLAYTON. The whole thing is so blown up now by lend-lease shipments that it is very deceptive at the present time, during the war.

Senator WALSH. Leave lend-lease out of it.

Mr. CLAYTON. I just would not be able to answer at the present time, but prewar it ran somewhere around 7 percent, I think, exports of our total production.

May I just point out that while that is the average, that in respect of some particular commodities the percentage has been much higher, as you know—in the case of cotton, over 50 percent; tobacco, around 40 percent; and in the case of lard and rice and other commodities the exportation has been a pretty large percentage. When you get into manufactured products, in some years we exported about 10 percent of our automobiles, and a very considerable percentage of our production of office equipment, machines, and other manufactured products.

Senator WALSH. I call your attention to this paragraph:

> Many economists expect, as soon as reconversion has been completed, that we shall approach a total national production of goods and services of 150 to 160 billions of dollars as compared with 100 billions in 1939.

How much of that increase is anticipated to be export business and how much domestic consumption?

Mr. Clayton. I am afraid I would not be able to answer that. A great deal depends, Senator, on our policy with reference to foreign lending and assisting the rest of the world to reconstruct and develop. If we adopt the Bretton Woods proposals, and if we give the Export-Import Bank more lending power, and if we follow a policy of really effectively assisting the rest of the world to recover and to reconstruct and to develop their resources, we ought to do a very large export business after the war. I do not think it is an overstatement to say that the possibilities are that it may reach $10,000,000,000 a year within a few years after the war.

Senator Walsh. Is it a fair statement to make that because of the world depression since the enactment of the original Trade Agreements Act and the war, that there has been no real test of the effect on increasing exports or on stimulating production in this country?

Mr. Clayton. Well, we had an increase, Senator, of some sixty-odd percent in export to trade-agreement countries up to the time of the war started. Of course, the war has disrupted everything—I mean, there is nothing normal any more, of course, since the war started, but we had a pretty good test. Over the period of about 5 years we got the exports up, as I say, about 65 percent, to trade-agreement countries. But I think, if the act is renewed and we are given this additional authority and we can get the rest of the world to work along the same economic philosophy that we have, which I hope we will be able to do, that we can enormously increase our exports as compared with prewar.

Senator Walsh. What have been the increases in imports and exports during those years?

Mr. Clayton. The increase in imports has been about 25 percent from trade-agreement countries, and 13 percent from nontrade agreement countries. The increase in exports was about 62 percent, I believe, to trade-agreement countries, and about 33 percent to non-trade-agreement countries.

Senator Walsh. What years were those?

Mr. Clayton. From about 1934 until 1939.

Senator Walsh. Of course, our exports increased very rapidly on the breaking out of the war in Europe and just before it broke out.

Mr. Clayton. The war did not break out until September, 1939. There was some interruption, of course, the first few months of the war. I think 1939 would be a fair year to use.

Senator Walsh. On the whole, then, you would say the experiment with this law during the years prior to the war was, from your standpoint, favorably toward this country?

Mr. Clayton. Yes, sir; I think unquestionably it was. Of course, as you say, the impact of the depression, which we really had not gotten out of when the war started, and the war made an abnormal situation. We are going to have, as I said in my statement, in the postwar an entirely new pattern of international trade, and for that reason we think it is highly important that we be given this extension of authority and increased authority so we can deal with that new situation.

Senator WALSH. Of course, the act was not tried out really in normal times, unless the first 4 years would be considered normal.

Mr. CLAYTON. That is correct; we did not get well started, of course, until 1935 or 1936. The whole act, Senator, is really, I think, a modest effort to correct some of the economic maladjustments in the economic relationships between nations.

Senator WALSH. Some of the tariff rates had appeared to be excessive, too, I suppose.

Mr. CLAYTON. Yes, sir. We all know how these tariff bills were made in the good old colorful days. The rates of the tariff act offer very great opportunities for carefully going over and smoothing out some of the excessive examples that we find there of protectionism running loose.

Senator WALSH. Have you on file a list of the complaints filed with the State Department by industries throughout the country who claim they are unfavorably affected by this law?

Mr. CLAYTON. Yes, sir. We get the complaints, and of course many witnesses always appear in these hearings, and they did appear before the House committee, to register complaints. But I would like to say this: Their complaints arise mostly from their fears rather than from any evidence that they are able to bring out of any actual injury done to their industries. When you take most of them and look at the very, very small percentage of imports of the industries that are complaining relative to the total domestic production of those particular commodities, why, you see that the complaints arise from a very, very little competition from the outside, instead of a flood of imports, as you sometimes hear fears expressed, that we may see under the operation of this act. The act was in effect for 5 years before the war started, and we certainly had no flood of imports in any commodity that was affected by it.

Senator WALSH. Do you think the fact that the war made it possible for the countries in Europe, in particular, who naturally would be our competitors, to learn our methods of production, including mass production and the use of our most modern tools and machinery, may result in making competition sharper and harder?

Mr. CLAYTON. Senator Walsh, I think it would be the other way. We have, so far as I have been able to judge from the study that I have made, forged so far ahead of the rest of the world in our technology of manufacture in industry generally that there is little comparison between our efficiency with that of the rest of the world. In the old days you probably recall Mussolini gave as a reason for the hiking of Italian duties before the war against American exports that it was necessary to protect Italian industry against a much more efficient United States industry, so that we have on that side the argument that they must put up tariffs in order to protect themselves against us in this country because we are so much more efficient than they, and on this side we have the argument we must put up tariffs against them on account of their cheap labor.

Senator WALSH. I have no more questions.

The CHAIRMAN. In enumerating the departments of Government that would be called upon to participate in the negotiation of treaties you did not mention the fact, I believe, Mr. Clayton, that under section 4 of this bill the War and Navy are now added.

Mr. CLAYTON. I am sorry I overlooked it. In the House the War and Navy Departments were added, that is right. That was done in order that every consideration might be given to questions of national security in any tariff action that might be taken.

Senator BAILEY. Do they have full votes in the conference?

Mr. CLAYTON. They are added to the Committee, Senator Bailey, what we call the Interdepartmental Trade Agreements Committee, which formerly consisted of representatives of five departments and now consists of representatives of seven.

The CHAIRMAN. Does the War Department have a vote in the Committee?

Mr. CLAYTON. I think that is right. Under the present bill, the War and Navy have been added as full members of the Committee.

Senator BAILEY. How many members do you have?

Mr. CLAYTON. There are seven or eight, I believe: State, Commerce, Agriculture, Treasury, the United States Tariff Commission, and the Office of Price Administration; and now the War and Navy will be added, making eight.

Senator BAILEY. Then, you have the President, over all?

Mr. CLAYTON. Yes, sir, everything has to be approved by the President.

The CHAIRMAN. Who is the chairman of the Interdepartmental Committee?

Mr. CLAYTON. The State Department representative is the chairman of the Committee.

The CHAIRMAN. The State Department representative?

Mr. CLAYTON. Yes.

The CHAIRMAN. Who does he happen to be?

Mr. CLAYTON. It has been Mr. Fowler. Mr. Fowler was chairman until very recently, but Mr. Fowler has gone to the Embassy, in London, and there will be a new chairman.

Senator WALSH. It used to be Mr. Sayre?

Mr. CLAYTON. No; Mr. Harry Hawkins was chairman for a long time.

Senator WALSH. Mr. Sayre appeared before our committee.

Mr. CLAYTON. He did appear before your committee. He was Assistant Secretary of State, but he was not chairman of the Trade Agreements Committee. The committee reported to him, and under the new set-up they will report to me in the State Department.

Senator BAILEY. Will petitioners be heard by this committee of seven?

Mr. CLAYTON. Senator Bailey, first of all there is a related committee called the Committee on Reciprocity Information. The first procedure is to publish a list of commodities and the country we expect to negotiate an agreement with, a list of the commodities that will probably be involved, and then hearings are held. Anybody who has any protest that they want to make, or any information they want to give the committee, is invited to appear at these hearings and make their protest, verbally or in writing, formally or informally, in any way they like.

Senator BAILEY. Are those hearings matters of record?

Mr. CLAYTON. Yes, sir; they are.

Senator BAILEY. They can be printed and filed with the Congress, if the Congress desires?

Mr. CLAYTON. I do not believe they are filed with the Congress. They are, of course, open to the President at any time.

Senator BAILEY. The Congress could get them?

Mr. CLAYTON. I imagine they could, Senator Bailey.

Senator BAILEY. You print them?

Mr. CLAYTON. I am not sure that they are printed.

Senator BAILEY. They are mimeographed?

Mr. CLAYTON. I am sorry, I have only been in the Department 5 months and there have been none held while I have been there. The war is on. I am not familiar with every detail of the hearings.

Senator WALSH. Is the list of commodities published in this country so that industries affected will have knowledge of the particular commodities that you are negotiating about?

Mr. CLAYTON. Yes, sir, they are. The list contains all the commodities on which concessions in our duties may be considered in the negotiations. When the agreement is finally negotiated, many of these commodities do not carry any reductions at all.

Senator WALSH. But that information as to the list of commodities is available to everybody, in this country?

Mr. CLAYTON. Yes, sir. It is published in the Federal Register, Foreign Commerce Weekly, and in the State Department publication, as well as in the press.

Senator WALSH. At the time you decide to negotiate with the foreign country you have a list of the commodities?

Mr. CLAYTON. Yes, sir. That is one of the first steps that is taken, Senator Walsh, to publish a list of the commodities, so that the people affected will know what is intended and will have an opportunity to come in and make their protest if they have any to make.

The CHAIRMAN. Any questions, Senator Gerry?

Senator GERRY. Not now.

The CHAIRMAN. Senator Johnson?

Senator JOHNSON. Senator Butler asked the question I wanted to ask, about the 42 percent and the 37 percent and 21 percent.

The 42 percent is really the only percentage that is affected by this bill.

In other words, you already have the privilege of reducing the tariff 50 percent on the 37 percent.

Mr. CLAYTON. That is right.

Senator JOHNSON. This does not give you any additional power over the 37 percent.

Mr. CLAYTON. None whatever.

Senator JOHNSON. It only gives you partial power over reductions on 21 percent.

Mr. CLAYTON. Yes, sir.

Senator JOHNSON. But this bill does give you a 50-percent reduction authority over the 42 percent.

Mr. CLAYTON. Yes, sir.

Senator BAILEY. I would like to have some information to show the consequences on our imports and exports.

Mr. CLAYTON. We will see if we can get that up, Senator Bailey. I think we can. The only difficulty is, many of these agreements were made just a short time before the war, in 1938–39. The war has upset the whole normal interchange of goods, of course.

Senator BAILEY. I think the whole thing has been set up since 1932.

Mr. CLAYTON. Yes, that is true; but the war has almost completely upset it. I do not think you can judge much by any figures that we give you during the war.

Senator BAILEY. You will not get things settled down for several years; isn't that true?

Mr. CLAYTON. Yes, sir. We will see what we can do.

(The following information was subsequently supplied by Mr. Clayton:)

The following table shows the increase in our exports to and imports from trade-agreement and nonagreement countries in 1938–39 as compared with 1934–35. No claim is made that the trade-agreements program was the only contributing factor to the increase in our foreign trade. For further information with regard to results under the trade-agreements program reference is made to pages 11–14 of report of the Committee on Ways and Means on H. R. 3240, a bill to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes, May 18, 1945.

United States trade with trade-agreement countries and with all other countries, 1938–39 compared with 1934–35

[Values in millions of dollars]

Items	Comparison of 1938-39 with 1934-35			
	1934-35 average value	1938-39 average value	Change: Value	Change: Percent
Exports, including reexports				
Total, trade-agreement countries	[1] 757	[1] 1,232	+475	+62.8
Total, nonagreement countries	[2] 992	[2] 1,306	+314	+31.7
Total, all countries	2,208	3,136	+928	+42.0
General imports				
Total, trade-agreement countries	[1] 774	[1] 942	+168	+21.6
Total, nonagreement countries	[2] 772	[2] 868	+97	+12.5
Total, all countries	1,851	2,139	+288	+15.6

[1] 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. 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 Newforundland 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.

[2] 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. Commerce Reports, Feb. 17, 1940.

Senator BAILEY. Let us take a practical matter; take the textile industry in North Carolina. We have a great many of them, and they are very important. There are four or five hundred mills, as you know, in my State.

Mr. CLAYTON. Yes.

Senator BAILEY. A great many of those mills are concerned lest we open this whole market to competition from China, India, Great Britain, France, and other countries on some theory, on this phrase which I do not understand, which I have very little patience with, called economic liberalism. That does not mean anything to me.

Mr. CLAYTON. I am sorry, Senator; it means something to me.

Senator BAILEY. Liberalism, in my judgment, relates to the law, the Government, and the people here at home, but does not relate to people abroad.

Mr. CLAYTON. I spoke of it in an international sense, with reference to international trade.

Senator BAILEY. The idea is that it would mean very little.

Mr. CLAYTON. Not in the sense of giving something to somebody, but liberal in our own interest.

Senator BUTLER. Does it mean free trade?

Mr. CLAYTON. It does not, in my mind.

Senator BAILEY. By saying "economic liberalism" it strikes me you are just using two words which really do not convey a definite conception.

Mr. CLAYTON. By "economic liberalism," by the use of those two words in my statement, I meant a tariff policy not only on the part of this country but on the part of foreign countries that would contribute to a large interchange of useful goods and services between the countries. That is what I mean by "economic liberalism."

Senator BAILEY. That makes it rather clear. What assurance can I give them that they will not find themselves in hopeless competition with other countries?

Mr. CLAYTON. Senator Bailey, I am glad you asked that question. Of course, as you know, I had a little experience in the cotton business, but not so much in the cotton textile industry.

Senator BAILEY. I am pleased to say you have had a great deal of experience in it and have proved yourself a magnificent trader.

Mr. CLAYTON. I have followed it, of course, very closely ever since I entered business. The cotton textile industry has, for the most part, feared the competition of Japan in the past. I do not think they will have to fear the competition of Japan, trade agreements or no trade agreements, for many years to come at the end of this war. There may not be any cotton textile industry left in Japan when we get through in the war with Japan. It is doubtful if there will be.

Senator BAILEY. Japan took the trade away from Great Britain.

Mr. CLAYTON. Yes; Japan took the trade in the Far East from Great Britain.

Senator BAILEY. But we have supplied Japan with the same number of bales that we formerly supplied Great Britain.

Mr. CLAYTON. Yes, sir; and they have even consumed more than that.

Senator BAILEY. Who will get that now?

Mr. CLAYTON. That will be distributed among various nations. For example, in India; India bought a great deal of cotton goods from Japan which she formerly bought from England. Japan captured a good part of the cotton textile exports to India. India before the war had yearly been increasing her own domestic production of textiles very fast, and during the war has increased at a great rate, and will undoubtedly, after the war is over when she can get additional textile machinery, supply most of her own needs. She supplies most of her own needs now, or nearly her own needs.

Senator BAILEY. You mean the Indian needs or the Empire needs?

Mr. CLAYTON. I was speaking of India.

Senator BAILEY. Oh, India?

Mr. CLAYTON. Yes, sir.

China need not be feared as an exporter of cotton goods for many years to come because she is a large importer, as you know, of cotton goods now, or was before the war—she cannot get them now—and it will take her a long time to build up an industry sufficient to supply her own domestic requirements of textiles, a very long time.

Senator BAILEY. Much longer than the period of this extension?

Mr. CLAYTON. Much longer. Now, of course, Germany was quite a manufacturer of cotton textiles before the war. It will be a long time, I think, before Germany will be in a position to compete in the world markets for the cotton textile business. So you come to Great Britain.

Senator BAILEY. You passed by Russia. I would like to hear something about Russia.

Mr. CLAYTON. There isn't a chance, Senator, in my opinion—I know the industry there pretty well, I traded there for many years—I do not think there is a chance that Russia will be an exporter of cotton goods in any volume for many years to come, because she will have a difficult time to build up her own industry to the point where it will supply her own domestic requirements.

Senator BAILEY. You do not fear that in the near future Russia will become a competitor in the world market?

Mr. CLAYTON. I do not fear it, Senator Bailey. Her necessities at home, to build up production to increase the standard of living of her own people—which of course is her objective—are so enormous that it will be a long time, in my opinion, before Russia will be a great competitor of our country, or of Britain and other industrial countries, in the world market. It will take, I think, a number of years to do that. In the meantime her population is increasing very fast and, as I say, her standard of living will be increasing, she will be trying to build that up. She did, as you know, between the two World Wars, a very small international business. Our own imports from Russia normally run around $30,000,000 a year, which is just a drop in the bucket. That trade is very small and I would think would be very small for a number of years.

The only other serious competitor that the cotton-textile industry might have to fear, I think, would be Great Britain, and maybe France, with regard to some very fine goods. The truth of the matter is, our importation of cotton textiles runs less than 2 percent of our total production in this country.

Senator BAILEY. What the manufacturers are concerned about is the future.

Mr. CLAYTON. I know they are always worrying about the future. They have not been hurt yet.

Senator BAILEY. I do not blame them about that. When the future is uncertain and you put an uncertain element into the market, why should not they be worried?

Mr. CLAYTON. I do not think they really should be worried when they look at the record of the handling of the trade agreements instrument over the last 11 years. Senator Bailey, if we were to take any drastic action in respect of any commodity which would bring in a flood of imports of that commodity and seriously threaten the stability of any industry, you would throw us out.

Senator BAILEY. We would throw you out, but we could not revoke the agreement.

Mr. CLAYTON. How is that?

Senator BAILEY. We might throw you out but we could not revoke the agreement. As I understand, the agreement is absolutely binding for 3 years.

Mr. CLAYTON. I believe that in most cases agreements are binding for 3 years, but after that may be canceled on 6 months' notice at any time by either party.

Senator BAILEY. Don't you take that view about the executive agreement, that it will run for 3 years regardless of the power of Congress to abrogate it, it will last 3 years?

Mr. CLAYTON. I think that is right.

Senator BAILEY. That is the view of Mr. Hackworth of the State Department.

Mr. CLAYTON. Yes.

Senator BAILEY. I do not know that that will stand up in actual practice, but I think, as a matter of honor, if we bind ourselves for 3 years we are bound by it. The whole thing arises in Congress. One Congress cannot bind itself for another, in my judgment.

Mr. CLAYTON. In cases, Senator Bailey, where the trade-agreements organization, in making these agreements have any reason to doubt the correctness of their judgment in respect of the possible consquences of a concession that might be made in an import duty, and in order to provide against unforeseen developments in the future, they have ways of protecting the domestic industry. As I read in my statement, a quotation from the report of the House Ways and Means Committee points out the different devices that we use. We have one that we call an escape clause.

Senator BAILEY. What is the escape clause?

Mr. CLAYTON. The escape clause in the Mexican trade agreement provides that if, as the result of the concessions that are made, or unforeseen circumstances, imports of any commodity covered by the agreement come in in such volume as to threaten to seriously injure any industry, that upon representation of those facts being made to the President, the President of the United States can impose quantitative restrictions—a quota—on that commodity, or he can modify or cancel the tariff concession that was granted. It gives him two ways in which he can stop that flood of imports.

Senator BAILEY. He can modify or he can impose a quota?

Mr. CLAYTON. Yes, sir; he can modify or cancel the concession that was granted on that commodity or he can put on a quota, and we have put quotas in several instances on different commodities.

The CHAIRMAN. Is it proposed now, Mr. Clayton, that that clause will go in all agreements?

Mr. CLAYTON. No, sir; Senator George, we do not propose that. I do not think we probably have the right to make a commitment that that would be done. That is in the jurisdiction of the committee. But we say this: If we ever have any reason to fear that possibly we made some miscalculation about a reduction and that it might be that the reduction would turn out to be too much, or by reason of unforeseen circumstances or developments after the reduction is made, if we have reason to fear that something like that might happen, that escape clause is inserted in the agreement. Of course, it works two ways, you see. We do not like to use it too much.

The CHAIRMAN. I understand it would be reciprocal on the part of the other country.

Mr. CLAYTON. The other country is able to use it, too.

The CHAIRMAN. Can you tell us of the agreements already negotiated and now in existence how many contain the escape clause?

Mr. CLAYTON. That particular one is only in the Mexican agreement, I think. That particular escape clause was only inserted in the Mexican agreement, but we generally have safe guarding provisions of different kinds in the agreements that will permit remedial actions to be taken where necessary.

Senator BAILEY. We cannot rely upon the escape clause being inserted in every agreement?

Mr. CLAYTON. I think you can rely upon it, Senator Bailey, being inserted, or some comparable safeguarding provisions being written into the agreement in every case where there appears to be any doubt as to the wisdom of any action taken with reference to the reduction of duties.

Senator BAILEY. What would you say to an amendment leaving it to the Congress, by concurrent resolution, to file a demand on the committee for action on the escape clause?

Mr. CLAYTON. Personally, I would be sorry to see it taken, Senator Bailey, because of the effect it might have on foreign nations.

Senator BAILEY. The Congress, however, is the responsible body. This committee you created is not responsible to us, it is not responsible to the people; Congress is responsible. The burden falls upon us for any default or failure in this matter, you cannot get around that. It is our doing.

Mr. CLAYTON. One of the things we are trying to do in negotiating these trade agreements and one of the things we are trying to do in the Bretton Woods plans is to do away with these trade discriminations. A quota is, in effect, a trade discrimination.

Senator BAILEY. What do you mean by "trade discrimination"?

Mr. CLAYTON. Well, foreign countries use the quota system to limit their imports from country A, for example, where they might not use it at all from country B, so it is, in effect, a trade discrimination. What we are trying to do, as much as we can, is to do away with the quota system. That is one of the things that we would expect to do and that we do do in negotiating these agreements, is to get these countries to do away with these trade discriminations.

Senator BAILEY. To do away with the imposition of quotas?

Mr. CLAYTON. Yes, sir; we try to do away with the imposition of quotas, because, as I say, they are flexible, and they can move them around so easily and use them to limit their trade with one country or even one firm. They have been used in a country to favor one exporter or importer over another. They are a fruitful source of a type of trade discrimination that we do not like. I think it is bad for international trade and bad for our trade.

Senator BAILEY. We proposed something of that sort in the escape clause.

Mr. CLAYTON. As I say, we have used that one particular clause only once. We have, in a few agreements, written in actual quotas ourselves. We have done it exceptionally. We reserved the right in the agreement with Czechoslovakia to impose a quota on shoes. The shoe industry came down here and they thought they were going to be ruined. We make in the United States about 400,000,000 pairs of shoes a year, and we were importing around 2,000,000 or 3,000,000, say half of 1 percent, half to three-quarters of 1 percent of our total production. Well, they thought this agreement was going to bring a great flood of imports of shoes, so we reserved the right to put on a quota of 1¼ percent, under which the importation of shoes from all countries abroad could not exceed 1¼ percent at the reduced duties. We have done that in some cases, but we do not like the system because it lends itself to abuse and trade discrimination.

The CHAIRMAN. Senator Johnson, do you have any questions?

Senator JOHNSON. Yes; I wanted to ask one other question.

It is quite evident from a study of your statement, Mr. Clayton, that you believe firmly that the State Department, not elected by the people, is more competent to deal with the question of tariffs than is the Congress, elected by the people and delegated that responsibility by the Constitution. If you have anything that will change my opinion on that I would be glad to have you state it.

Mr. CLAYTON. I certainly would not put it just that way, Senator Johnson. I would like to say this, however. It took the Congress 18 months to write the Smoot-Hawley tariff bill, and you know what we got out of the 18 months of labor.

Senator JOHNSON. If you will pardon me for interrupting you there. For 12 years now the Smoot-Hawley tariff bill has been the whipping boy around here. For 12 years, as far as I know, the present Administration has never suggested that the Congress write another tariff bill. We waited a long time. It seems to me if we are going to complain and blame the Smoot-Hawley tariff bill for all of our difficulties we ought to have another tariff bill written by the Congress. No suggestion of that kind has ever been made, as far as I know, by the Administration.

Mr. CLAYTON. If I may just have a few minutes, I will give you my views about that. In the adjustment of tariff duties downward by the Congress, which has taken place once or twice, I believe, in my lifetime, we do not get anything for it from other countries. It is unilateral. Now, I think that the system of adjusting these tariff rates by negotiation with foreign countries, which can only be done by the executive department of the Government, in which we require concessions from them on their trade barriers against the goods we sell to them in consideration for the concessions that we give, is a good business way of handling it so we can get something out of the reductions in tariff that we make.

I want to stress, Senator Johnson, that that is done, insofar as it affects the concessions we make, by a group of permanent Government officials, economists, and experts such as are in the Tariff Commission, studying very carefully all the facts surrounding each commodity, and doing it on a selective basis and what I would say a scientific basis, instead of having the rates made by pressures that are brought to bear on you gentlemen in Congress by special interests. I know what those things are. The pressures sometime get to be enormous.

Senator BAILEY. Is not the same thing true of the departments?

Mr. CLAYTON. We have representations made, Senator Bailey, by interested parties who come before the committee and state their case.

Senator BAILEY. I do not think any part of free government can escape it.

Mr. CLAYTON. We have a little different type and it has different implications.

Senator GERRY. Are you familiar, Mr. Clayton, with Senator Underwood's attitude on that? He made some pretty good statements on the policy.

Mr. CLAYTON. No, sir; I am not familiar with it.

Senator JOHNSON. Just one other thing, Mr. Clayton. I am quite disturbed by your condemnation of the quotas for the reason that the sugar industry of the United States has been more or less stabilized through the quota system. If the quota system is to be junked, if that is a new policy, why, I think it is important that we know more about what your intentions are along that line and especially with respect to sugar.

Mr. CLAYTON. Well, Senator Johnson, I do not think you can properly draw from what I said a conclusion that the quota system is to be junked. I certainly did not mean that. We have used it ourselves, and I think we will use it again. What I did try to say was we do not like to generalize, we do not like to have everything set up on the basis of a quota, all our export and import trade. I think you should not do that, you make it so inflexible. You cannot possibly know today what the conditions may be next year or the year after next. If you set up these quotas that limit the importation of all goods into this country and other countries set up quotas that limit the exportation of our goods, I think we have got an impossible situation in foreign trade. Suppose we had a quota system between Maine and Texas, for example, or Maine or California, we could not stand it.

Senator JOHNSON. Let us get away from generalities for a moment and talk about the sugar quota. What are your plans so far as the sugar quota is concerned?

Mr. CLAYTON. So far as I know, we have none whatever, in connection with trade agreements. I believe there is a quota now. That has nothing to do with the trade agreement.

Senator JOHNSON. You are talking about the policy of quotas, wanting to get away from them, and that is the thing that disturbs me, because we try to stabilize by legislation the sugar problem not only in this country but other countries through the quota system.

Mr. CLAYTON. Senator Johnson, nothing we would do in the Trade Agreements Act would have any effect whatever on that. We take no position whatever with reference to whether that should be continued or discontinued. That is a policy that we would not interfere with in the least.

Senator JOHNSON. No; but you are asking for the privilege and right and authority to reduce tariffs on sugar 50 percent. That is what this bill does right here; that is what this proposal does; it gives you the right to reduce tariffs on sugar 50 percent. Now, you do not believe in the quota system. What is it you believe in, insofar as sugar is concerned—free trade?

Mr. CLAYTON. No, sir; I have not advocated and do not advocate free trade. I have tried to make it clear that we ourselves have written quotas into our agreements. We will do it again, but I do not think that we want to follow a policy which would include in the law a provision which might be construed as requiring us to set up quotas on everything we make these deals on. We do not want to generalize it to cover our whole pattern of international trade. In the case of sugar, boots and shoes, and other things, where we have a situation where we want to make a concession and the industry fears that such a concession will be so great as to greatly jeopardize their future, in that case we might say, "All right, we will make the concession but we will protect you with a quota." We will still do it.

Senator JOHNSON. Will you still do it with respect to sugar?

Mr. CLAYTON. We have not done it with respect to sugar; the Congress did it with respect to sugar. We have nothing whatever to do with it, and we will not disturb that in the least.

Senator JOHNSON. Oh, but you do have something to do with it in the privilege you are getting in this proposal to reduce tariffs 50 percent.

Mr. CLAYTON. Senator Johnson, if we made a trade agreement tomorrow with Cuba under this bill and reduced the tariff on sugar 50 percent that would not affect in the least the quotas you have written in the law.

Senator JOHNSON. How would it affect our production of sugar?

Mr. CLAYTON. It would not affect it at all, because the protection you get now is the quota, not the tariff.

Senator JOHNSON. Now, we have to have a price in addition to the quota.

Mr. CLAYTON. I mean protection insofar as imports are concerned is in the quota system, not the tariff. They do not care anything about the tariff. They say you can take the tariff off as long as you keep the quota there.

Senator JOHNSON. As long as you have the quota and the prices, of course.

Mr. CLAYTON. We have nothing to do with either, Senator Johnson, the price or quota, nothing whatsoever. This bill gives us no authority whatsoever with respect to either.

Senator JOHNSON. It gives you the authority to reduce the tariff on sugar.

Mr. CLAYTON. Right, but no authority whatsoever with reference to the quota on sugar or the price on sugar.

Senator JOHNSON. Well, Congress, of course, has never thought that it had the power to establish prices, and never used that authority.

Mr. CLAYTON. I think it has.

Senator JOHNSON. Maybe under the OPA, something like that, in an emergency.

The CHAIRMAN. We have had a supporting price now until 2 years after the war.

Senator JOHNSON. We have a support price, but we do not fix prices.

Mr. CLAYTON. I can assure you, Senator Johnson, so far as the present statute is concerned with regard to the quota on sugar, that the trade-agreements program has nothing to do with it. This bill gives us no authority whatsoever to interfere with it.

The CHAIRMAN. Are there any questions, Senator Gerry?

Senator GERRY. No.

The CHAIRMAN. Senator Bushfield, any questions?

Senator BUSHFIELD. Yes, I have a few questions. I understood you to say, Mr. Secretary, that the percentage of exports you are talking about at the present time amounts to about 7 percent of our total production.

Mr. CLAYTON. I think I said, Senator Bushfield, I believe the export prewar, for a few years prior to the war, ran somewhere around 7 percent of our total production.

Senator BUSHFIELD. The figures I have from some of the Government agencies would indicate it was about 5 percent.

Mr. CLAYTON. That may be.

Senator BUSHFIELD. There is no great difference anyway. What I was getting at was this, Mr. Secretary. With only 5 or 7 percent of our total production involved in this export thing, are not we giving too much importance to that small percentage of our production in this proposal that you are making in the opening statement?

Mr. CLAYTON. I do not think so, for two reasons: One is in respect of certain industries, of course, the percentage is much larger, and if you would lose that export trade in respect of those particular industries, the impact on the workers and plants and capital, and so on, in that industry would be so serious and so great that it would be bound to spread to other segments of the economy.

Senator BUSHFIELD. Well, but there is no danger of us losing what we have got.

Mr. CLAYTON. No, I hope not; but in answering your question and in considering what the importance may be of our export trade to our domestic trade, I do not think that you should look at the average, the 7 or 5 percent, whatever it is. I think you have to look at the importance of the export trade to different commodities and different industries. Take, for example, cotton. In the old days we used to ship 55 percent of our cotton abroad, and if we did not have a market for it abroad we would have had a great depression in the cotton industry.

Tobacco ran around 40 percent, I think. Lard was pretty high. Rice was pretty high, and typewriters, things of that kind, automobiles, 15 to 20 percent.

Senator BUSHFIELD. The thought I had in my mind, Mr. Secretary, was that the 5 or 7 percent of our total production involved in this program, seems to me, if we paid as much attention to the other 95 percent for our home trade, we would accomplish more than we would by devoting our attention and power upon the 5 percent.

Mr. CLAYTON. Of course, we hope to increase that 5 percent. We hope, by trade agreements, to contribute to an expansion of that considerably.

Senator BUSHFIELD. I notice you said you hoped it would expand to $10,000,000,000, but would not that expansion be in direct competition with American industry or American production?

Mr. CLAYTON. Expansion of exports?

Senator BUSHFIELD. Yes.

Mr. CLAYTON. I do not see how, Senator.

Senator BUSHFIELD. If you expand your exports by letting in that same amount of stuff from other countries you are in competition with your home industries, aren't you?

Mr. CLAYTON. I think there are two answers to that. One is that the expansion I would expect might come soon after the war due in considerable part to our assistance to the rest of the world to reconstruct and develop, which would mean it would be in considerable degree composed of investments abroad, loans or equity investments by American corporations, or what have you. In other words, an exportation of capital which would not be compensated immediately by the inflow of goods. The goods would come in later years when the foreign countries were able to build up their industries and produce a surplus with which to pay us. I do not think we have to fear any great influx of goods that would seriously endanger any American industry. To think that, in my opinion, you have to believe that trade is a static thing, that there is just so much and no more, that in the United States our consumptive capacity is X and no more than that. I think that is wrong, Senator.

Senator BUSHFIELD. I agree with you.

Mr. CLAYTON. I think trade is an expansive thing, and these imports will help to expand the consumption of goods in this country and increase the standard of living in this country. In many cases, they will be of a type of goods that do not seriously compete with things that are produced in this country, maybe of a luxury type, or of a type that requires a great deal of hand labor, which would not seriously compete with anything in this country.

Senator BUSHFIELD. Mr. Clayton, you know so much more about the cotton industry than I will ever know, but I still want to presume to ask you questions about it.

Mr. CLAYTON. Oh, yes; certainly.

Senator BUSHFIELD. I have figures here that state from 1931 to 1941 imports of cotton and cotton substitutes into the United States amounted to the equivalent of 33,000,000 bales of cotton.

Mr. CLAYTON. From 1931 to 1941?

Senator BUSHFIELD. Yes; a 10-year period.

Mr. CLAYTON. Amounted to an equivalent of 33,000,000 bales?

Senator BUSHFIELD. Yes.

Mr. CLAYTON. Well, somebody has put jute in those figures, Senator Bushfield.

Senator BUSHFIELD. Yes; that may be true.

Mr. CLAYTON. You just cannot do that.

Senator BUSHFIELD. How much of that 33,000,000 bales would have to be deducted if you took the jute out?

Mr. CLAYTON. Most of it, I believe. As I said to Senator Bailey a moment ago, if you look up our imports of cotton textiles in the United States, they run less than 2 percent almost every year, less than 2 percent of our total production in this country.

Senator BUSHFIELD. How about raw cotton?

Mr. CLAYTON. Raw cotton imports are practically none, except types of cotton that we do not produce ourselves, like Egyptian cotton. We import quite a good deal of Egyptian cotton, which is long-staple cotton.

Senator BUSHFIELD. That Egyptian cotton does not compete with the American cotton?

Mr. CLAYTON. It competes a little with certain types of cotton grown in Arizona, of which we grow very little. At one time, there was a duty of 7 cents a pound on it, and I haven't followed it recently. I understand the duty was reduced. Except for very long-staple cotton, all the imports now, Senator Bushfield, of raw cotton are controlled by the quota system, so the question of duty or anything else is of minor importance.

Senator BUSHFIELD. But you want to do away with the quota system?

Mr. CLAYTON. I recognize that we have got to retain the quota system to some extent. What I think I do want to do is not to expand and generalize it. I recognize we are going to have to use the quota system to some extent, we cannot get away from it, and certainly we cannot get away from it quickly. What I would not like to see is to see the quota system apply generally to international trade. I think it would be wrong.

Senator BUSHFIELD. I have one or two more questions. Are not most of the articles, which you hope to increase your exports in, manufactured goods?

Mr. CLAYTON. Certainly in dollar value, yes. As you know, for many years the percentage of our exports composed of raw materials like cotton and things of that kind to the total has been going down every year. Some years ago it was 40 percent, and now it is down to around 10 percent. That is perfectly logical and natural in our development from a raw material country to a great iudustrial nation. So our exports mostly are of manufactured products, and I imagine as times goes on they will be increasingly so.

Senator BUSHFIELD. What I have been told about this is that the main hope of increase is in about 10 industrial items, such as automobiles, iron, steel, things like that. Is that correct?

Mr. CLAYTON. There are many products entering into our export trade: I think of course that the greatest opportunity of a substantial increase lies naturally in what we call our mass production industries that produce so efficiently that they can get into the markets of the world, provided the people have the means with which to pay. But I want to emphasize this, that we can take a road after this war which will dry up our international trade very materially, and the agricultural segment of our economy is tremendously interested in preventing that. Even if there should be no opportunity to greatly increase our agricultural exports, there certainly is the duty laid upon us to try to hold what we have got, and to expand it if we can.

Senator BUSHFIELD. Our agricultural exports have gone down about 50 percent since you started this program.

Mr. CLAYTON. I do not believe the decrease was that large. Moreover, the decrease was due almost altogether to cotton. That gets us into a question entirely apart from the reciprocal trade agreements program. There were many reasons why we lost it. I do not want to go into them unless you want me to. There are many cotton-exporting systems, but one of them was the Nazi system of agreements which were substantially barter agreements. Under these agreements, in a few years, Germany stopped nearly altogether buying American cotton and bought it from other countries, as, for example, Brazil. She did it by a barter agreement, or clearing agreement, in which it was agreed between two countries, say Brazil and Germany, that, if Brazil would concentrate her purchases of certain things on Germany, Germany would use all the proceeds of those purchases to acquire Brazilian products, and cotton was one of the principal products, cotton and coffee. A lot of our cotton export business was lost in that way in the years between the two wars. What we are trying to do is to break down this system of bilateral and barter agreements which force international trade in unnatural channels. We are trying to get the thing back on the track where the stuff will move in a natural way.

Senator BUSHFIELD. We ship into this country something like a million head of cattle, mostly from Mexico and from Canada. I would like to have you point out to me where that has benefited the American cattle producer.

Mr. CLAYTON. Senator, the fact remains while that was happening the cattle producer's income just doubled from what it was in 1932.

Senator BUSHFIELD. That was not due to the trade treaties, though.

Mr. CLAYTON. I do not claim that all of it was. I think to some extent it was, because you have to bear in mind the other side of this coin, or the other side of this ledger. You called my attention to the imports of cattle, and I will speak of that in a moment. I would like to call your attention to the increase in exports that we got by reason of trade agreements and that we would expect to get by reason of future trade agreements, and the contribution which that made to the American economy and American buying power so people could eat more meat in this country. That certainly would help the cattle producer.

Now, coming back to those imports——

Senator BUSHFIELD. Let me interrupt just a moment. You said so the people could eat more meat in this country. We have got more live cattle in America today than we have ever had before, and we are not eating meat right now.

Mr. CLAYTON. But that is due to the war.

Senator BUSHFIELD. I may differ with you as to what it is due to, but the fact remains just the same.

Mr. CLAYTON. Let us put it this way: Let us say that the people will have more buying power with which to buy more meat. Now, they have got that, and we all recognize they have got that. That is the side that we would like to stress in this program, that we are trying to work out a program here which is going to be on the constructive side of our whole economy so that everybody will benefit from it.

Now, coming back to those cattle imports, you know I have studied these import figures very carefully. The imports of commodities go up as prosperity in this country increases and the buying power increases. That is perfectly natural. Now, in 1932 about 1½ percent of our total cattle production consisted of imports and the cattle people had a total income of about $620,000,000. Now, in 1939, imports had increased to 5½ percent and they had $1,300,000,000, more than twice their former income, in that period of time. So that a little additional import is not going to ruin them—far from it. The little additional import is an evidence that the country is more prosperous, has more buying power, can eat more, can wear more.

Senator BUSHFIELD. I suggested to you that the 5 percent of our production that went abroad was not of great concern, and you said it was, but now when you talk about shipping American cattle you say it is of no consequence.

Mr. CLAYTON. I said, Senator, that if you look at just the average production exported I admit it looks very small, but you have got to bring it down to particular industries to see the importance and the effect of exports. That is the point I tried to make. In the case of cattle I am discussing a particular industry.

You take cotton, for example, we have got 2,000,000 families that are dependent on cotton for their cash income in the South. As I say, in the old days before we had the Government support prices and other Government programs, which I do not need to go into, when we depended on the export market for 55 percent of our production, if anything hurt or seriously disturbed our exports you can imagine the economic distress it would cause in the South. Now, they are big buyers of all kinds of manufactured products in the North, automobiles, clothing, and everything. When their income is very seriously reduced as the result of failure of the export market you can see what happens to the demand for the things that they buy elsewhere in the country.

In 1930, 1931 and 1932 the income of the cotton farmer went down to about one-third of what it had been, due to the collapse of the export market. He still shipped about as many bales as he did before, but the price had gone down to 5 cents a pound, and one of the reasons it went down to 5 cents a pound was that the buyers abroad only had enough dollars with which to buy the cotton at 5 cents a pound instead of the usual price of around 20 cents a pound.

Senator BAILEY. Do you say you can have the world market on cotton on the basis of parity at 20 cents a pound?

Mr. CLAYTON. I do not think you can, Senator Bailey. No, sir, I am not saying that; I do not think you could.

Senator BAILEY. The Department of Agriculture recently promulgated a program of bringing down the cotton price abroad, not here.

Mr. CLAYTON. Bringing down the price abroad? You speak of the subsidy, I suppose.

Senator BAILEY. And the proposition of a graduated reduction year by year, and the withdrawal of support prices. The Department of Agriculture does not look forward to obtaining parity in the world market.

Mr. CLAYTON. It cannot be done, Senator.

Senator BAILEY. It cannot be done?

Mr. CLAYTON. No, sir.

Senator BAILEY. There is nothing in this whole project here, in these trade agreements, that can do that?

Mr. CLAYTON. No, sir. Obviously the trade-agreements program could not be expected to be able to maintain prices of American products abroad at above the world price.

Senator BAILEY. I asked you the question because an editor of a leading southern paper, agricultural paper, wrote me a letter in which he stated if we passed this act it would enable the foreigners in the other countries to buy our cotton, they could pay us good prices, they could buy our tobacco. You do not think there is much in that, do you?

Mr. CLAYTON. Yes, sir; I do. I think if we go ahead with this program and make trade agreements with countries abroad, I think it certainly would stimulate the market abroad for all of our export commodities like cotton and tobacco, and at better prices, a good deal better than we would ever get for them if we had a restrictionist system of international trade.

You asked me first about the parity price, and I said "No, I did not believe it would be possible to maintain the price of our export commodities abroad at the so-called parity price, when it is considerably above the world price."

Senator BAILEY. Would you get parity with another price?

Mr. CLAYTON. If we can stimulate an international exchange of goods throughout the world we certainly will have a much better market for our cotton, tobacco, and things of that kind abroad.

Senator BAILEY. Don't you think if the price of wheat, cotton, tobacco, and the other commodities goes up, then the other nations can produce it and sell it at less than we can? India will expand, and Egypt will expand, and Brazil will expand in the Georgian states, as well as China. The minute the price of cotton goes up there are plenty of people who can grow it in the world.

Mr. CLAYTON. That is true, Senator Bailey. I would just like to give as my considered opinion that if the production of cotton were permitted to seek the most efficient lands and most efficient producers, and most efficient means of production in the United States, we can grow cotton in the United States in competition with the rest of the world for the world market.

Senator BAILEY. That is on an "if" condition.

Mr. CLAYTON. That is right.

Senator BAILEY. Of course, that is not what happens. People produce cotton where they can produce it. They will expand the acreage in India, they will expand it in Russia, and they have been doing it.

Mr. CLAYTON. I do not think I have made myself clear. If in the United States the production of cotton is permitted to seek the most efficient land and most efficient producers and most efficient means of production, then I believe that we can grow cotton in the United States in competition with the rest of the world.

Senator BAILEY. You mean the most efficient lands and producers in the United States?

Mr. CLAYTON. Yes, in the United States.

Senator BAILEY. You cannot do that, either. How would you maintain your tenant system on that basis, which is the foundation of cotton production?

Mr. CLAYTON. Senator Bailey, it might be, you know, we may be taking some actions toward freezing things in the same mold that they were in 25 or 30 years ago, and maybe we should not do it.

Senator BAILEY. And we might be doing something that would make us worse off.

Mr. CLAYTON. Possibly.

Senator BAILEY. I have got another matter that I want to present, in order to get your reaction on it. I have been thinking about introducing an amendment to this effect.

Before I do that, I will state to the chairman I am under the necessity of leaving here today; I am sorry, but there is illness in my family, and I must go home, so I will not be here for 2 or 3 days, perhaps to the end of the week, and so I will submit this amendment right now.

Insert as a new subsection (3) on page 3, between lines 2 and 3, the following:

> (3) No proclamation shall be made pursuant to this section decreasing the duty or other import restrictions on any mineral or metal included in the "Current list of strategic and critical materials" approved by the Army and Navy Munitions Board November 20, 1944 (table II, S. Doc. No. 5, 79th Cong., 1st sess.).

The present subsection (3) on line 3 becomes subsection (4).

What I have in mind there is the matter of national defense. We found ourselves at the beginning of this war, in the condition where there were a great many strategic materials that could be developed in this country but that were not developed in this country, and we had to get them from abroad, and we found the seas blocked for a while and we just narrowly escaped from having them blocked for good. I understand the Germans had submarines which could go over the Atlantic and would be able to stop us from using the Atlantic.

I got that from the Army. Don't you think we should proceed, here in America, with the view of conserving every possible source of strategic materials, not that we are expecting any future wars, but we are living in a world in which wars go on?

Mr. CLAYTON. I do believe we should conserve them, Senator Bailey, but I doubt if the imposition of prohibitive duties on the importation of those metals, which may result in the development of production in some of the metals at very, very high prices in this country, I doubt if it would be in the direction of conservation.

Senator BAILEY. Why should not we develop the mines here and develop the mills here? Now, it is being developed in China, in South Africa, in Brazil or Bolivia and we cannot get it when we get into the war. It is not a matter just of the protection of industry, it is a matter of protection of the country itself.

Mr. CLAYTON. Senator Bailey, regardless of what we might do, there are a great many metals that we have to import, and in large quantities.

Senator BAILEY. I am not talking about those; I am talking about those which we might not have to import.

Mr. CLAYTON. I do not know how high you might want to go in price to induce the production of some of these things domestically instead of buying them abroad. Some of these things, as you probably know—during the war we bought some copper here in this country at over 20 cents a pound. Of course, you can put on restrictions high enough to induce the production of inefficient mines like that.

Senator BAILEY. The State of North Carolina is one of our best producers of mica, which is a very valuable mineral in the war, in connection with the radio and general communications. Now, we bought mica from North Carolina in great quantities, until suddenly we get it from India, and the mica mines of North Carolina will be closed down. It was a very flourishing industry. It may happen that the route through the Mediterranean will be closed again, so don't you think we should encourage the development of mica in America?

Mr. CLAYTON. Of course, you know that even when your production was going at maximum we were only able to get a small percentage of our requirements of mica from North Carolina. I was pretty familiar with that because I was in that program.

Senator BAILEY. You fixed it so you will not get any now. You get it all from India.

Mr. CLAYTON. Perhaps so. It could be restored again in case of emergency very quickly.

Senator BAILEY. Would you get a stock pile from some other country?

Mr. CLAYTON. No, sir. I mean, if in peacetimes the production should be discontinued in this country on account of very high cost of production it could be restored quickly if we should get into a war again. But the main thing is, I think, that it supplies only a small part, a very small part of our total requirements when we are at war.

Senator BAILEY. Is that the reason why it should be extinguished?

Mr. CLAYTON. No, sir; I do not favor extinguishing it, at all.

Senator BAILEY. That is what is going on now; that is exactly what is going on now.

Mr. CLAYTON. I just do not happen to know whether there is any tariff on mica, and if so how much it would amount to. Of course, when we were buying it in India and other places we brought it in duty-free because it was bought by the Government, and under the Executive order of the President that was permitted. I do not know whether there is any duty on mica now, or just exactly what that situation would be, but I do know that there are many metals and minerals which are absolutely essential in warfare of which we produce only a small fraction of our requirements in war.

Senator BAILEY. What would you say to the policy of developing those resources?

Instead of extinguishing them let us develop them.

Mr. CLAYTON. I think certainly you are right on the matter of development on any reasonable basis. I think you would agree there would be a limit to cost beyond which you would not want to go. Just what that is, I do not know.

Senator BAILEY. There is to be a limit, Mr. Clayton, to anything, but this matter of national defense is something which you do not consider costs in. I think costs are no consideration when you go to fight. I think that is the standard set by this country.

Mr. CLAYTON. I am sorry; I did not hear you.

Senator BAILEY. Money and price are of no consideration in war.

Mr. CLAYTON. Certainly that is right. As I say, I do not know just how far the Government would want to go in that policy in peacetime.

Senator BAILEY. That is in peace, preparatory for war. I learned my lesson. I got caught before, and I do not want to get caught again.

Now, let us take another thing. We discovered tungsten in my State, and I think it is rather promising, but it is produced in small quantities. It is the most valuable of metals in the war. We all agree with that.

Mr. CLAYTON. Yes.

Senator BAILEY. I understand that a shell made with a tungsten tip will destroy a tank. It has great penetrative powers. It is very much harder than steel, and we use it to make steel harder. What would you say to the policy of encouraging the production of tungsten in America rather than taking the risk of having it imported from China?

Mr. CLAYTON. We would have to import it anyway, Senator.

Senator BAILEY. The more we produce here the less we would have to import.

Mr. CLAYTON. Yes.

Senator BAILEY. Now, should not we conserve a resource if for no other reason than just for national defense, a resource of that sort; should not we build it up?

Mr. CLAYTON. Of course, we would always have it here. I mean it is just a question of setting up the machinery, and so on, in order to develop it. It is for the very point you are raising here, that the War and Navy Departments are being formally added to the Trade Agreements Committee.

Senator BAILEY. They have got a great responsibility, and I am inclined very much to rely on them and to go along with them, and have gone along with them on anything they asked me to do, always have, right through the war. I do not think the War Department or Navy Department have asked for anything that I did not vote for. But, after all, in time of war that is largely their responsibility, whereas in time of peace it is my responsibility. That is what has actuated me. I will ask the others to do their part, but I know the Congress, in time of peace, is also concerned about conserving the resources that are directly related to the defense of the country in time of possible war. What would you say to that?

Mr. CLAYTON. Well, I think, Senator, we certainly have to take that into account. We realize that we almost got caught before on several items.

Senator BAILEY. We did get caught.

Mr. CLAYTON. That is the reason we built these synthetic plants. We had a long discussion about that before the House Ways and Means Committee, and I stated the view there that at least a portion of those plants should be kept in operation and that we should pursue our technological knowledge and progress in the art, and that we should keep those plants so that we could be sure that we would not again get caught as we almost were before.

Senator BAILEY. If we should buy a little trade from China or Russia at the expense of some strategic war material and we get into war we would find we paid a fearful price.

Mr. CLAYTON. I agree that that has to be taken very carefully into account in anything we do, and I can assure you while I am there at all—and I think I can speak for the State Department on account of its previous record—that all those things have been taken care of and have been taken into account.

Senator BAILEY. You would not seriously complain of a man like me taking a little of that responsibility myself, would you?

Mr. CLAYTON. No, sir; I do not complain.

Senator BAILEY. I just do not feel like passing the buck. I will vote for this trade agreement. I am only surprised that we have got to go and extend it a little further. When we went to 50 percent we went pretty far. I am not saying I will vote against it, but I do think we ought to have some reservations. I do not see why the State Department would object, and it may greatly aid this country. What do you say about that?

Mr. CLAYTON. Senator, I would have to study it and think about it some.

Senator BAILEY. Mr. Chairman, I am going to file this amendment, and then I will ask Senator Johnson, in my absence, when it comes up, if he would look after it for me.

Senator JOHNSON. I will be very happy to sponsor it, Senator.

Senator BUSHFIELD. If the Senator has finished, may I proceed?

Senator BAILEY. Did I interrupt you?

Senator BUSHFIELD. Yes.

Senator BAILEY. I beg your pardon.

Senator BUSHFIELD. As long as Senator Bailey asked you, Mr. Secretary, about cotton and you supplied quite a little information on it, would you mind stating what the comparable cost of producing cotton in this country is as compared with the part of producing cotton in Brazil?

Mr. CLAYTON. Senator, I have been trying to find out for many, many years what the cost of producing cotton is in the United States, and I have not succeeded. I do not think anybody has. There is no figure that would be really correct.

Senator BUSHFIELD. I can determine the cost of producing corn and wheat in my own country, and I do not see why you cannot figure the cost of producing cotton.

Mr. CLAYTON. In your State you can, but I suppose, taking the different counties in your State there is a great variation, and I suppose you have different producers in a county and you will find a great variation in their production.

Senator BUSHFIELD. That is true. I am talking about an average.

Mr. CLAYTON. If you take an average—there, again, so far as cotton is concerned, and I do not know about corn or wheat, but so far as cotton is concerned, so much depends upon the yield you get. If you have bad weather you get a very low yield. The cost of producing cotton is so much an acre and not so much a pound.

Senator BUSHFIELD. You can develop and average over 5 or 10 years, can you not, taking in all the States that produce cotton?

Mr. CLAYTON. The best I can find as the cost over a 5- or 10-year period in the old days before we had the Government support price, was the average sales price of the producer over a 5- or 10-year period. That is a pretty good way of finding the average cost.

Senator BUSHFIELD. Is that cost higher or lower than the Brazilian cost?

Mr. CLAYTON. If you take it on an average it is certainly higher, but if you take it on the basis of the most efficient producers on the most efficient land in this country as compared with Brazil, we can produce it with competition with Brazil for the world market.

Senator BUSHFIELD. Oh, yes; but you cannot pick out the most fertile and the richest land and the best farmers and take that as an average.

Mr. CLAYTON. Yes; but you have to recognize that the present national cotton policy freezes it in the place where it is.

Senator BUSHFIELD. I realize that.

Mr. CLAYTON. So that there is no flexibility, there is no change from the inefficient to the efficient.

Senator BUSHFIELD. Now, I want to ask you a few questions about something that I do know something about. Our exports of wheat for the years 1935, 1936, and 1937 are as follows: 1935, 233,000 bushels; in 1936, 1,879,000; and in 1937 it jumped all the way to 32,000,000 bushels. For the same years our imports of wheat from other countries, mainly from Canada, were as follows: For 1935—and this was after your Trade Agreements Act had gone into force—14,500,000 bushels; 1936, nearly 53,000,000 bushels; and in 1937, 17,700,000 bushels. Taking the subject of corn, over the same 3-year period we exported 6,500,000 bushels of corn, but we imported 161,000,000 barrels, which means translated into bushels about 560,000,000 bushels of corn.

Now, will you say, Mr. Clayton, that those imports of wheat under this trade policy and this huge import of corn under this trade policy did not harm the American farmer?

Mr. CLAYTON. I do not think so; I think it helped him. I think these imports were probably brought in on account of the drought in this country which greatly reduced the crops and we needed this corn for feeding.

Senator BUSHFIELD. How would it tend to improve the condition or the position of the American farmers?

It might help the industry, but if you get a trainload of cattle or a car of wheat that you are shipping into the market and when you get the market you have another trainload of the same stuff that you are selling already there, your market is going to go off a cent or two.

Mr. CLAYTON. I am not sure, Senator, because I am not familiar with these commodities. I am familiar with the fact that at about that time we had a great drought in this country and prices of these products increased. We brought in this corn because the farmers and cattle people all over the country had to have more feed stuffs for their hogs and for their cattle. I think that was the case particularly with reference to the corn.

Senator BUSHFIELD. You are of the opinion then that those large imports of farm products were not detrimental to the market price of the same products that we were producing?

Mr. CLAYTON. Of course, if we had not brought the imports in, the prices would have gone way up, because we had a drought, and we did not produce very much. That certainly would have happened, Senator.

Senator BUSHFIELD. Ordinarily, the Government is not concerned in the price that the farmer gets for his produce, is it?

Mr. CLAYTON. Who is not concerned?

Senator BUSHFIELD. The Government is not concerned in fixing or regulating prices. We only put this price system on because of the war. If the farmer could get $2 a bushel for his wheat instead of $1, everybody would say: "Hurrah! We are for it."

Mr. CLAYTON. I thought we had the price system long before the war. I thought it started along about 1933 through loans and other devices which assisted in the maintenance of the price.

Senator BUSHFIELD. You may have had a price system, but I do not believe that this price system did anything toward fixing the prices.

Mr. CLAYTON. It affected the price, it certainly did on cotton. I do not know about other commodities.

Senator BUSHFIELD. One further question. This trade law when it was first passed in 1934 set up the purpose of the law and the reason for it. I am sure you recall that.

Mr. CLAYTON. Yes, sir.

Senator BUSHFIELD. It starts in the very first paragraph and says:

> For the purpose of expanding foreign markets, overcoming unemployment in the present economic depression, and assisting in the present emergency.

Now, what is your theory as to the reason for the law now? Those things that were stated in the law when it was first enacted have passed away, except for the expansion of the foreign market.

Mr. CLAYTON. As I said in my statement, when the war is over, there are just two roads that we can take. One is to follow a road of economic nationalism in which we maintain or raise tariffs, or put on import quotas, and so on, to restrict international trade; and the other would be a road of economic liberalism whereby we would try to follow policies which would expand international trade. I think the expansion of international trade would be highly important to our economy in the postwar period.

I want to make this clear, Senator Bushfield, and that is, I believe—and I think all of us believe—in the postwar period we are going to help the rest of the world get on its feet again. That will involve putting out a great deal of money abroad for the first 5 or 6 years after the war, to help in reconstruction and development.

Senator BUSHFIELD. That is a change in your original policy then which you started with in 1934, isn't it? I am not questioning the correctness of what you said, but you certainly haven't any present emergency; have you?

Mr. CLAYTON. Yes, sir; I think it is a great emergency. It is just a different set of conditions that faces us now from what faced us at that time. I think it is an emergency.

Senator BUSHFIELD. As I see it, you have changed your policy. That is what I am trying to get at.

Mr. CLAYTON. No, sir.

Senator BUSHFIELD. You no longer have the reasons, in my opinion, why you started with this trade policy. We haven't any economic depression existing at the present time; we haven't any unemployment features existing at the present time; have we?

Mr. CLAYTON. No, sir; you are right.

Senator BUSHFIELD. They have passed away?

Mr. CLAYTON. Yes, sir.

Senator BUSHFIELD. Now, let me compare that with something you said before the Ways and Means Committee of the House. You said there:

> Today, with the end of the great holocaust within sight, this same instrument—

by "instrument," referring to the Trade Agreements Act—

> is transformed into a powerful device for shaping a better world.

Now, is your policy at the present time to shape a better world, or to follow the instructions of Congress as to what the Reciprocal Trade Act was for?

Mr. CLAYTON. I think Congress merely set down in the law, when it was first enacted, some of the conditions which existed at that time. I would not think that the bill could be so construed as to prevent the continuation of the use of the act, even if it might facilitate the correction of certain conditions that exist now, or that we foresee in the future.

Senator BUSHFIELD. After all, Congress is the one that said what the act was for and the purpose of it, and the objectives; it was not the State Department or anyone else.

Mr. CLAYTON. That is correct. As I say, I do not think there would be anything in the act that would prevent the continuation of the administration of it and the use of it for perhaps a different set of conditions that we may face now and in the future as well as some that were named at that time.

Senator BUSHFIELD. Thank you, Mr. Clayton; and thank you, Mr. Chairman.

Senator BAILEY. The first trade agreement was intended to enable the democratic Congress to get rid of the inequities of the Smoot-Hawley tariff regulations that induced the trade agreement. Now, this extension intends to reach the demand of world trade for the postwar world; isn't that right?

Mr. CLAYTON. Yes, sir; and continue to get rid of some of the inequities that are in that act.

The CHAIRMAN. All right, Senator McMahon.

Senator McMAHON. Mr. Secretary, does the State Department concede in any instances of manufactured goods that the reciprocal trade treaties have damaged industry?

Mr. CLAYTON. No, sir; we do not.

Senator McMAHON. Do you go so far as to say that that statement goes for all manufactured goods?

Mr. CLAYTON. Yes, sir; so far as I know I think that no industry has been able to show, either in its representations to the State Department or in its testimony in hearings on this bill, that it has been seriously injured as the result of anything that has been done under this act.

Senator McMAHON. You say "seriously injured." What do you consider serious?

Mr. CLAYTON. Why, where it would be of any great consequence. Some industry might be able to show there has been some increased importations that took place.

Senator McMAHON. In those cases is there a corresponding decrease in domestic production of that article?

Mr. CLAYTON. I have failed yet to find an instance of that kind; there may be some, but I have failed to find it.

Senator BAILEY. But all that is qualified by the incidence of the war, and we have really had no test.

Mr. CLAYTON. I only take the figures up to 1939, inclusive.

Senator BAILEY. Even then the war was coming on and trade was very greatly affected; isn't that true?

Mr. CLAYTON. I do not think trade before the summer of 1939 was greatly affected by any expectation that there would be war.

Senator BAILEY. Take the two instances of petroleum and scrap iron; there was a great increase in trade in anticipation of the war.

Mr. CLAYTON. Yes. If you look at it in relation to the total I do not think you will find it amounts to very much. Scrap iron never came to a great deal of money.

Senator BAILEY. I just used those two, but there were other things involved. Stock piles accumulated in Europe, and especially they were accumulated by Germany and Japan?

Mr. CLAYTON. There may have been some things besides that, but I do not recall any.

Senator BAILEY. I think Great Britain and the United States were about the only two, and perhaps, that did not get ready, but the other nations were getting ready for the war. Up to 1939 the American theory was we would not get into it.

Senator McMAHON. Mr. Secretary, you stated in your statement that you viewed the extension of this act as indicating or would indicate to the world America's intention to promote orderly international trade. Of course, orderly international trade cannot be conducted in an atmosphere of cartels and state monopolies.

Mr. CLAYTON. That is right.

Senator McMAHON. What is your observation or your opinion as to the effectiveness of this step, if we take it, in discouraging cartels and state monopolies? In other words, despite what we do is there any fear on your part that that system will develop anyway?

Mr. CLAYTON. I think there is a very good chance to arrest the tendency that we see very distinctly in that direction at the present time. I think that if the Bretton Woods proposals are adopted by the Congress, along with the trade agreements program, we will be in a much stronger position to get changes in policy abroad, a correction of the things they are doing now, if we have these two instruments.

Senator McMAHON. Germany was the fountainhead of the cartel idea?

Mr. CLAYTON. That is right, and the fountainhead of state trading and bilateralism.

Senator McMAHON. That is barter?

Mr. CLAYTON. Yes, sir; barter. Those things are the natural economic counterpart of political nazism or national socialism, whatever you want to call it. The two things go together. Economic warfare between nations and the cartel system, those things are a natural economic counterpart of the political system of that country.

Senator McMAHON. England, of course, is operating with sterling blocs. Is it your opinion we would be able to break through that system if we adopted this act?

Mr. CLAYTON. I think that if we had this act and the Bretton Woods instruments steps can be taken that will, within a reasonable time, change that whole picture.

Senator McMAHON. I take it that the State Department would not be prone to give very much consideration to it under the power given under the act unless they did get worth-while concessions along with breaking up that sterling bloc.

Mr. CLAYTON. We certainly expect to get worth-while concessions, not only with reference to the sterling bloc but also other devices that have grown up during the war and just prior to the war that have the effect of channeling and restricting international trade. They are the things we want to break down and try to get them on the track of private trade as quickly as we can. We cannot do it unless we have these things with which we can work.

Senator McMAHON. Thank you.

Senator WALSH. Have we a trade agreement now with Russia?

Mr. CLAYTON. No, sir.

Senator WALSH. Has the State Department any knowledge of the plans in Russia for the development, rapidly and quickly, of production in the materials we produce in this country, or that we must have?

Mr. CLAYTON. No, sir.

Senator WALSH. I heard a man from one of the Government departments, an authority on the subject, recently state that he knew of a Russian plan to expand the production of steel from 10,000,000 tons a year to 60,000,000 tons, which is about the production we had before the war. Have you heard of that?

Mr. CLAYTON. No, sir, I have not.

Senator WALSH. Has the State Department made any study or has it considered in connection with making these treaties what plans countries like Russia have for becoming competitors of ours?

Mr. CLAYTON. Senator, we hear all kinds of stories and rumors.

Senator WALSH. This story came from an official of our Government who was in a position to know what was going on in Russia.

Mr. CLAYTON. We hear all kinds of stories about things like that. I can say this to you: We are convinced that Russia will expand very greatly after this war, industrially and in other ways, but I, for one, do not fear competition in our market or in the world market from Russia for many years to come. I certainly would not attempt to say what may happen 25 years from now.

Senator WALSH. It might mean a reduction of our exports, might it not, to a country that is planning to rapidly develop its industries?

Mr. CLAYTON. To begin with, Senator, we do not export very much to Russia, and we have not since the First World War. For a while we exported wheat and cotton, but that fell off 10 years after the First World War. I think if you study the situation in Russia, you are bound to be impressed with the fact that the country has never been a great factor in international trade to begin with. It is a vast country and the population is increasing very fast, and they are committed to develop their own country and their own resources.

Senator WALSH. About the only reason for opening up the subject was to indicate if this power is granted to the State Department we have to consider not only its effect upon our own industry but on what other countries are planning to do.

Mr. CLAYTON. Yes, sir.

Senator WALSH. I do not care to pursue it further.

Senator BUTLER. Just a question or two. The statement has been made that our exports amount to about 5 or 7 percent of the total production. I think that is accepted, isn't it?

Mr. CLAYTON. Yes, sir.

Senator BUTLER. How about the period from, say, about 1915 to 1930? The percentage during that period would run as high or maybe even a little higher than it has since then, wouldn't it?

Mr. CLAYTON. Of course, from 1915 to 1918 you get into a war period again. It was much higher then, of course.

Senator BUTLER. We will leave out the war business, and then I think the export business was considerably more in percentage than it has been since the adoption of the reciprocal trade agreement.

Mr. CLAYTON. I do not know what the exact percent was, Senator, but the total volume was much higher in the twenties, because our economy was of course much more expanded then later.

Senator BUTLER. At any rate I think we are justified in making the statement that the adoption of the reciprocal trade agreements has not tremendously increased the foreign trade, as far as we are concerned.

Mr. CLAYTON. I think it has had an appreciable effect on our exports. They increased to trade-agreement countries about 60 percent from 1934–35 to 1938–39.

Senator BUTLER. Then, in connection with that statement, have any foreign countries within the recent past, the last year or two, indicated a desire to enter into trade agreements with the United States?

Mr. CLAYTON. I do not know, Senator, that they have. As I said a moment ago, I have only been in the State Department 5 months. We have not done much during the war. It was not a time to push agreements.

Senator BUTLER. There seems to be considerable urgency about the passage of this bill, including the extended right, and my question is directed to that. Has the State Department taken any steps recently in looking toward the negotiation or renegotiation of any trade agreements that it has made in the past?

Mr. CLAYTON. No, sir; we are waiting to see what Congress will do with the bill.

Senator BUTLER. Assuming that the law continues as it is or is extended as proposed, do you anticipate any negotiations in the near future? In other words, is this a live issue, speaking internationally at the moment?

Mr. CLAYTON. Yes, sir.

Senator BUTLER. If it is alive then, I would like to have you indicate the evidence of activity by naming some of the countries that have asked to negotiate or some of the countries you have asked to negotiate with.

Mr. CLAYTON. I do not know that any have asked to negotiate, Senator Butler. As I say, we would not undertake any negotiations—certainly, we would not have done so after I came into the State Department on the 1st of January, until we find out what Congress is going to do about extending the act. But if the act is extended, and if we are given the additional authority which we ask for in section 2, there are several countries that we would start negotiations with very shortly.

Senator BUTLER. That comes down to the expression that was used several times in your statement, about which you have already explained, with reference to the economic liberalism. Just what is meant by that? I assume you mean Bretton Woods, the monetary plan, the stabilization plan, and loans of various sorts. In other words, it's just a question of how much the American Government or the American people are able to finance.

Mr. CLAYTON. Are able to finance?

Senator BUTLER. Yes. The world trade you say will amount to nothing except what we are able to finance.

Mr. CLAYTON. No, sir. If I said that, I certainly was mistaken.

Senator BUTLER. That is according to my interpretation of what "economic liberalism" means.

Mr. CLAYTON. No, sir. If I gave the impression that my definition or my understanding of "economic liberalism" is to make big loans abroad, I would like to correct that impression immediately, because that is not what I meant at all. I think I said to Senator Bailey that my definition of "economic liberalism" was the making of rules and regulations and laws surrounding the international exchange of goods which would give us an expansion in world trade. I said in answer to one of your questions about exports postwar, that they did depend a good deal whether we were willing in this country or not willing to help the rest of the world reconstruct and develop and get back on its feet.

Senator BUTLER. That means loans, that means Bretton Woods, that means the stabilization plan, doesn't it?

Mr. CLAYTON. I do not quite know what you mean by the stabilization plan, but it does mean loans.

Senator BUTLER. Monetary loans, international monetary loans?

Mr. CLAYTON. International monetary loans. Yes, sir, it means that.

Senator McMAHON. Mr. Secretary, Senator Butler's question indicated to me that he did not view this problem as a pressing problem, that there is no immediate necessity for considering it. Would not a short answer be in time of war we better prepare for peace, and that is why you are coming here at this time, because you view this as a necessary prerequisite for a peaceful world?

Mr. CLAYTON. Yes, sir; that is correct.

Senator BUTLER. My statement, Senator, would also indicate that the passage of the act in the first place did not increase the international trade, and a further reduction I do not believe will tend to continue it.

Senator O'MAHONEY. Mr. Chairman, may I ask a question?

The CHAIRMAN. Senator O'Mahoney, do you desire to ask a question?

Senator O'MAHONEY. Yes, if I may.

The CHAIRMAN. Yes, sir.

Senator O'MAHONEY. The questions which were directed to Secretary Clayton by Senator McMahon brought to my mind the report which we have received from San Francisco, that the delegates from Australia with the support of the delegates from countries producing raw materials, are urging that article IX of the international charter be so drafted as to permit the Economic Council—I have forgotten the title that it has——

Mr. CLAYTON. The Social and Economic Council.

Senator O'MAHONEY. The Social and Economic Council?

Mr. CLAYTON. Yes.

Senator O'MAHONEY. To make international commodity agreements. Have you heard that before?

Mr. CLAYTON. No, sir; I had not heard that.

Senator O'MAHONEY. Well, there was a long article to that effect in the Wall Street Journal of May 28 under the byline of Lewis Reynolds, and the first two paragraphs read as follows:

> The charter of the United Nations being formulated here quite possibly may give specific sanction to the cartel principle.
>
> Article IX of the charter is being framed to set up an economic and social council to advise member nations of the world organization on economic, social, educational, and cultural problems which may threaten peace. Australian delegates, with support from other raw-material-producing nations, proposed that this council be empowered to draft international commodity conventions. It would do this on its own initiative and submit them directly to affected governments. In short, the council would become what might be termed a holding company for cartelized world production and distribution.
>
> While Attorney General Biddle, the National Association of Manufacturers, Congress, and the oil industry are all proclaiming their unappeasable hatred for these restrictive agreements, delegates here find strong argument in their favor.

And then it proceeds to analyze some of the problems.

Now, I take that to be a rather authoritative report.

Mr. CLAYTON. I do not know whether it is. Speaking for myself, personally, I am against the proposal.

Senator O'MAHONEY. I know your views, at least as expressed to the subcommittee of the Committee on the Judiciary studying cartels and holding companies, are against cartels, but may I ask whether or not this authority contained in this bill as it passed the House would not be broad enough to permit the State Department to negotiate such international commodity agreements without reference to Congress or the opinion of Congress?

Mr. CLAYTON. This bill, Senator?

Senator O'MAHONEY. Yes.

Mr. CLAYTON. No, sir; I do not think so.

Senator O'MAHONEY. Would not reciprocal trade agreements be sufficiently broad to enable the State Department to undertake that sort of activity?

Mr. CLAYTON. No, sir; I do not think so; because the kind of an agreement you have in mind, an international commodity agreement, involves agreement on division of world markets and control of production and matters of that kind which certainly would be outside any authority that we would have in the trade agreements program.

Senator O'MAHONEY. Then, your statement to the committee and the Congress is you do not envisage this bill as conveying any such authority, and if it did convey it then you, so far as you are concerned, would not use it?

Mr. CLAYTON. That is right. I make that statement categorically.

Senator O'MAHONEY. Now, then, with respect to the questions that were asked by Senator Walsh, I should like to call the attention of the committee to the fact that the Government steel plant at Geneva, Utah, is running out of orders. That plant was built by the people of the United States at a cost of about $186,000,000. It has been used to produce plate for the construction of ships for the Navy and for the Maritime Commission. The Maritime Commission has abandoned the construction of ships, so orders for steel plates to the Geneva plant from the Maritime Commission are running out. The Navy has abandoned a good part of the so-called insurance construction program which was announced early in the year. The Navy feels that the present construction program and repairs will constitute all we will need to do. I am sure the Senator from Massachusetts will confirm that statement.

Senator WALSH. That is my understanding.

Senator O'MAHONEY. It means therefore that by the fall of this year there will be no Government market for the output of the Geneva plant, and maybe for the output of other plants. Many people in the country, and particularly those in the West, were rather hoping that there would be a market in Russia after the war for American produced steel. I can confirm what the Senator from Massachusetts has said, because I heard the same statement by the same official, that Russia is now planning to expand her steel production to 60,000,000 tons, which is more than the United States was producing when we entered the war.

Senator WALSH. Before we entered the war; before the war.

Senator McMAHON. Just about the same.

Senator O'MAHONEY. Just about the same.

Do you feel that the State Department ought to ask Congress to authorize it, in such circumstances, to enter into these reciprocal trade agreements without congressional review?

I ask you that question, Mr. Secretary, because again I have offered an amendment, which I have offered ever since this reciprocal trade program was initiated, to preserve the right of Congress to review what the State Department does, in executive session.

Mr. CLAYTON. I think an amendment of that kind, Senator O'Mahoney, would be a very unfortunate amendment. I think you ought to trust us for certainly 3 years at a time. We have to come before you, as I am doing now, and defend our acts for the previous 3 years.

Senator O'MAHONEY. And you could do so very persuasively, let me say, and always have.

Mr. CLAYTON. Thank you, sir. I think the Congress does have a certain type of review. Now, if you go so much into the detailed question of administration and require us to present each agreement to you for review, I think in a large part our function in the matter is destroyed. We would never know whether an agreement was going to be approved by Congress, and the other party would not know it. Other nations would have great uncertainty about entering into agreements for fear they might not be approved.

Frankly, I think one of the things that this Trade Agreement Act accomplishes in its present form which is to relieve Congress of the political pressures that are brought to bear by certain industries that fear they may be affected, would be destroyed by that kind of a review. We would go right back pretty much to the old system. I am afraid we would not make many agreements under that system.

Senator O'MAHONEY. The system you advocate is in the interest of protecting Congress from political pressure.

Mr. CLAYTON. Oh, Senator, that is just a thought.

Senator O'MAHONEY. Now, Mr. Chairman, I pointed out two rather important international aspects of international trade: First, the movement emanating from Australia and other raw-material countries for authority to establish international government cartels. I have referred to the point brought up by Senator Walsh, to the Russian program in regard to the expansion of steel production at a time when our productive plant, which was expanded in order to enable us to supply Russia with guns, trucks, and other materials for the war, will be going out of production.

Now, I want to refer to a third aspect of the international situation. We read in dispatches which are coming from abroad that France is pursuing a rather strong program toward Syria and Lebanon, indicating a desire on the part of France to reestablish the old prewar colonial system in all its aspects. While it is undoubtedly true that the British show a tendency to adopt a much more liberal policy than existed before the war, nevertheless it remains that this power contained in this bill would enable the State Department to negotiate trade agreements affecting the produce of the colonial dependencies of all of the great powers. That, in turn, would enable the State Department to agree to bring into the United States the raw materials and other produce of exploited colonies, to the disadvantage of American producers of similar commodities. So, in respect to that third aspect of international trade, I renew my question, whether you, Mr. Clayton, believe that Congress, in the interest of the people of the United States, should divest itself of its constitutional power to fix tariff rates and transmit and delegate that complete power, unreviewable, to the State Department.

Mr. CLAYTON. Well, as I said, Senator, it is reviewable every 3 years, and if we are not good stewards of the power that you give us you can throw us out, and you will, and we know that.

Senator O'MAHONEY. Well, I do not want you to be thrown out. That is what I am afraid of, in giving you all these powers. As a good Democrat, I want to keep you in.

Mr. CLAYTON. Thank you, sir. I do not think we will abuse it, and, as I say, I think we would not make very many agreements under that kind of a system.

May I say a little now about the steel mill that you talked about?

Senator O'MAHONEY. Go ahead.

Mr. CLAYTON. What we would hope to do under this program would be to make trades, and particularly if we do decide in the end, as I think we will, that our national policy should be that of assisting these countries to get on their feet again—what we would hope to do under this program is to make deals so we can export a lot more steel than we ever exported before, and take care of some of this expanded productive capacity that has resulted from the war. Certainly, that is the very type of product where we think there is a great opportunity to increase our exports—heavy-industry equipment, machinery, machine tools, and capital and producers' goods, generally, because they will be needed in enormous quantities, simply enormous quantities, after this war, in order to reconstruct and develop. If the Congress does approve Bretton Woods and does approve the trade agreements program in the form in which we ask, we believe we can handle the two instruments together to give us a very expanded export market in things of that kind.

Senator O'MAHONEY. Now, the trade agreements that are made by Great Britain—and we have made trade agreements with Great Britain—do not become effective until they are submitted to Parliament. Do you know any good reason why the British Parliament should have the right to pass upon the trade agreements and the Congress of the United States should not?

Mr. CLAYTON. Well, Senator, they just have a different system and they handle those things in a different way from the way we do. I do not know just how Parliament handles those agreements. They probably pass it in the morning, and I daresay we would not get through quite so quickly as that if it had to go to Congress.

Senator O'MAHONEY. Well, we could not but help know that under the system we have here, the United States, the people of the country have demonstrated their capacity to save the world, and I think our system of government, with congressional review to enable the people to know what is going on all the time, has rather justified itself in the eyes of all, even though it does take a little time.

Mr. CLAYTON. Oh, Senator O'Mahoney, don't misunderstand me. I believe in it with all my heart, and I am prouder of it than I ever was in my life, but I think in this matter that this program has proven its merit. I hope you are going to renew it and give us the additional authority without putting any limiting restrictions around it which would militate against its usefulness in the future, and I think it has a great usefulness in the future.

I think we are very much inclined to think too much about the commodities the producers of which are very much concerned—they fear the tariffs may be cut too much and they may be very adversely affected. Nothing like that has happened up to now, and I do not think anything like that will happen in any serious way. But we do not think enough about the export commodities which give employment to so many people and keep plants going, and give employment at high wages. As you know, the highest wages paid in the United States are paid by export industries which have no tariff protection and need none.

Senator O'MAHONEY. What is the proportion of the export industry compared to the industry in the United States?

Mr. CLAYTON. Well, as I told Senator Butler, it only runs around 5 to 7 percent, our total exports.

Senator O'MAHONEY. It is less than 10 percent?

Mr. CLAYTON. Yes; it is less than 10 percent, that is true, but I think that is a good reason why we should try to expand it if we can. Then, as I said a moment ago, in certain industries it is ever so much larger than that.

Senator O'MAHONEY. My own theory for a long time, Mr. Secretary, has been that we ought to concentrate on building up the 90 percent and we should not permit our policy to be dictated at all by an interest in the 10 percent.

Mr. CLAYTON. Senator, may I point out if you build up the 10 percent you build up at the same time the 90 percent, because many of the 90 percent are industries that are also exporting, a part of their business is export business. Now, if you can help that part, small as it may be, 5, 10, or 15 percent, if you can materially help to expand that you will expand the whole business.

Senator O'MAHONEY. Here is the authoritative report of a Government official that Russia is proposing to expand her steel capacity, thereby cutting off our opportunity to export steel to Russia.

Mr. CLAYTON. Well, of course, Senator, before the war we exported very little steel to Russia, not a great deal.

Senator O'MAHONEY. I know, but Russia is beginning to industrialize, and what I point out to you, Mr. Secretary, is that from the evidence which comes to us Russia is going to concentrate upon expanding the industrial system of Russia, and my thought is that it would be wise for the United States to concentrate on maintaining the industrial expansion which it has achieved for the purpose of the war. While I have no objection to your negotiating reciprocal trade agreements, I cannot, in the light of current events and of past history, bring myself to the conclusion that Congress can properly or wisely delegate to the State Department an unreviewable power to make binding obligations regarding our international trade.

Senator BUSHFIELD. Mr. Chairman, I have one question in pursuance of what Senator O'Mahoney said.

Mr. Secretary, the request for approval of new authority does not constitute or involve a review of past performances? That seems to be your position.

Mr. CLAYTON. Beg pardon?

Senator BUSHFIELD. I say the request for approval of this new authority does not constitute any review of your past operations.

Mr. CLAYTON. I believe it does, Senator. The House Ways and Means Committee spent more than 3 weeks reviewing them. Representative after representative of industries, that were affected or thought they were affected or were afraid they would be affected, came before the committee and criticized the program and protested against it, and asked that it not be renewed. So that every opportunity is given to Congress when we do come up for renewal, to review what we have done in the past, and to judge the program in the light of the experience under it.

Senator BUSHFIELD. There isn't anything to review about your past performances, except to fire you.

Mr. CLAYTON. Beg pardon?

Senator BUSHFIELD. I say, except to fire you.

Mr. CLAYTON. Yes; you can throw us out, and in doing so, of course, you can also order that all the agreements, if you wish, or any one of the agreements shall be terminated at the earliest possible date, which would be at the end of 3 years.

Senator BUSHFIELD. Plus the 6 months.

Mr. CLAYTON. Yes; 6 months' notice. Some of them are made for a shorter period, but most of them are made for 3 years.

The CHAIRMAN. Are there any further questions?

If there are no other questions, Mr. Clayton, thank you very much for your appearance. Do you wish to come back this afternoon or at some later date?

Mr. CLAYTON. I will come at any time, Senator George, that you may want me.

The CHAIRMAN. You haven't any preference about coming back on the stand this afternoon?

Mr. CLAYTON. No, sir; I have finished, if the committee has finished questioning me.

The CHAIRMAN. We might wish to ask you something further.

Mr. CLAYTON. I will come at any time.

The CHAIRMAN. We will call you. We thank you for coming down.

Senator WALSH. Thank you for your patience.

Mr. CLAYTON. Thank all of you very much.

The CHAIRMAN. The committee will recess until 2:30.

(Whereupon, at 1 p. m., the committee recessed until 2:30 p. m., of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:30 p. m.)

The CHAIRMAN. The committee will come to order, please.

Mr. Russell Brown.

STATEMENT OF RUSSELL B. BROWN, GENERAL COUNSEL, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

Mr. BROWN. Senator, I understood you were going to shorten the hearings, and therefore I have restricted my statement to what I think is about 10 minutes. If you will permit me, I will file with the committee the statement I made before the House, if you do not already have it available.

The CHAIRMAN. That is available to us in the House records. If you have changed it in anywise and wish to put in a written brief, you may supplement your statement with it.

Mr. BROWN. Thank you.

I would like to file one statement that I prepared subsequent to the appearance before the House committee, if I may. It is a short statement.

The CHAIRMAN. Yes; you may do that.

(The statement referred to will be found at the conclusion of Mr. Brown's testimony.)

Mr. BROWN. I am Russell B. Brown, general counsel of the Independent Petroleum Association of America. I would like to make a brief statement here and then file for the record a brief statement which I have just covered.

Hearings on the renewal of the trade agreements program provide the means of reviewing the effect of such law on our various industries.

The independent oil-producing industry which I represent does not believe that powers to further reduce import taxes should be made a part of this legislation. The industry has already been injured by reciprocal trade agreements. We now face a far greater menace from abroad than at any time in our history. Producing capacity already established in foreign countries is great enough when added to normal domestic production to wreck the domestic producing industry.

Foreign oil is produced through wells of greater volume and at less expense than our own. Our domestic oil-producing industry cannot long survive such competition; cannot further continue the conservation program in the United States and cannot maintain American wage standards.

The only protection we now have is an expressed congressional policy and the excise tax of 10½ cents per barrel, or one-fourth of a cent per gallon, on crude and fuel oil. It was reduced in 1939 by 50 percent under the Trade Agreements Act with Venezuela.

There is no quota on oil imports. One was established in the Venezuelan agreement. It was removed in the agreement with Mexico in 1943—that automatically extended to Venezuela and any other nation with whom agreements have been made.

The producing capacity in the Caribbean area is now about 1,000,000 barrels daily. In the Middle East it either is or soon will be fully that much; it probably has reached that point now.

Operators in foreign fields are confronted by the uncertainties of their position and are under more or less pressure to find markets for the production they have developed. Let it be remembered that there is no domestic oil-producing industry in Venezuela, in Colombia, Peru, which are sources of imports in the Western Hemisphere; and no domestic producing industry in Iraq, Iran, Saudi Arabia, and Kuwait in the Middle East.

Those who would export from these countries are the Standard companies, particularly the Standard of New Jersey and Socony Vacuum; the Gulf Oil Corporation, Sinclair Oil Corporation, the Texas Co., and Shell, as the principal ones; others are now trying to obtain position in the production of oil in those countries. The principal effect of selling oil from Venezuela, for example, into our markets is upon the financial situation of the oil companies, not upon the people of Venezuela. The latter do realize something by way of taxes paid by oil operators, but do not themselves produce oil and export it.

I would like to file at this point a statement of the production of crude petroleum in Venezuela, by companies, for the year 1944. That shows the companies that produced there in the last year: The Standard Oil Co. of New Jersey, Shell Oil Co., Gulf Oil Co., Sinclair, Socony-Vacuum, Texas, and one British company.

History of oil imports has taught us that in time of too much production, it is always emphasized by the large oil purchasing-importing companies that the cut-backs in supply must be made at home.

The price of foreign oil—a price set by the companies that produce it—is used as a depressant on the price in the United States.

To discover oil in the United States we must use oil produced in the United States. Discoveries are made with funds from the sale of oil. None will be made under prices that afford no incentive, nor under inadequate income from severely restricted market outlets for crude oil.

The lesson of this war should be heeded. Without the reserves of oil in the United States, chiefly found under conditions more favorable than those of recent years, the Allied Nations would have lacked supply during that lengthy period when other sources were bottled up by the enemy. Both national security and domestic economy are at stake in the present question.

The State Department in 1937 gave notice of its intention to negotiate a trade agreement with Venezuela to include oil. The agreement was concluded in 1939, reducing excise tax on oil 50 percent.

An outstanding result was that the national average price of domestic oil fell 16 cents per barrel—1937 compared to 1940. Imports of petroleum in the 2 years following 1939 were 62 percent greater than for the 2 years preceding 1939.

There was a general reduction in the price of crude oil in late 1938. Another attempt was made in August of 1939 to reduce crude-oil prices. This was defeated only by heroic action by conservation authorities of several of the principal oil-producing States, who ordered a shut-down of production fields to prevent the waste that usually goes along with producing oil under conditions of economic distress.

The State Department, which has charge of trade agreements policy, expressed its philosophy in a statement made by Mr. Charles Rayner, its petroleum adviser, to the Truman committee on February 10, 1944. It appears on page 71 of Senate Report No. 10, part 15, of the Seventy-eighth Congress.

In that statement Mr. Rayner gave as a reason for State Department support of United States petroleum interests in their foreign activities the concern of the Department over discoveries of oil in this country. He said that—

> since about 1934 the curve of new discoveries in the continental United States * * * began to turn sharply downward.

That was not quite accurate. The facts in regard to new reserves discovered, according to the Petroleum Administrator for War, are as follows:

New reserves discovered—crude oil—United States

Year	New crude oil reserves discovered, barrels	Year—Continued	New crude oil reserves discovered, barrels
1934	1, 725, 000, 000	1940	1, 664, 000, 000
1935	2, 054, 000, 000	1941	1, 186, 000, 000
1936	2, 322, 000, 000	1942	800, 000, 000
1937	2, 183, 000, 000	1943	730, 000, 000
1938	2, 049, 000, 000	1944	[1] 850, 000, 000
1939	993, 000, 000		

[1] Estimated.

Source: Petroleum Administration for War.

It will be observed that these discoveries were greater for each year following 1934 than for that year, until 1939. The decline in addition to reserves began with the execution of the trade agreement with Venezuela. The trade agreement program created the condition, the consequences of which were later assigned by the State Department as a justification for its acts.

Mr. Rayner went on to say that the Department has—

taken the position that the public interest of the United States requires maximum conservation of domestic and nearby reserves and large-scale expansion of holdings in foreign oil reserves by United States nationals.

The term "maximum conservation" is susceptible to more than one meaning. It appears patent to us—and the treatment of the domestic oil industry under the Trade Agreements Act heretofore is basis for our lack of confidence—that the State Department includes "reservation" as a principal ingredient in its conservation formula. Maximum conservation and the corollary "large-scale expansion of holdings in foreign oil reserves" can mean nothing else than large-scale occupation of domestic markets with foreign oil.

This philosophy has been uttered again and again in recent years. The reports of the National Resources Planning Board, utterances of Government officials in magazine articles and speeches, were alarmist in tone. Perhaps the most extreme of all the planning on petroleum was the report made in November 1944 by the committee on international policy of the National Planning Association. A projection of imports in the report included 1,000,000,000 barrels of petroleum in 1950. Under such a program little room would be left for domestically produced oil; our all-time peak was reached in 1944 with 1,678,000,000 barrels.

We incline to the view that weight is to be given to that report as a reflection of the thinking in some governmental quarters. Mr. Stacy May is chairman of the committee; he is the former Director of the Bureau of Planning and Statistics of the War Production Board. Mr. William L. Batt, Vice Chairman of WPB, is chairman of the National Planning Association. Mr. May, incidentally, is a member of the Small Business Advisory Committee of the Department of Commerce, whose report on "a continuing program to insure small business a proper position in the economy" was endorsed by Secretary Wallace as a Magna Carta for the small businessman. So far as the small businessman in oil is concerned, we see an inconsistency between the avowed solicitude for his welfare and the program of imports drawn up by the planning association.

Some of the suggestions that have been made over the past 2 or 3 years for dealing with the oil problem are fantastic. Too many of them, however, from a number of persons influential in Government, follow the same line—huge imports and conservation at home.

The hold upon the domestic industry established by imports during the times of free economy continued throughout the war and is upon the domestic producer today. The crude oil price base established at a depressed level when imports were invited by Government was—

Senator McMahon (interposing). You say it is at a depressed level today?

Mr. Brown. This crude oil price; yes.

Senator McMahon. The oil companies have made more money than they ever have in the history of their business, have they not?

Mr. Brown. Some companies. That is the point I am making. I think the importing companies are making more money than they have ever made, by far.

Senator McMahon. How about the domestic companies?

Mr. BROWN. Very few of the domestic companies that are just producers. A few of them have, but most of them have not.

Senator McMAHON. Have you any figures showing the balance sheets or earnings of, say 50 of the independent producers?

Mr. BROWN. No; I do not have. This is in the process of being determined.

Senator McMAHON. Every time I pick up the financial sheets, these oil companies have made more money, after taxes, than they have ever made in their history.

Mr. BROWN. I think that is true. I can agree with you very easily, and I think I am showing how they make it. If you will let me finish this statement, then I will be glad to.

The crude-oil price base established at a depressed level when imports were invited by Government was the base adopted by the price-control authorities of Government in 1941. On this base, the large companies have throughout the war bought the crude oil produced by independent companies and under the favorable prices for refined products have each year reported large profits. That is what you referred to. In this happy situation the independent producer has not shared. Instead, his number has grown less. In the statement previously mailed to the Congress, it was asserted that 25 percent of such producers have gone out of business since 1938. That is the statement I was referring to.

The consumer of petroleum products has realized no benefits from these agreements. For the 5-year period prior to the imposition of the import tax in 1932, the average price of gasoline in the United States, excluding tax, was 16.65 cents per gallon. For the 5 years following the imposition of the import tax, ending in 1936, it was 13.4 cents per gallon. For the 5-year period ending in 1941, including the period since the trade agreement and extending to the period in which the United States entered the war, the average price was 13.6 cents per gallon.

The policy of Congress with relation to petroleum resulted in a strong, virile domestic industry. The consuming public shared in the benefits of this policy. The antitrust laws, the tax treatment of the oil industry, and your attitude toward unequal competition with foreign oil are some of the factors that produced the favorable result.

The policy of the State Department has been one of weakening the domestic industry in favor of those who import.

Despite your attitude of opposition to monopoly in any industry, it is being embedded in the oil industry as a natural consequence of the State Department's policy.

Thank you. That concludes my statement.

The CHAIRMAN. Are there any questions?

Senator BUSHFIELD. Mr. Brown, you made the statement that the oil industry had been damaged by the trade-treaty policy in this country in the last 10 or 11 years. I wish you would enlarge a little on that.

Mr. BROWN. The State Department announced in 1937 that they were going to make a trade agreement with Venezuela. The process of developing that took some period of time. It wasn't finished until 1939.

In the meantime, the importers of oil who are domestic purchasers of our oil here, cut the price about 15 or 16 cents. Then when the trade agreement was finally effectuated, imports went up more than

50 percent. Within the year after the trade agreement was made, the principal importing company—which was also our principal purchasing company—in a letter to the people who were supplying him, our producers, said that the worst condition that had existed since the flush period of the east Texas field was on us now, and that that period resulted in a severe cut in the price of crude oil. In 1939 they announced, about the time of the trade agreement, that they would cut the price. The only way that was stopped was by certain shut-downs in areas of production, which kept them from cutting the price there.

Senator BUSHFIELD. Domestic areas?

Mr. BROWN. Yes. As a result of that program, the price that it was reduced to during the period of the trade agreement was fastened on us permanently in this way: It was continued on until we went into war, and then the price-fixing authorities took the accepted and current base and fixed it for a price during the war.

During that time, as I have just illustrated, from 1938, the year before we had the trade agreement, until 1942, 25 percent of the companies engaged exclusively in producing oil in the United States went out of business.

Senator BUSHFIELD. Twenty-five percent?

Mr. BROWN. Twenty-five percent. That is in accordance with the Treasury Department's reports.

Senator BUSHFIELD. Was that because they couldn't make any money, or because they couldn't get supplies to operate?

Mr. BROWN. It was due to a number of things. It was largely one of discouragement, I think.

Senator BUSHFIELD. As I understand it, it was very difficult to get supplies for drilling, was it not?

Mr. BROWN. That was after the war, that is true.

Senator BUSHFIELD. Those companies that you speak of, from Venezuela, they were all American companies, were they not?

Mr. BROWN. All except the British, the British have some companies there.

Senator LUCAS. How many importing companies are there in the United States?

Mr. BROWN. Well, in this list I attached to my statement—there are about six altogether—there are five of them listed here, and the Standard of California isn't listed here but they have some imports.

The CHAIRMAN. What was the volume of imports, Mr. Brown, in 1937?

Mr. BROWN. The exact figures I will be glad to put in the record.

(The figures referred to are as follows:)

Volume of imports of crude petroleum and petroleum products into the United States by years in averages daily, 1937–41

	Average barrels daily
1937	156, 595
1938	148, 789
1939	161, 808
1940	228, 828
1941	266, 142

Source: U. S. Bureau of Mines.

Senator LUCAS. What is the ratio of the oil produced in Venezuela that came to this country as compared to what we produced here?

Mr. BROWN. Very small, less than 5 percent.

Senator LUCAS. You think that 5 percent is responsible for these independents going out of business?

Mr. BROWN. No; not that. If I may explain that—and I am glad you raised that question—the amount of import tax we put on would rarely affect the actual imports. It is one of governmental policy. Nearly all of these companies are operating in the United States. If Congress indicates a policy that they don't think they ought to flood this country, they would hesitate to go against that policy. But when Congress opened up and said we ought to make trade agreements with them and the State Department invited more imports by making the trade agreement, then they had this position: They had a practically limitless supply that they could bring in at will. So they would say to the domestic producer, "We can bring it in, or we will buy it from you at a price." So, of course, the domestic producer sold at whatever he could get for it. That is, in effect, what happened, and that is what I have set out in some detail in the larger statement that I filed.

One of the principal importing companies said to them, "Our supplies are growing too heavy in the United States. You have got to cut back or take a price cut." And that is the effect of it.

The CHAIRMAN. Are there any further questions?

Senator MCMAHON. Did our domestic production go up in 1939?

Mr. BROWN. In 1939 it began to go up.

Senator MCMAHON. Our domestic production?

Mr. BROWN. Yes; in 1939 it began to go up, and it went up in 1940 still more. Maybe in 1939 it didn't go up much.

Senator MCMAHON. So you point is that the 5 percent didn't decrease production in this country, but did decrease the price?

Mr. BROWN. That is right, and it did decrease the effort to find new reserves. You see, the fellow that finds most of the reserves is the independent. I think about 75 percent of our reserves——

The CHAIRMAN (interposing). A lot of other things have some effect upon the finding of new reserves.

Mr. BROWN. That is true. You have got to hunt for them, and find a place to hunt, too.

The CHAIRMAN. The tax laws have a good deal to do with that.

Mr. BROWN. Yes; that is why I mentioned that in here. The attitude of Congress has been very helpful to the domestic industry, and we hate to surrender ourselves from Congress to some department, to be frank with you.

The CHAIRMAN. Thank you very much, Mr. Brown. You have given to the reporter your statement you wished to file?

(The above-mentioned statement is as follows:)

OIL IN THE TRADE AGREEMENTS

The independent producers of petroleum of the United States oppose further enlargement of the power of the State Department over imports, policies, and restrictions.

These are the producers of the type who have discovered the majority of the fields in the United States.

We submit two broad considerations: An unrestricted oil-import program such as is implied in the declarations of those who seek the enlarged authority will (1) establish oil monopoly at home; (2) it will place in jeopardy the national security.

As to the first proposition, there is no domestic petroleum industry in the countries which have large reserves of petroleum available for importation into our markets. A few American, British, and Dutch companies have found and developed those reserves. The funds for such foreign ventures came in large part from profits made in the United States. Venezuela would not export oil to the United States; these few companies would bring it in and further depress and control the independent petroleum industry.

As to the second proposition, national security in this war was assured by the oil of the United States. For a long enough period to have lost the war, no other oil was available to ourselves or our allies. The German submarine campaign made temporarily useless all outside reserves of oil.

Years ago, the program now being advocated as to oil was urged upon this Nation. Had it not been prevented by Congress, we would have entered this war with a large refining industry at home, chiefly in the hands of a few companies, dependent upon a supply of crude oil that was water-borne and vulnerable to enemy action.

The domestic producers of petroleum have already felt the effect of the exercise of authority to make trade agreements. Following are a few facts which we hope will be given proper weight in considering the bill which would make it possible to still further restrict the size and the energy of the domestic industry.

The policy of Congress made possible a strong, virile domestic petroleum industry to which the world is indebted for our present strength in winning this war. The policy of the State Department in creating monopoly is greatly weakening this industry.

Under the policy of Congress imposing restrictions on imports passed July 1, 1932, imports of petroleum fell from 388,000 to about 106,000 barrels a day for the balance of 1932.

The State Department in 1937, announced the intention to negotiate a trade agreement with Venezuela that would affect oil. It was finally concluded in 1939, reducing the tax 50 percent or 10½ cents per barrel.

Concurrently with the announcement of the State Department to negotiate the trade agreement, the price of domestic crude oil began to fall off until in 1940 it reached the level of $1.02 per barrel, a drop of 16 cents per barrel from the 1937 average price.

The imports of petroleum in the 2 years following 1939 were 62 percent greater than for the 2 years preceding 1939.

Consumption and export demands for petroleum rose substantially in 1939, continuing through 1940 and 1941, yet following announcement of the trade agreement, new well completions in 1939 were 5,223 less than in 1937. In spite of our greatly increased need the completions have not again reached the total of 1937.

According to the Petroleum Administration for War, new crude oil discovered in 1939 was less than half of that found in 1937 or 1938. The average annual amount of oil found since 1939, according to that authority, has not exceeded half of the 1937 or 1938 figures.

In 1938 there were 5,992 corporations engaged exclusively in the production of oil and gas who filed income-tax returns with the Bureau of Internal Revenue. In 1942 there were only 4,496 such returns made; 25 percent of the number of corporations engaged in the oil business in 1938 had gone out of business.

TABLE 1.—*Production of crude petroleum in Venezuela by companies for the year 1944*

Company	American affiliate or parent company	Barrels [1]	Percent of total
Creole Petroleum Corp	Standard Oil Co. (New Jersey)	141,002,969	54.86
The Venezuelan Oil Concessions, Ltd	Shell Oil Co	45,502,585	17.70
Mine Grande Oil Co	Gulf Oil Co	39,432,918	15.34
Caribbean Petroleum Co	Shell Oil Co	11,700,698	4.55
Compania Consolidada de Petroleo	Sinclair Oil Co	10,619,610	4.13
Colon Development Co., Ltd	Shell Oil Co	7,076,496	2.75
Socony-Vacuum Oil Co	Socony-Vacuum Oil Co	1,027,409	.40
Central Area Exploitation Co	(British)	289,252	.11
Texas Petroleum Co	The Texas Co	177,673	.07
British Controlled Oil Fields, Ltd	(British)	168,535	.07
Orinoco Oil Co	Pure Oil Co	18,723	.01
S. A. Petrolera Los Mercedes	The Texas Co	528	
Total		257,017,396	100.00

[1] Converted from cubic meters as reported by Venezuelan Government.

Other American companies holding oil interests in Venezuela are: Standard Oil Co. of California, Sun Oil Co., the Atlantic Refining Co., Union Oil Co. of California.

Mr. BROWN. Yes.

The CHAIRMAN. Mr. Lerch. You are appearing for Mr. Bacon and also Mr. Fri?

Mr. LERCH. Yes. I am counsel for the Industrial Wire Cloth Institute, and also for the Toy Manufacturers Association, and it was impossible for Mr. Bacon and Mr. Fri to get here, so I will appear for both of them.

STATEMENT OF JOHN G. LERCH, OF LAMB & LERCH, NEW YORK, N. Y., COUNSEL REPRESENTING INDUSTRIAL WIRE CLOTH INSTITUTE AND THE TOY MANUFACTURERS OF THE U. S. A., INC.

Mr. LERCH. My name is John G. Lerch, of the firm of Lamb & Lerch, 25 Broadway, New York City.

May I request that a written statement be printed in connection with my remarks as to each, the Toy Association and the Industrial Wire Cloth Institute?

The CHAIRMAN. Yes; you may put them in the record.

(The statements referred to will be found at the conclusion of Mr. Lerch's statement.)

Mr. LERCH. Mr. Chairman, I won't take any more time than is necessary. I appeared before the House committee. My testimony appears at page 2403 of the record; and the economic side of each of these industries that I represent, I think we have explained in the briefs. I would like to make just a few remarks in addition to those I made in the House, on what might be termed the "legal side" of it.

As we see this bill, we have heard a great deal of talk in the last 11 years about a reciprocity agreement, that these things are really reciprocal trade agreements. We have heard a lot of talk about "favored nation" treatment. Well, we think those are just misnomers, that they do not apply to this bill in any shape, manner or form. I like to characterize this bill as a downward revision of the tariff under anesthetic, because the bill itself directs——

The CHAIRMAN (interposing). It has that virtue, at least, that it is less severe?

Mr. LERCH. That is right. But most people don't know it. That is why I am trying to explain this now. Even the members of the committee of the House talked reciprocity and "most favored nation" treatment—even the Republicans, I will say.

But the bill itself contains a provision which is mandatory on the President—and this is in the 1934 bill, and has always been continued as is—that—

> 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.

Then follows another exception where the President, if he finds that a given country is discriminating against our commerce, may except from this mandatory provision that country. So far we have had but one, and that is Germany.

Now, we don't consider that as reciprocity. Reciprocity, as we understand it, is that we give you something for something we get—you scratch my back and I will scratch yours. That is true reciprocity and that is the form of reciprocity treaty that we had in the old Dingley bill and other bills that have been enacted here.

Senator BUTLER. Where does this word "reciprocal" apply in the name of the bill?

Mr. LERCH. As I say, it is a misnomer, it is propaganda of the last 11 years, a studied propaganda to try to instill in the public that this was really reciprocity treatment or "favored nation" treatment.

The provision I have just read you, from the act, is inconsistent with the alleged "most favored nation" treatment. That phrase grew up by the real "favored nation" trade treaties that we had in the past, but obviously they went out with the advent of this bill, because they can't work together. When you have a mandatory provision that whenever you put a rate in a so-called reciprocal trade agreement that it is generalized to the world, there is no "favored nation" treatment there. On the contrary, as I have just explained it takes an overt act on the part of the President, upon a specific finding, to exempt any given country from its operation. We even find, like in the Mexican treaty, a reduction on the rate of glass vials, just for illustration, and you could put all of the glass vials that come from Mexico in a top hat.

Senator BUSHFIELD. Those nations under the "favored nation" clause all get the benefits of this agreement regardless of whether they give anything or not.

Mr. LERCH. That is why I say it is not favored-nation treatment it is generalized by the statute itself. It is compulsory. So where does any favored-nation treatment come in?

Senator BUSHFIELD. For the other fellow.

Mr. LERCH. It is to the world. As I said, only one country has been excepted.

I made some remarks in the House on the constitutionality of this bill. I don't know whether it was by reason of those remarks—others had made similar remarks on its constitutionality—but the majority report contained a chapter on the constitutionality of this bill, and it again refers, for its authority on the constitutionality of the bill, to *Field* v. *Clark* (143 U. S. 649), and *Hampton* v. *United States* (276 U. S. 394).

Well——

The CHAIRMAN (interposing). That was the old flexible decision?

Mr. LERCH. That last one was the old flexible one, yes; and *Field* v. *Clark*, of course every lawyer knows that one.

The CHAIRMAN. Yes.

Mr. LERCH. But in each of those cases—take *Field* v. *Clark*, for instance, the provision in the statute there was that—speaking of delegating power, of course—the President, if he was satisfied that the Government of any other country imposed duties upon agricultural or other products of the United States which "he may deem to be reciprocally unequal or unreasonable," he has the power to suspend the provisions of the act relating to the free induction of certain commodities into the United States.

Then the act went on to prescribe what rates he should apply.

That is vastly different from this act, which delegates power which is reserved to Congress by the Constitution, to the President and the Secretary of State, to change rates if he doesn't like my bald head or the color of my eyes.

Now in the *Hampton* case—that is the old flexible tariff case and we all know that, that is section 336 of the present act—there Congress has laid down a definite yardstick and permitted, on findings of the Tariff Commission, the President to adjust the rate so as to exactly equalize the difference between the cost of production here and abroad, within the limitation of 50 percent up or down—and even that can be exceeded.

So that you have a vastly different set-up in those two cases relied upon by the House committee, than you have in this bill where there is no yardstick, no limitation, but a complete delegation to revise tariff rates.

Now in the celebrated *Schechter case* (295 U. S. 495), the "sick chicken" case, the Supreme Court said there:

> Congress cannot delegate legislative power to the President to exerçise an unfettered discretion to make whatever laws he thinks may be needed or advisable for the rehabilitation and expansion of trade or industry.

To my mind that is exactly what Congress has tried to do in this case.

In the majority report in the House, it reiterates the fact that this bill has been renewed several times. Each time they have considered its constitutionality and been convinced that it is constitutional. In the *Henry P. Fletcher* case, which went up through the customs courts, I attempted to review its constitutionality. I was thrown out in the customs courts and refused a writ of certiorari in the Supreme Court of the United States because, very carefully, Congress has removed the only remedy that a domestic interest has to litigate this proposition by the suspension of section 516 (b) of the act of 1930 with respect to any rates the subject of a trade agreement.

Well, if Congress feels that this is constitutional, if they have reviewed it three or four times and studied it each time, why are they afraid to give us back the power to test it? The reinstatement of 516 (b) would permit this question to go into court, but without it there is no remedy.

Now, we request that if this bill is renewed, section 516(b), as in existence as to all other rates in the Tariff Act not made subject to this arbitrary power of the Secretary and the President, why should it be eliminated in this case just because the President changed the rate instead of Congress? You leave the domestic manuafcturer the right to review every question in connection with your action, but remove it where the President takes the action.

I think in connection with the remarks I made in the House, Mr. Chairman, that is all I wish to say.

The CHAIRMAN. Are there any questions?

Senator WALSH. Does either the wire cloth industry or the toy industry claim that in any contracts or agreements already entered into, they have been discriminated against and have suffered as a result thereof?

Mr. LERCH. There will be a witness here tomorrow who can answer all that economic side of it, Senator Walsh. I prefaced my remarks with the statement that I would only talk as to the so-called legal phase of it, being counsel and not a businessman.

Senator MCMAHON. How long would it take for a review to get through the Court of Customs and Patent Appeals?

Mr. LERCH. The average time elapsing between—I am speaking now of section 514, which is the litigation instigated by an importer, that is a protest filed by an importer, which constitutes the great majority of the work, 99 percent of the cases or more—the average time elapsing between the filing of the first paper, which is the protest, and a decision of the Court of Customs and Patent Appeals, is about 11 months. I was in the Department of Justice in charge of a division handling these matters, and I just happen to know that.

The CHAIRMAN. Thank you very much, Mr. Lerch.

Mr. LERCH. Thank you.

(The statements of Mr. Lerch's two clients referred to earlier in his statement are as follows:)

STATEMENT OF THE TOY MANUFACTURERS OF THE U. S. A., INC.

The Toy Manufacturers of the U. S. A., Inc., by this memorandum respectfully opposes the passage of H. R. 2652, H. R. 3240, S. ——, a bill further extending the Trade Agreements Act of 1934, and providing among other things a reduction of existing dutiable rates on imports into the United States.

This industry, compared with other industries, is relatively small, but the companies comprising it are many and geographically widely distributed.

In the last year before the war, the total volume of toys produced (manufacturers' prices) was about $110,000,000 by about 1,000 manufacturers.

It is essentially a small-plant industry; only 19 companies did more than $1,000,000. The average plant did about $100,000; more than three-quarters of the plants did less than $75,000 per year.

The industry employs about 30,000 workers during its maximum production period.

Only a small percentage of the plants are highly mechanized; most of the employees are nonskilled because of the nature of toys produced and the small size of the average plant.

A large percentage of the plants are located in nonindustrial centers—small communities.

The most important characteristic of the toy industry is that, because of the large percentage of hand work used, the size of the plant and its location, it absorbs for the most part marginal workers who in normal times would be otherwise unemployed if not given work in their own communities.

One of the major contributions that the American toy manufacturer has made is that of adapting his products to the varying needs of children—producing a well-balanced supply, each manufacturer being a specialist in a particular type.

As a result of the progress which the American toy industry has made, educators now agree that next to the school itself, toys and playthings are the most important influence in building character and assuring the normal, healthy, all-round development of our children's minds and bodies. America has pioneered in producing toys and playthings suited to the needs of American children—toys tested for age interest, fun value, durability and safety—reflecting the American way of life.

The advancement which has been made in improving the quality and value of toys has been largely due to the protection which American toy manufacturers have had. The children of America have been the beneficiaries of this development.

REASONS FOR OPPOSITION TO H. R. 3240

A number of items in the toy provision of paragraph 1513 of the Tariff Act of 1930 has been substantially reduced by the trade agreement with the United Kingdom of January 1, 1939, and by the pact with Mexico of January 30. 1943, both made under the authority of the Trade Agreements Act of 1934. The reasons actuating the executive agencies in charge of negotiations to cause these reductions of the rates fixed by the Congress in the Tariff Act of 1930 have not been revealed; nor is this industry in a position to understand why or on what theory the reductions were made. We, therefore, feel that the rate-making power has been opened in administration to uncertainty and in all its aspects is uneconomic as an exercise of the power of Congress over foreign commerce.

Moreover, we fail to appreciate why reductions were made during the war period when foreign commerce is shaped by many factors more powerful than trade pacts.

All reductions in duty made in a trade agreement with one country are applied to goods imported from all countries. We fail to see how reciprocity between the parties to the agreements can exist when mutuality is absent.

Since 1934 more than 1,200 United States tariff rates have been reduced—more than 500 have been cut in half. Now it is urged by H. R. 3240 to permit those halved tariff duties and all other reduced rates to be cut up to another 50 percent. Here, we have a further indication that the motivating purpose is not prompted by adherence to formula but an all-out desire to remove tariffs; this, despite the fact, that ours is the only land that imposes on its industries a national 40-hour week and a system of minimum wage rates for labor. When other countries adopt a similar system, we believe that should be the occasion to plan world cooperation.

We, therefore, request the Congress to consider whether reductions in tariff rates are not equivalent to bringing in low-labor standards here and abroad.

We further object to the renewal of the Reciprocal Trade Agreements Act on constitutional grounds:

1. It is the exercise by the executive department of an exclusive congressional power and therefore treaties thereunder should receive ratification by the Senate.
2. It clearly is a revenue measure requiring all revenue measures to arise in the House of Representatives, yet by the terms of the act, the revenue power is delegated to the executive branch.
3. The delegation of power is without definite formula and unlawfully amounts to a delegation of discretion in the exercise of an exclusive grant of power to Congress.

CONCLUSION

As we approach postwar resumption of foreign commerce, we believe that Congress should have returned to it all needed controls to integrate into a general program governing whatever new facts the era may bring forth.

For the foregoing reasons we respectfully oppose H. R. 3240, S. ——.

Toy Manufacturers of the U. S. A., Inc.,
By Lamb & Lerch, *Attorneys*.

Statement of the Industrial Wire Cloth Institute

MEMORANDUM RE H. R. 3240 (FORMERLY H. R. 2652)

The members of the Industrial Wire Cloth Institute are opposed to an extension of the Reciprocal Trade Agreements Act in the manner proposed and favorably acted upon by the House of Representatives.

Having already sustained in 1939 a reduction of 50 percent in its tariff protection on woven wire cloth, 90-mesh and coarser, the full effects of which have not yet been felt due to wartime cessation of imports into this country from Europe, the industry can see no logical reason why further reductions should be provided for at this time.

No one yet knows for a certainty what the full effects will be from the reductions already made. It would seem no more than ordinary good sense to wait until until those effects can be properly evaluated before subjecting manufacturers to the threat of further reductions in their tariff protection.

We, therefore, urgently recommend that the provision in H. R. 3240 for a further cut of 50 percent be deleted from the bill.

It is also very strongly felt that some provision should be written into the bill which will restore to industry the right to judicial review of valid claims of injury as a result of changes in tariff rates.

Industrial wire cloth is an obscure, but none-the-less vital factor in our prosecution of World War II. It is on the War Manpower Commission's list of critically essential materials. For the past 3 years the urgent demands of our own Army and Navy, as well as from England and Russia, have far exceeded the industry's capacity to produce. And its production has been zealously fostered by the War Production Board.

There has been, and still continues to be, hardly a single military production program that is not dependent upon industrial wire cloth; either as a specific component or as a vital element in absolutely essential processing and manufacturing operations.

Industrial wire cloth is a "must" adjunct to the production of powder for all types of ammunition; it is an important factor in the cracking process employed in the production of high-octane gasoline; it is used for the grading and sizing of raw materials such as mineral ores, coal, and coke; and it is employed in the processing of flour, salt, sugar, rice, and innumerable other basic and secondary food products. Industrial wire cloth is an important factor in the production of synthetic rubber; it is extensively used in the manufacture of chemicals and plastics; and it is essential to the production of aluminum, copper, steel, chromium, manganese, molybdenum, and tungsten.

Every drop of blood plasma administered to our wounded men, in the field and behind the lines, has to be filtered, at the time and place of application, through a "screen" of industrial wire cloth. Industrial wire cloth cleans dust and dirt out of the air which passes through the carburetor and into the engine of every military airplane, tank, truck, tractor, jeep, and motorized artillery unit. And oil for the crankcases of all such equipment is strained through industrial wire cloth. It is reliably said that without air filters our planes would have been grounded for overhaul after only one mission through the sand and dust of the African campaign.

On the farm, industrial wire cloth is used in threshers, reapers, hullers, fanning mills, corn shellers, and other grain harvesting ,cleaning, and grading equipment.

Facilities for the production of industrial wire cloth cannot be created overnight. It takes from 2 to 4 years and more to train a competent weaver of industrial wire cloth, dependent upon the type of material to be produced. His is an entirely different skill from that of a textile weaver, and the equipment upon which he works is radically different from the ordinary textile loom.

The industrial wire-cloth industry is not large; its total production in this country before the war being only something like seven or eight million dollars. All United States industries, however small or large, should be considered on the strategic importance of their products rather than in terms of dollar value of output. And by "strategic importance" is meant strategic in terms of our peacetime economy as well as in war.

This industry feels that its vitally important relationship to present war needs and continuing preparedness against future aggression, coupled with the normal peacetime economic need for adequate United States production of industrial wire cloth, and the obvious desirability of postwar full employment of labor, entitles it to relief from a very real threat of extinction due to the provisions for extension of the Reciprocal Trade Agreements Act as incorporated in H. R. 3240.

RALPH W. BACON,
Secretary, the Industrial Wire Cloth Institute.

The CHAIRMAN. Mr. Mollin?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. You are representing the American National Live Stock Association?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. You may give the reporter your full name, if you will.

STATEMENT OF F. E. MOLLIN, EXECUTIVE SECRETARY, AMERICAN NATIONAL LIVE STOCK ASSOCIATION

Mr. MOLLIN. My name is F. E. Mollin, I am executive secretary of the American National Live Stock Association, Denver, Colo.

We represent 18 State associations, all but 2 of them west of the Missouri River, and more than 100 local associations. These associations comprise our main membership, but we have something like 2,500 individual members, largely in the range cattle territory.

I appeared before the Ways and Means Committee of the House, and I will try to limit my remarks largely to the situation of our industry confronted with the possibility of a further reduction in the tariff.

We have been consistently opposed to the reciprocal trade program because we have felt that it doesn't offer adequate safeguards for an industry which does need some protection against foreign imports from countries whose costs of production are different than ours. We believe that Congress should exercise its authority in the matter and that that is the only way in which domestic industries like ours can be adequately safeguarded.

We are particularly opposed to the further power to cut tariffs. We don't believe there has been any adequate trial of the trade-agreement program. There have been many figures quoted and many more could be quoted, as to the trade that has been negotiated since the Trade Agreements Act was enacted, but as a matter of fact we have had emergency conditions, conditions of unemployment, almost up to the time that we got into the war, and we think that it is a dangerous exercise of power to now authorize the Executive to make further cuts of as much as 50 percent in tariffs that have already been severely cut, until you know something about the conditions that are going to prevail after the war is over.

Incidentally, I might say that tariffs that were adequate when the Hawley-Smoot tariff bill was written, or that may have been adequate when the first trade agreements were written, would no longer be adequate because we have costs of production that have pyramided since that time.

In the far West I think that they are paying now fully double the cost of labor that they were paying 10 years ago—and in some instances, more than that. So that it is a very difficult proposition to know where any of us are going to land when this war is over.

I want to call attention to the fact that our industry has expanded during the war. We have increased our production of beef materially. I find it hard to make anybody believe that, here in Washington, but the fact is that last year's production of beef was about 25 percent above the 1935–39 average. We produced over 10,000,000,000 pounds of beef and veal last year.

We have on hand almost the largest number of cattle that were ever in the country. The peak was reached a year ago, but we still have almost 82,000,000 cattle in this country, which is far above any number that had been considered normal or safe under ordinary conditions.

While we marketed last year 6,000,000 more cattle than in any previous year, we didn't reduce the total number but very little, due to the very heavy calf crop and some imports. So that we still are dangerously high in cattle numbers.

Senator LUCAS. Is that ratio keeping up this year?

Mr. MOLLIN. We hope to bring about a reduction in the number of cattle this year, a larger reduction than we did last year. As a matter of fact I think we actually did reduce numbers last year more than the Government report shows. I think they revised the figures somewhat. They were convinced that their previous figures were low, and that checks with all the information we have from the individual States. So they did revise the figures. Otherwise we would have had to reduce numbers more last year than the 600,000 they dropped them after shipping 6,000,000 more cattle.

But we are still dangerously high, and with all the shipping possible this year—and in the first 4 months of this year the production of beef and veal has been 345,000,000 pounds above the same period last year—but shipping at full capacity this fall it isn t likely that we can market more than a million or two cattle more than we did last year. So at the very best it doesn't now seem likely that we will be down under 80,000,000 head.

Senator LUCAS. Notwithstanding the fact that you have put on the market 345,000,000 more pounds the first 4 months of this year than for the comparable period last year?

Mr. MOLLIN. Yes.

Senator LUCAS. Still nobody has any meat in this country.

Mr. MOLLIN. That is right, but that is not our fault. We are producing the cattle and they are being slaughtered.

Senator BUTLER. The meat has been going, under some kind of a reciprocal trade agreement, elsewhere. [Laughter.]

Mr. MOLLIN. Of course, the Army is taking a very big cut of beef because of the big reduction in pork shipments. The Army at the present time is taking 55 percent of B and better. They were taking 60 percent until a week or so ago. They are taking 80 percent of C and canners and cutters.

Senator LUCAS. What did they take a year ago?

Mr. MOLLIN. I haven't the exact comparison, but it was below that. They have had to step up their percentage of beef as the supply of pork decreased. It is hoped, as we get into the grass runs this fall, that the Army will reduce its "set aside". I think it is quite all right for the Army to take what they need, but the trouble is that out of the remainder too much of it goes to the black market and not enough into normal channels, so that the people aren't getting their share. The people who buy at the grocery store just aren't getting their share of meat.

Senator BUSHFIELD. I see, according to the table that I have before me, that in 1943 the slaughter of cattle and calves was 27,000,000 plus, and in 1944 it was 33,700,000——

Mr. MOLLIN (interposing). About 6,000,000 more in 1944 than in 1943.

Senator BUSHFIELD. And that is marked "revised." Does that mean that this last figure is the revised figure?

Mr. MOLLIN. They revise those figures every little while and I always try to use the latest figure. I might be a week or two behind.

Senator BUSHFIELD. Well, anyway the record indicates that we slaughtered 6,000,000 more head in 1944 than in 1943?

Mr. MOLLIN. That is right. And the slaughter for the first part of this year has been very heavy, but it is beginning to drop off now, and it might be lighter than last year for the next few weeks until the grass run gets into full swing.

Senator BUSHFIELD. Have you any figures on the amount that was shipped to other countries, irrespective of the Army requirements?

Mr. MOLLIN. Well, the amount of beef that is shipped to other countries has been relatively light. Of course they have shipped more pork than they have beef, but the Army has had to draw heavily on beef now because the pork supply is so much lighter than it was a year ago.

Senator BUSHFIELD. I understand that, but I was trying to ascertain if you knew whether any of this could be attributed to this reciprocal trade agreement?

Mr. MOLLIN. I think not.

Senator BUSHFIELD. With other countries?

Mr. MOLLIN. I think not. I would like to say that while we have been in this situation that has just been touched upon here, Canada during the war has increased both their number of cattle, their export of beef and their home consumption of beef, and they haven't any rationing today either. I think that is due to the fact that they have thought it wise to encourage production and have been more liberal with their price policy, and so they have actually expanded their numbers by a couple of million head.

They have expanded their beef exports to England. This year they are expected to be about 50 percent greater than their total exports in the 1935-39 period. Last year their consumption of beef at home was about 29 percent above 1940.

Senator BUSHFIELD. In what way has the trade-treaty program affected the cattle industry?

Mr. MOLLIN. In this country?

Senator BUSHFIELD. Yes.

Mr. MOLLIN. Well, the only time that I could say that the trade-agreement program has really hurt us badly was in 1936, which was the first year of the Canadian trade agreement.

Mr. Clayton stated here, as he stated over at the House committee, that no industry was able to show that they had been damaged. I put in the record over there, and you will find it in the record, an excerpt from my testimony given before the House Ways and Means Committee in 1937, in which I put in detailed information as to the effect of the Canadian imports in the spring of 1936, and I have figures here to show you just what that effect was.

For instance, in 1935 the average price of western range steers at Chicago was $7.30; in 1936 it was $6.10. Now I don't say that that is all due to Canadian imports, but it was partly due to Canadian imports. And that is the point that the people who believe so strongly in foreign trade do not understand.

They talk constantly about the small percentage of imports. Well, if you have got more than your local market will absorb it doesn't take much to break the market. Senator Butler knows that; he is a cattle feeder. If you have a full supply of your own cattle, and then bring in a few trainloads from Canada, that drops the price of all the cattle that are going to market in the United States at that time, and I don't care whether it is 1, 2, 3, or 4 percent of the total. But that is a situation that has been commented on constantly in an unfair manner——

Senator BUSHFIELD (interposing). Under the trade-agreement program the import duty on cattle from Canada and Mexico was reduced?

Mr. MOLLIN. The duty on all was reduced, although on some not quite the full 50 percent. On the cattle weighing more than 700 pounds, it was reduced the full 50 percent. On cattle weighing less than 700 pounds it was reduced 40 percent. On cattle weighing more than 700 pounds it was reduced from 3 to 1½; on cattle weighing less than 700 pounds it was reduced from 2½ to 1½.

Mr. Clayton stated this morning—and it is the philosophy of the State Department—that this export trade of ours is of great importance, this 5 to 7 percent that was discussed this morning, and I agree with them that it is. But then when you turn it around and talk about the small percentage of imports, they say that that is of no importance to us. Well, that small percentage of imports bears down on the domestic industry just exactly like the small percentage of exports helps in this country. You can't use both arguments and say that the 5 percent of exports helps, and that the 5 percent of imports doesn't hurt. You can't turn that argument around and use it both ways. We know that it hurts when you import even 5 percent, or sometimes more, or sometimes a little less, on a market that is already fully stocked.

Senator LUCAS. Is that the only year in the history of these trade agreements that the cattle industry has been adversely affected?

Mr. MOLLIN. That it has been seriously affected; yes. We came from 1936 into a better period of time, with better employment in this country, where we were able to absorb the imports to better advantage.

Senator LUCAS. It isn't your contention, either, that the trade agreement alone was responsible for all of that?

Mr. MOLLIN. No; I don't say that it was. We had a relatively heavy supply in this country and therefore, if we had had the full tariff rates of the Smoot-Hawley Tariff Act, 3 cents on cattle over 700 pounds, it would have been a deterrent to those imports at a time when we couldn't handle them to advantage in this country. But you reduced the rates, and now you are giving them the power to reduce them still more.

Senator LUCAS. Do you have figures for the cattle industry to show, say, the 9 years previous to the reciprocal trade agreements going into effect, the profits or losses, as compared with the last 9 or 10 years?

Mr. MOLLIN. I don't know how you can show what the industry did. We can show what the prices were.

Senator LUCAS. The cattle fellows are about as well off under the reciprocal trade agreements as at any time in their entire history, are they not?

Mr. MOLLIN. They are in pretty good shape today. So is anybody who is selling under these conditions, but it isn't due to any reciprocal trade agreement——

Senator LUCAS (interposing). But they haven't hurt them very much?

Mr. MOLLIN. Not except in that one year. Mr. Clayton made the statement this morning that our income from 1932 to 1937, I think he said, about doubled. Well, the price of Western range steers in 1932 was $5.35, and in 1937 at Chicago it was $9.25. That was not because of trade agreements, it was in spite of trade agreements that those prices came up, and we had an actual drop——

Senator MCMAHON (interposing). Why do you say "in spite of trade agreements"?

Mr. MOLLIN. Because we had a drop in price the year before. The trade agreements didn't bring up the price.

Senator MCMAHON. What was the cause of the rise?

Mr. MOLLIN. The better conditions in this country.

Senator MCMAHON. Reciprocal trade treaties were in effect in 1937, weren't they?

Mr. MOLLIN. A few, not many.

Senator MCMAHON. There was such an agreement on beef, wasn't there?

Mr. MOLLIN. On beef, with Canada, yes, but that hurt us, it didn't help us. I have never heard anybody even attempt to say that the agreement with Canada helped the American cattle industry. Nobody has ever charged that, that I know of.

Senator MCMAHON. You weren't hurt in 1937.

Mr. MOLLIN. No, due to the fact that the cattle industry took quite a licking in 1936 there was lighter feeding and the market reacted, and as I said, conditions began to get better.

But here is the situation that we are now faced with. With far the greatest number of cattle in this country than ever before and with a subsidy program that nobody knows where it is leading us to—we have got a subsidy on a 1,200-pound choice steer that goes to market at $42 a head, and nobody knows how long that will continue or what will happen when it is taken off—and we are up on stilts. We don't get that subsidy, the packer gets $3 a hundred of it, and the feeder gets 50 cents a hundred, under the latest program.

Senator BUTLER. I was going to ask you in that connection if that isn't a mighty good reason for not amending any existing rates in the present treaty, because nobody knows what future is going to be with reference to this industry immediately in the postwar period?

Mr. MOLLIN. That is exactly right.

Senator BUTLER. We may be able to continue the subsidy program on agricultural products, cotton as well as beef and these other things, and we may not.

Mr. MOLLIN. Well, it seems to me that it is very unfair to take an industry that has tried to produce for the war emergency and it gets overexpanded as we are all going to be, and then we know that this subsidy is going to be taken away from the packer, and that means he will have to buy our cattle cheaper, and on top of that if you say you can reduce these rates another 50 percent, you can just knock the props out from under this whole industry.

Senator BUTLER. I think that is one of the best points you can make as far as the cattle industry is concerned. They are attempting to lower tariff rates at a time when the industry is up on stilts, and everybody admits that.

Mr. MOLLIN. That is right, and we know that the numbers of cattle are increasing in both Mexico and Canada, and if you lower the tariff you are urging them to still further increase. The fact of the matter is that more than 55 percent—some authorities say as high as 58 percent—of the land area of this country is in grass, and most of it can't grow anything but grass, and we have got to keep this livestock industry going or you are going to ruin a lot of communities that have no other industry.

Senator LUCAS. How did you fare in 1930, 1931, and 1932 under the Smoot-Hawley tariff?

Mr. MOLLIN. Like everybody else when the depression was at its worst; just like everybody else.

Senator LUCAS. But the high tariff didn't help you any?

Mr. MOLLIN. A high tariff wouldn't help anybody in a world-wide depression of that kind, but we managed to hang onto the depression longer than anybody else.

Senator LUCAS. You fellows have always been able to hang on out in the Midwest.

Mr. MOLLIN. Onto the depression?

Senator LUCAS. At any time.

Senator GERRY. If you took the subsidy off, what would happen?

Mr. MOLLIN. It is $3.50 a hundred on Choice cattle today, and $2.95 on Good cattle, just a nickel difference for some reason. The feeder gets 50 cents on all grades. There is a lesser subsidy on the lower grades, but the highest is on those two top grades.

Senator BUTLER. I would like to explain to Senator Gerry what that means in a practical way. An animal, when you get it ready for market, will weigh in the neighborhood of 1,400 to 1,600 pounds if it is well finished. The subsidy is $3.50 per hundred. That makes the subsidy, the part of the board bill that the United States Treasury decides it should pay the packer, $45 or $50 per head, and it doesn't do the fellow who has fed the animal any good. He doesn't get any of that except 50 cents per hundred, since May 19 last.

Senator BUSHFIELD. The man who raised the steer gets none of that?

Mr. MOLLIN. That is right.

I would like to say that I never heard it charged before that the depression lasted longer in our country than it did anywhere else.

Senator LUCAS. No; I meant that it lasted less. You fellows in your section of the Midwest are better off. I intended to compliment you.

Senator MCMAHON. You don't think that the Smoot-Hawley tariff had anything to do with the depression?

Mr. MOLLIN. Not a particle.

Senator MCMAHON. It had nothing to do with it?

Mr. MOLLIN. No, sir. I say that the world-wide depression had started before the Smoot-Hawley Tariff Act was ever enacted. It went into effect in June 1930 and the depression was already well under way then.

I don't know anything about the manufacturers' rates, I have nothing to do with those. As far as the rates that we had are concerned, they didn't stop imports. We haven't ever asked for rates that would stop imports. We want rates that will give us a fair shake against our competitors, recognizing the differences in costs of production.

I would like to dwell on that angle a little bit. In 1939, taking the last year before the war, there were 172,753 cattle imported from Canada of over 700 pounds in weight, and the declared value at customs on those cattle was $6.77 per hundred. Well, during that same year, 1939, the average price of all native beef steers at Chicago was $9.80, and the average price of all western range steers at Chicago was $9.25 per hundred. That shows the difference in values between Canadian cattle and our own cattle. The western range cattle I think would certainly not be any better in quality than the average Canadian cattle weighing over 700 pounds.

Take Mexico in 1939, and cattle weighing between 200 and 700 pounds—we imported 390,074 head at a declared value of $3.02 per hundred. And the average price of all stockers and feeders at Kansas City that year was $8.09. If you were to allow $1.50 to get those cattle from the Mexican border to the Kansas City market, you would still have a difference of approximately $3.50 in the declared value of the Mexican steers and the average price of stockers and feeders at Kansas City.

I know there have been quite a few ranchers from Texas and other parts of the Southwest that have been going over into Old Mexico recently and buying ranches. One of them stated that he could produce calves in Mexico and sell them at $10 a head and make money—something that you couldn't do in this country.

Senator BUTLER. The same thing is also true of the cotton merchants. They are going to Brazil and other countries of the world to develop the cotton industry, rather than doing so at home.

Mr. MOLLIN. I will stick to my own industry; I don't know about cotton.

Senator BUTLER. Well, it is true not only of agricultural products but it is true of manufactured products in the same way, and if we keep on with this kind of a policy we will ruin our country from being a producing country, and we will help to develop the other countries.

Mr. MOLLIN. I would like to say this. Of course they tell us that this power to cut tariffs will not be used unless with extreme care, but our experience has been in the items that affect us—the various grades of cattle and hides and many other byproducts—that they all have been reduced. The only thing in which there has been no substantial cut is dressed beef, and I guess nobody was pressing for a reduction, but we are informed now that Canada is going to seek a reduction on dressed beef, and they are also going to seek an increase in quota on cattle weighing more than 700 pounds, from 225,000 to 500,000, and in defense of that they say that that would only be 4 percent of our federally inspected slaughter, to say nothing of the imports we get from Mexico, and canned beef from the Argentine and other points in South America. The present quotas under suspension total 725,000 head, and if Canada is successful in raising the quota, as they desire, it would make a quota of exactly 1,000,000 head on cattle from Mexico and Canada.

To give you a further idea of the difference in costs between this country and other countries, I might say that when the war broke a few years ago some of you will remember that when the Army got out from under the provision that they should not buy foreign products—they had always bought their canned beef in America, although paying substantially more than what it could have been imported for—and we suggested ourselves, our association took the lead in suggesting that they should buy South American canned beef as a war emergency. In the first year they made provision to buy 20,000,000 pounds, and at that time—I refreshed my memory with Colonel Logan the other day and he told me that the difference in cost at that time was about 15 cents a pound.

Well, the latest contract that Argentine has made with England shows a price of 9.1 cents per pound on Chiller beef, which is their best quality beef, whereas the price in Chicago that the packers get on Army beef, as I understand it, is 19.5 cents a pound. So there is a difference there. The Argentine beef costs less than half of the cost of beef in this country.

Senator LUCAS. How much canned beef do we prepare in this country normally?

Mr. MOLLIN. We don't prepare it in this country normally.

Senator LUCAS. It all comes from the Argentine?

Mr. MOLLIN. The Argentine or Uruguay. But the tariff was reduced for no good reason from 6 cents a pound to 3 cents a pound. We have imported from eighty to ninety million pounds annually, and in 1919, following the last war, there were 127,000,000 pounds of canned beef brought in here in that one year. So that is another thing that if there is a similar accumulation in Argentine—and I saw an article the other day that they were restricting shipments to England because the price hadn't been agreed upon—we could have a similar dumping of this surplus at the end of this war, just as we did have in 1919.

We have got a lot of things to contend with in the cattle industry, with the tremendous supplies that we now have on hand.

Senator BUTLER. I assume, Mr. Mollin, then, that it is your idea that perhaps the Reciprocal Trade Act should be renewed without the power for further reduction?

Mr. MOLLIN. Well, we realize that the act will be renewed. We have not favored it but we are not making any effort now to stop its renewal. We don't approve of the act but we realize that that perhaps is not the issue now. We think it is terribly important not to grant the power to cut tariffs.

Take the heavy cattle where that has already been reduced from 3 cents to 1½ cents—they could reduce the tariff to three-fourths of a cent, which is nothing. To show you an example that they don't always give careful consideration, they reduced the tariff on hides in the Argentine trade agreement from 10 percent ad valorem to 5 percent. Ten percent ad valorem was a nominal duty, we just barely got it off the free list in the Smoot-Hawley Act, and they cut it in half. That half cent wasn't of any great importance to Argentina and certainly had no effect on our trade relations with Argentina, but they cut that tariff in two because they were cutting tariffs, and they will do the same thing again if you give them the power to cut tariffs another 50 percent.

I think also, if you are going to extend the act as I presume you are, that it should not be extended for 3 years.

Our association has always favored Senate ratification but I certainly think that either Senate ratification or congressional approval, as suggested by Senator O'Mahoney this morning would be preferable, if you are going to have the act extended, so that there would be some congressional check.

It was mentioned this morning that the British Parliament has to approve trade agreements. It is my understanding that the same provision is made by most of the other countries with which we deal, and why we can't do business the same way they do has never been explained to me. Why is it necessary to let our Executive do it, while in most of the cases the people with whom we deal reserve that power to approve?

The CHAIRMAN. Are there any further questions? If not, thank you very much, Mr. Mollin.

Mr. MOLLIN. Thank you.

The CHAIRMAN. Mr. Mote?

Mr. MOTE. Yes, sir.

The CHAIRMAN. Will you give your name and for whom you are appearing to the reporter?

STATEMENT OF CARL H. MOTE ON BEHALF OF NATIONAL FARMERS GUILD

Mr. MOTE. My name is Carl H. Mote, 5685 Central Avenue, Indianapolis, Ind., appearing for the National Farmers Guild.

Mr. Chairman, I have a formal statement which I would first like to present, and then, if I may be permitted, a bit of comment on some of the testimony that has preceded. I was present this morning and heard Mr. Clayton's testimony, and I heard the testimony of the witnesses this afternoon.

The CHAIRMAN. You may proceed.

Mr. MOTE. I have copies of this statement, if the members of the committee are interested in it.

The CHAIRMAN. Did you appear before the House Ways and Means Committee?

Mr. MOTE. No, Mr. Chairman; I did not.

Senator LUCAS. How many members are there in your organization?

Mr. MOTE. Something more than 2,000. I will tell you where they are, where they live.

I am a native of the State of Indiana, and I have, personally, been a teacher, a newspaper reporter and editor, a lawyer, and a businessman and a banker. At the present time I am president of two rural telephone companies in Indiana which have a total of about 9,000 subscribers. 75 percent of these subscribers live in the country. The other 25 percent live in small villages and towns that are directly dependent upon agriculture.

I was elected president of the National Farmers Guild at the national convention in 1944, at Greenville, Ohio. Since then I have been in touch intimately with the membership of the organization.

Since January 1, 1945, I have spoken before meetings of the Farmers Guild at eight different places in Michigan, three in Ohio, and three in Indiana, and I am to speak shortly in Iowa and Minnesota, where we have members.

We also have a small membership in Pennsylvania.

These 2,000 members are well-informed; they are individualists, they are militant. Half of them can make a good speech.

Senator LUCAS. Is that what it takes to be well-informed? [Laughter.]

Mr. MOTE. Well, it takes information to make a good speech, I believe.

Just now we have in circulation a petition throughout the country in support of H. R. 2861. This is a bill that provides for legislated minimum prices for 43 agricultural products. I understood Senator Johnson to say this morning—he isn't here this afternoon I believe—that Congress has believed that it doesn't have the power to fix prices. Well, I think that Congress, directly and indirectly, has been doing that for a long time and is doing it now.

The bill that we are supporting was introduced again in the House on the 9th of last month by Mr. Lemke, of North Dakota.

I am aware that the Farmers Union and the American Farm Bureau Federation officially are supporting this pending bill, which has already passed the House. But it is my information that the officials of these organizations are not speaking for the rank and file of their members——

Senator LUCAS (interposing). Upon what do you base that statement?

Mr. MOTE. That is based upon the statements of members to whom I have talked in Ohio, in Indiana, and in Michigan and in Illinois, who have attended the meetings—my own meetings.

I have heard too many members express themselves about reciprocal trade treaties, too many members of the American Farm Bureau Federation. Locally, of course, it is called the Farm Bureau. I couldn't be deceived about what their opinions are. They think they are being misrepresented. They are not favorable to reciprocal trade treaties, they are unfavorable, they are hostile.

The Farmers Union is in a turmoil in more than one State about its official position, and I know that because officials of the Farmers Union have written me at length on the subject, and they think they are misrepresented by their officers and directors, and they think they are not speaking for the class interests of the American farmer.

The members of the National Farmers Guild, to a man, are opposed to this bill. They are opposed to reciprocal trade treaties in principle.

I like what Mr. Lerch, a previous witness, said. I approve everything I heard him say about reciprocal trade treaties, not that in principle I should be opposed to reciprocal trade treaties, but I don't think that these treaties have been reciprocal. We have gotten nothing, roughly, for what we have given away.

The National Farmers Guild was opposed to the bill to renew the authority to make these treaties in 1940 and also in 1943. Many of the present members of the National Farmers Guild once were members of the Farmers Union, and when they were they followed the leadership of the late John A. Simpson, of Oklahoma, who at the time of his death, on the 15th of March, 1934, was president of the Farmers Union.

The National Farmers Guild was not organized until 1939, but as members of the Farmers Union they were opposed to the reciprocal trade treaties in 1934 and in 1937 when they were first renewed.

It hasn't anything to do with reciprocal trade treaties, but in one of the last addresses that John A. Simpson ever delivered—it was a radio address on the 27th of January 1934—he pointed out the ill effects on agriculture of the importation of Argentine canned meat, which was then being purchased in large quantities by the Government of the United States and used in the West.

In principle, the National Farmers Guild is opposed to the importation of any agricultural products from foreign lands, which can be produced in this country.

The National Farmers Guild is opposed to any law or device by which the American home market, or any part of it, can be traded for all or any part of a foreign market for our industrial products.

We are opposed to the purchase of Argentine meat in return for the privilege of selling them automobiles, and we think any industralist who supports such a scheme not only is the enemy of the American farmer but an obstacle to any long-continued industrial prosperity in this country. We think such an industralist is also the enemy of the American industrial worker.

I don't think I am misstating facts when I say that 600,000 miners in America think as the members of the National Farmers Guild think. They are opposed to reciprocal trade treaties, and they are in favor of Mr. Lemke's bill, which would establish farm prices based upon the cost of production plus a reasonable profit.

The United Mine Workers of America are friendly and helpful in supporting our program, because they understand the intimate relationship between the prosperity of the mine and the prosperity of the farm.

I want to point out to the committee, specifically and in detail, what will be the result, in my opinion, to the extent that the American home market for agricultural products is delivered over to foreign producers. This is important because if that is not the purpose of reciprocal trade treaties, essentially, then I think Congress is wasting its time considering this legislation.

There is an inexorable relationship between farm income and factory pay rolls. There is an inexorable relationship between farm income and national income. There is a reason for this relationship which it would take pages to explain, but it is sufficient for our purposes, I think, to recognize that the relationship does exist and that it is inexorable.

For every dollar of farm income there is a dollar for factory pay rolls, and there are $7 for national income. To state the formula a little differently, for every loss of a dollar in farm income there is the same loss in money available for factory pay rolls, and there is a total loss of $7 in national income.

I think it should be apparent why any loss of farm income due to the competition of foreign agricultural producers is disastrous to the industrial worker and causes a sevenfold disaster to the national income. That is why the industrial worker is dependent upon the prosperity of the American farmer. That is why organized labor, if it is not misled, will take its place naturally as the champion of the American farmer. That is why the United Mine Workers of America are standing shoulder to shoulder along with the Farmers Guild, with the American farmer. I think there can be no doubt that the United Mine Workers have able leadership.

For the life of me I cannot understand why this committee, which has a large responsibility for the financial stability of our country, would favor this legislation, and I mean in principle. I think we can agree that a time will come when this country will have to abandon deficit financing, which is accountable for one-half, roughly, of our present national income.

How are you going to maintain the credit and solvency of this country when deficit financing stops and the national income is thereby reduced by one-half? In my opinion, by this resolution or bill, you are preparing to do the exact opposite of what you should be doing. You are proposing to reduce farm income further by paving the way to purchase abroad agricultural products that must be produced at home if farm income is to be maintained at its present level.

What you should be doing, in my opinion, is concentrating upon a plan to double, substantially, the present farm income. There is no legislation, pending or proposed, about which I have heard, which will accomplish this objective, except Mr. Lemke's bill to provide cost of production and a fair profit in the operations of the American farm.

Commodity loans, or support prices, or subsidies on the crops that are now benefiting from them, based upon any percentage of parity, are totally inadequate.

Since your committee is confronted with an inevitable reduction in national income the moment deficit financing stops, by creating the machinery to reduce farm income, and thereby national income, I am quite unable to see how you can maintain the credit and solvency of this country. If our national income is to be reduced to $75,000,000,000, when we cease to operate on borrowed money, and if in addition thereto it is to be reduced to 65 or even 60 billion dollars by reducing farm income, I would like to know how this committee can keep this Nation out of bankruptcy and avoid total ruin.

Mr. Chairman, if I have everything I need in my own home, and money in the bank, I can't understand why I should make a loan to a thriftless neighbor and sell him some of the equipment in my home on his promise to pay. If I did this I think I would lose my money, my own conveniences, and ultimately my neighbor's good will. I think if I did this I would be a fool.

When I was a younger man I used to play poker. Since the New Deal began to harass American citizens I don't have time to play poker. But when I did play poker I never loaned a player who had gone broke, either money or chips, to get back into the game. I always thought I would be playing against my own money, and poker is just too dangerous for any such speculation.

We loaned $10,000,000,000 to foreign countries to buy our merchandise during the roaring twenties. They didn't buy our merchandise and they never paid us back the money we loaned them. Instead, they used our money—this statement goes to the point made by the last witness, this reference to a world-wide depression, I don't believe in that—instead, they used our money after the Hoover moratorium of 1931 to wreck our money and credit system.

I am opposed to foreign trade, in principle, so far as we can get along without it. I can't see why we should be running after foreign trade when an equivalent volume of domestic trade can be had by the exercise of a little common sense. Such trade will cost us nothing and it will make everybody prosperous.

I listened with a good deal of interest to the testimony of the last witness about the price of cattle. The statement I am about to make was made to me by Mr. Lemke the day before yesterday. In 1937 and 1938 the best cattle were selling in the St. Paul stockyards for 5 and 6 cents a pound, so he said; and the Canadian cattle seemed to have a priority at such prices. Mr. Lemke believed, and so expressed the opinion to me—and I have always believed—that the effect of the reciprocal trade treaties was disastrous to the American cattle raiser. I still think so.

Last fall Jim Mannix, of Greenville, Ohio, who is a member of the Farmers Guild, needed a corn picker. At that time millions of dollars worth of farm machinery manufactured in this country, was being shipped to Soviet Russia and England and all over the world. Finally, Jim Mannix located a corn picker that was for sale. He paid the dealer's price in cash and with the help of some neighbors took the corn picker. He and seven of his neighbors were arrested for violating OPA regulations and put under bonds totaling $160,000 in Dayton, Ohio, and Jim Mannix had to return this corn picker that he needed very desperately.

In conclusion, Mr. Chairman, as president of the National Farmers Guild, I would like to see the time return when the Congress of the United States will look upon American citizens with at least equal favor as compared with the citizens of foreign lands.

The CHAIRMAN. Thank you, Mr. Mote. Are there any questions?

Senator LUCAS. Are you certain that it was the New Deal that caused you to quit poker? [Laughter.]

Mr. MOTE. Age may have had something to do with it. I don't have time to play golf, Senator, and I think if I had the choice today I would play golf instead of poker. But I don't have a chance to do either.

The CHAIRMAN. Thank you very much for your statement.

We have one other witness this afternoon; Mr. Torbert.

Mr. TORBERT. Yes, sir.

The CHAIRMAN. Please give your name, and for whom you are appearing here, to the reporter.

STATEMENT OF E. L. TORBERT, VICE PRESIDENT, ONONDAGA POTTERY CO., SYRACUSE, N. Y.

Mr. TORBERT. My name is E. L. Torbert, and I am vice president of the Onondaga Pottery Co., Syracuse, N. Y.

Before the Ways and Means Committee of the House I presented a brief on behalf of the Vitrified China Association. Our local situation is covered very fully in part 14, pages 1683, 1711, and 1920 thereof. Not until yesterday did I know that there would be any opportunity for me to appear here. I came in at noon, and I prepared just a few notes which will include one or two new items.

Today I am representing the Onondaga Pottery Co. of Syracuse, N. Y., manufacturers of fine vitrified china for table use in homes, clubs, hotels, and public institutions, including the Army and Navy and other Government agencies.

Ours is a typical vitrified china pottery, of which there are 17 in the United States. We normally employ in our plant sixteen to eighteen hundred workmen. The 17 potteries in the country employ approximately from eight thousand to eighty-five hundred persons and in 1939 paid wages approximating 14½ million dollars per year.

Another branch of the industry, the earthenware, is made up of an additional 28 potteries.

With the possible exception of husbandry, pottery is the oldest industry known to man; through the ages it has given man in every land an outlet for his creative and artistic abilities. The skilled workers and artisans who are attracted to this industry take pride in creating beauty as well as product. It is important to the future of our economy and our American living that provision be made in our plans for the preservation of the skills and employment of these artisans of handcraft industries.

Since the labor content of handicraft products is exceedingly high and wage cost is the major cost, this means that to compete with imported products we would have to reduce wages to a level which would only be higher than foreign wage levels by the amount of our greater efficiency, have our wage levels adequately protected by the tariff, or discharge our workmen and go into the importing business. Although foreign producers have modern, including American, equipment, if we assume as Mr. Clayton did for American industry in general at the House hearings that our efficiency is up to 50 percent higher, this in-industry still needs protection of its wage level. The pottery labor rates in the United Sates are 3½ times the labor rates in England, 8 to 10 times the labor rates in Czechoslovakia, and 13 times the pottery labor rates in Japan. It is obvious that our workers, with an average of 85 cents per hour and a product with a labor content of 60 percent or more, cannot compete with the lower labor rates of England—26 cents per hour; Germany and Czechoslovakia, 12 cents; and Japan, 7 cents; or perhaps even lower rates in China or Russia in the future. (See chart 1.)

In discussing this matter recently with the eminent economist, Dr. Marcus Nadler, chairman of the department of economics of New York University and consulting economist for one of the largest banks in New York, he stated:

> If we are to preserve our handcraft industries with high labor content they must be protected.

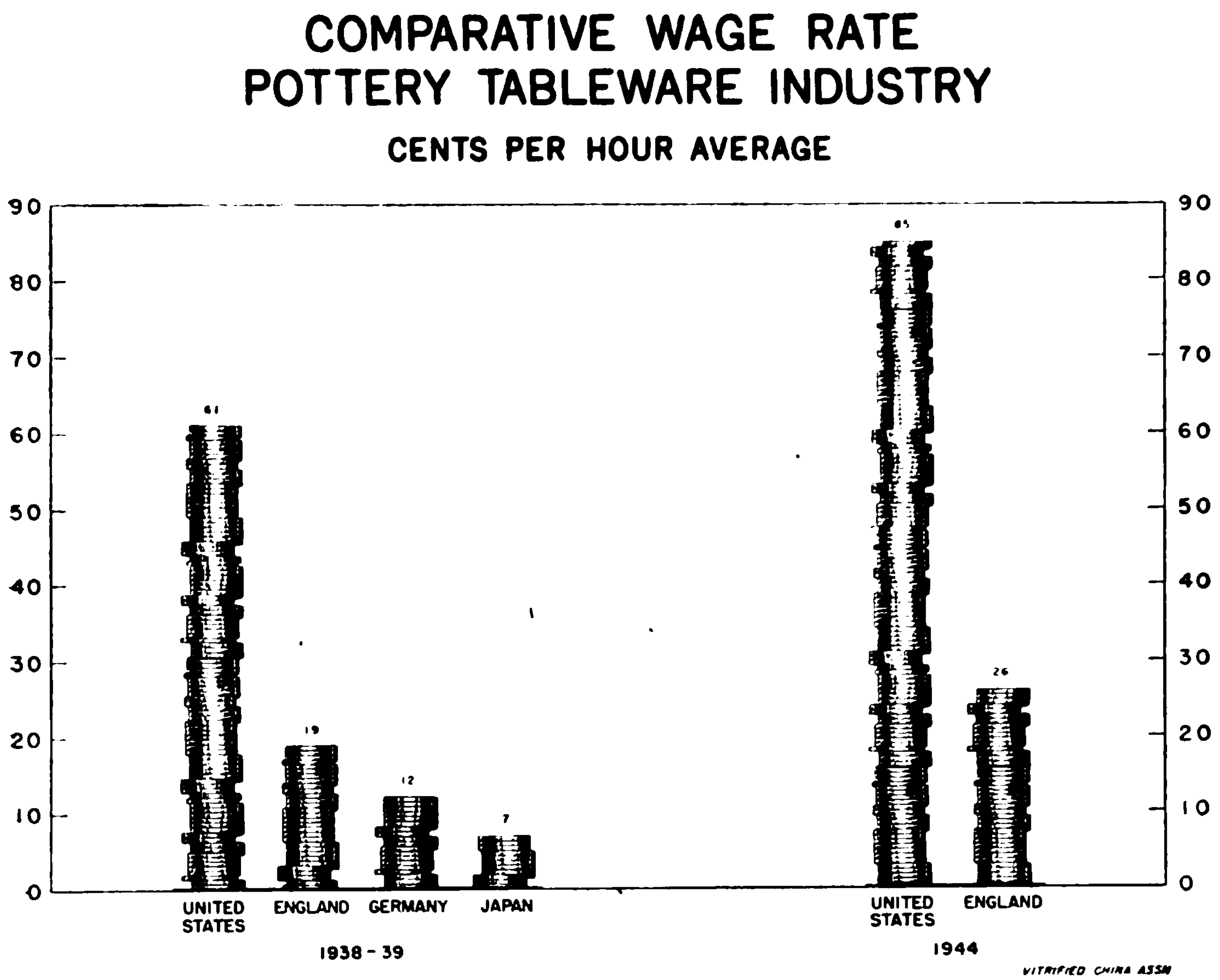


CHART 1

For the obvious reason that the pottery industry and similar handcraft industries require protection against the low labor rates of other countries, we urge your favorable consideration of the amendment to H. R. 3240 suggested on page 7 of the minority report of the House Ways and Means Committee. I have a copy of the full text which I will insert in the record.

(The amendment referred to is as follows:)

PROPOSED AMENDMENT TO H. R. 3240

Section 2 (b) is amended to read as follows: "*Provided further*, That no reduction in duty under the Tariff Act of 1930 rates shall be made on imports competing directly with articles produced by handicraft industries in the United States. Handicraft industries are defined as those in which the salaries and wages of direct and indirect labor constitute 50 percent or more of the costs of production and include only those groups of manufacturers, excluding contractors, producing by recognized handicraft methods, like or similar products, from which the Bureau of the Census can obtain and publish industrial statistics. The Tariff Commission shall make the final determination of these qualifications."

With such protective measures as are proposed in this amendment, the potteries in the United States would have a fair chance to develop a fine china business.

The reciprocal trade treaty with England reduced the tariff rates on fine china—that is, bone china, as they call it—by 40 percent, and thus enabled the potteries of England, during the war, to increase their shipments 149 percent in units and 187 percent in value. These are Government figures quoted—1941, 1942, and 1943 increases, as against 1937, 1938, and 1939.

Senator McMAHON. How much did domestic production increase during that time?

Mr. TORBERT. The domestic production of comparable goods was practically nil; that is, in the vitrified china tableware branch,.

In the beginning the War Production Board wanted to curtail entirely the production of American tableware for family use. We finally persuaded them that since England had permitted manufacture of its finer grades for export, they should permit us to do so.

The business was greatly reduced during the war because we were compelled to make a less desirable type of product for the institutional ware, such as hotels, clubs, and so forth.

We, in our own plant, made vast quantities for the Army and Navy, and through our laboratories we invented a nonmetallic land mine. We used a china body in making these mines. That greatly curtailed the production of this type of ware.

My interest in this matter led me to investigate the reason why the import rate on china should be reduced by 40 percent for England, so I made inquiry of a group of English potters who are now in this country checking to be certain that they have the latest improvements or developments in the ceramic arts. These men visited our plant in Syracuse on Monday of this week, and I discussed with them the matter of protection against low labor rate countries. They acknowledged that necessity and referred to the fact that England had, in 1927, been compelled to impose protective rates against the imports of pottery products from Czechoslovakia and Japan.

These pottery men from England claimed that they were not responsible for the activity in reducing the rates on their finer products and placed the blame on the American importer of the English ware. We can understand this in view of the recent order of OPA to restrict the mark-up on imported ware to 75 percent and thus curb the exorbitant wartime prices for these wares, with a mark-up of 150 percent or more.

Apparently the reduction of 40 percent in the tariff rate duty on fine china benefited no one but the importer. Certainly the American consumer received no benefit.

Within 12 months a French manufacturer of the so-called French type porcelain made a proposition to one or more American potteries to develop the French type of ware in this country. He was asked: "Why not make it in France, where your labor rates are lower?" He replied: "Well, your people certainly will not be foolish enough now to permit these jobs to go to foreign workmen."

Perhaps we might learn something by consulting with some of these men.

Now, we have talked a great deal about jobs and wages, and in my statement in the other report we referred to the fact that the wages are 60 percent of the selling price. I just want to give you a very vivid picture of what it would mean if we could make in this country a part of the goods that are imported from abroad.

Take the goods from Japan. I cite Japan because it is typical of any low-labor-cost country. It might well be Russia or China, and it would be natural for the Chinese people, because they made the first fine china that was ever manufactured.

If we would take the ware that was imported from Japan in the 14 years before the war, amounting to 90,830,360 dozen, and apply to their foreign value the same labor content which we apply to our own product, we would find that we paid the Japanese wages of

$26,000,000 for the china that we imported from Japan in those 14 years.

Had those goods been made in this country the wages would have been $118,000,000. If we would trace the $26,000,000 paid the Japanese for the 90,000,000 dozen, we would find, presumably, that with their low cost of living this amount could be spent advantageously for food, clothing, and other necessities of life. But for the moment let us assume the concept of those who insist that because these moneys are the result of exports from Japan to the United States, they would be spent for exports from the United States to Japan. Obviously, the products exported to Japan from the United States must be machine-made, mass-production items, with a low labor content, because the United States cannot compete with the low labor rates of Japan on products with a high labor content.

Thus, Japan would spend $26,000,000 on the low labor content made by our machines and thus displace the major part of the American wages. Is it conceivable that it is better for us to pay wages to Japanese workmen of $26,000,000 rather than pay to Americans wages of $118,000,000?

I simply want to reiterate and emphasize the low labor rates of the foreign countries. All we want is a fair opportunity, an even opportunity, to build a fine china industry in this country. We have done quite well in some of the grades; but in the higher grades, the wares on which the duty has been reduced, we have been crippled as to the possibilities. It enables the English manufacturer to take off the cream. We would like a little of that cream, and we have in our formal document suggested that this act, if continued, be extended for 1 year to give time to study the matter in the light of postwar rather than wartime conditions. We hope you will at least give favorable consideration to the amendment we have proposed which gives needed assurance for our proceeding with plans to maintain the position of handicraft industries.

Senator LUCAS. What percentage of the total output figures in on your reciprocal trade agreement with England?

Mr. TORBERT. A very small percentage, because we have never been able, because of the cheap foreign labor, to develop that class of ware.

In our briefs presented at the House Ways and Means Committee hearings, copies of which I think each of you have received, you will find the history of the importations. I have given the matter a lot of study and went clear back to 1884.

Senator LUCAS. When you had a high tariff on these particular products, were you able to make any headway in the development and sale of it at that time?

Mr. TORBERT. Some. We have made some progress in that respect.

Senator LUCAS. This is not going to affect your financial situation very much. It is your theory that this is a product that ought to be produced in this country, and if you could eliminate the low-wage end of it you could produce it here?

Mr. TORBERT. It has already affected our financial situation. The pottery industry is not a profitable industry——

Senator LUCAS (interposing). I understood you to say it was only a very small percentage that the trade agreements affect.

Mr. TORBERT. There again, the small percentage of imports on this particular class of goods—that is, the tableware, the fine goods—affects the general price level. Now, if you make a careful study you will find that the cheap goods from Japan, the goods from Japan in the 14 years I have referred to, averaged only 48 cents per dozen. Ninety million dozen at 48 cents per dozen, foreign value. Now, just for a moment let me trace the history. In 1884 England was the big producing country; practically all pottery shipments came from England. Germany had not yet learned how to model and design for the American market. When they did learn, with their cheaper rates they took the market and had the market. Then Japan began to imitate and work for this market. Following the last war the Japanese took the big market on account of their low labor costs.

Now, where is it going in the future? Our State Department may decide that by manipulating the tariff.

There is one phase of this problem that I haven't touched upon that I think is very important, and that I did touch upon in this brief, and that is the matter of rehabilitation. We have, in our plant at Syracuse, carried on some extensive work in cooperation with the Department of Rehabilitation of the State of New York. We have used incapacitated persons. We have been approached by the Red Cross to see what can be done toward the establishment of clay working in the camps. I have talked with the Veterans' Bureau, and they have a program.

If there was any assurance—and I made this statement before the Ways and Means Committee—if we had any reasonable assurance that the 10,000,000 dozen which we import from abroad could be made in this country, we could start a rehabilitation program that would keep thousands busy, because there isn't any industry that I know of that adapts itself so readily and easily to rehabilitation work, there is so much hand work involved.

Senator McMAHON. Has there not lately been developed a process for making fine china in New Jersey and Pennsylvania that is supposed to be better than anything else produced anywhere?

Mr. TORBERT. The Lenox people, in Trenton, N. J., make a very fine product. They first made bone china, such as the English now ship into this country, and they have since found a way of producing an equal ware without the use of the bone ash——

Senator McMAHON (interposing). With a consequent reduction in cost?

Mr. TORBERT. No; very little reduction in cost.

The English people still can use bone ash. They claimed that there was nothing competitive in this country, and for that reason I think the 40 percent was applied; that is, the importers of English ware obtained the 40-percent reduction. I think the English people continue to use bone in their china simply to get the technical advantage of that reduction in rate.

The CHAIRMAN. If there are no further questions, thank you very much for your appearance.

Is there any other witness here who wishes to appear this afternoon? (No response.)

That completes the list for this afternoon, and the committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 4:20 p. m., a recess was taken until 10 a. m., Thursday, May 31, 1945.)

1945 EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

THURSDAY, MAY 31, 1945

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

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Walsh, Barkley, Gerry, Johnson, McMahon, Taft, Butler, and Bushfield.

The CHAIRMAN. The committee will come to order.

Dr. Ryder, I believe you are on first this morning.

STATEMENT OF HON. OSCAR B. RYDER, CHAIRMAN, UNITED STATES TARIFF COMMISSION

Mr. RYDER. Mr. Chairman and gentlemen of the committee, I am appearing as I did before the Ways and Means Committee to testify primarily with respect to the nature of the trade-agreements organization and procedure and with respect to the means taken to insure that no reduction in duty made for the purpose of expanding United States trade results in serious injury to the producing industry directly affected by the reduction. On these points, I speak with first-hand knowledge as from the beginning of the trade-agreements program I have represented the Tariff Commission on the Trade Agreements Committee, which, under the general supervision of the Secretary of State and the President and subject to their approval on all important matters, directs the program. From 1939 to 1942, moreover, I served as Chairman of the Committee for Reciprocity Information, which has the function of obtaining information from producers, exporters, and other individuals and organizations regarding any proposed trade agreement and of holding the required public hearing.

The nature of the trade-agreements organization is shown graphically in the organization chart which, at the request of Representative Reed, I inserted in the House hearing. From the chart, it is apparent that work under the Trade Agreements Act centers around the two interdepartmental committees I referred to above—the Trade Agreements Committee and the Committee for Reciprocity Information—which, to a very considerable extent, have overlapping membership. Although the two committees are set up independently of each other, the Committee for Reciprocity Information summarizes and passes on to the Trade Agreements Committee and to the appropriate country committee the information obtained by it from interested parties and other private sources. The country committees are interdepartmental committees of experts set up by the Trade Agreements Committee for each country with which an agreement is proposed. Initially, the schedules of concessions to be made and to be requested by the United States are formulated by the country committees and transmitted by them to the Trade Agreements Committee.

In my testimony before the Ways and Means Committee, I explained in detail each stage in the making of a trade agreement. I shall not repeat that testimony. It might be well, however, to summarize briefly what I said then, and in doing so, to emphasize certain points.

Before entering into negotiations looking toward the consummation of a trade agreement, the questions and problems which will arise in such negotiations are thoroughly canvassed first by the country committee and then by the Trade Agreements Committee. After negotiations have been authorized, but before they actually begin, the Committee for Reciprocity Information issues a call for written information from interested parties and gives notice of a public hearing. After the Committee for Reciprocity Information has obtained all the information submitted by private groups and individuals, the information is summarized and transmitted to the country committee and the Trade Agreements Committee. On the basis of this information and on the basis of information supplied by the various Government departments, the country committee submits to the Trade Agreements Committee a draft of the schedules of concessions to be sought from the foreign country and of the concessions which we are prepared to offer initially in return. The Trade Agreements Committee gives both schedules very careful and exhaustive consideration. As revised by that committee, they are submitted to the Secretary of State and the President, and after approval by them are made the basis for negotiations.

Under the negotiating procedure which has been adopted by the Trade Agreements Committee, the Secretary of State and the President are kept informed of the progress of negotiations and make the major decisions which determine the character of the agreement. In particular, they must approve of any departures from the schedules of concessions recommended by the Trade Agreements Committee and approved by the Secretary of State and the President before actual negotiations begin. When, therefore, a negotiating committee lays a completed agreement before them for approval, they are already familiar with its principal features. Nevertheless, the Trade Agreements Committee studies it carefully in every detail before recommending its approval.

I should like to dwell particularly upon the method adopted to carry out the provision of section 4 of the Trade Agreements Act that before concluding any agreements under the act—

> * * * the President shall seek information and advice with respect thereto from the United States Tariff Commission, Departments of State, Agriculture, and Commerce and from such other sources as he may deem appropriate.

The Trade Agreements Committee was set up for the purpose of carrying out this provision in the most effective way. On it are represented at present not only the agencies specifically mentioned in the law, the Tariff Commission, State, Agriculture, and Commerce Departments, but also the Treasury Department and the Office of

Price Administration. In addition, under the terms of the pending bill as it passed the House, the War and Navy Departments will be represented. In the past the War and Navy Departments along with other governmental departments have been consulted when matters of interest to them are under consideration.

The Tariff Commission as such does not pass upon concessions made in trade agreements. "Information and advice" from the various departments are given through their participation in the work of the Trade Agreements Committee and in that of its various subsidiary committees, particularly the country committees. The information supplied by all the agencies on the Trade Agreements Committee is correlated and integrated in the reports and recommendations of the Committee to the Secretary of State and the President. As a practical matter, I doubt if it would be possible for the President to secure the advice and information required by section 4 other than through an interdepartmental committee of this kind. It would certainly be extremely difficult to carry forward a trade agreement program if after an agreement is negotiated, it had to be put before a number of departments for approval, unless, of course, approval should be a pro forma matter. If at this stage any of the departments should want to change the agreement, the negotiating would have to be done all over again.

In the work of the interdepartmental trade agreements committees, the Tariff Commission is primarily responsible for supplying information regarding possible concessions by the United States; the Department of Commerce for supplying information regarding concessions to be requested of the foreign country; the State Department for supplying information regarding the general provisions; the Department of Agriculture for supplying special information on agricultural commodities; and the Treasury Department for supplying information on customs matters.

The CHAIRMAN. The House bill adds the War and Navy, does it?

Mr. RYDER. It adds the War and Navy, that is right, and they would particularly be consulted on matters relating to strategic materials they would largely be responsible for that kind of information.

The Tariff Commission contributes to the trade-agreements program in much the same way it contributed to a congressional tariff revision. It is the source of information on the competitive position of domestic industries and on the probable effects of tariff changes. For each article on which the United States is considering making concessions, the Commission prepares a digest summarizing all the information available which may throw light on the competitive position of the domestic industry with respect to imports. Each digest, which is prepared by the commodity expert on the article in question, collaborating with economists of the Commission's staff, is reviewed by a committee of the Commission composed always of both Democratic and Republican members of the Commission. Every effort is made to have the digest as complete, as objective, and as devoid of bias as possible. Members of the Senate Finance Committee are familiar with the caliber of our reports in this respect. For the material which we furnish the trade-agreements organization in this digest is the same kind of material that we furnished your committee in connection with the congressional tariff revisions of 1922 and 1930.

I may add the Tariff Commission has made a practice, after the consummation of any agreement, of publishing the digests.

But supplying written material in the form of digests is not the only way in which the Commission assists the Trade Agreements Committee and its subsidiaries, the country committees. It also puts at their disposal, as it put at the disposal of congressional committees in tariff revisions, the entire expert staff of the Commission to furnish needed technical information and advice. As a member of the Trade Agreements Committee from the Tariff Commission, I regard it as my special function to see that full consideration is given to the possible effects of any proposed concession on the domestic producing interest involved. Frequently, the question of a duty with respect to a given commodity is referred back to the country committee for further study and report. Sometimes it is necessary, before making a decision, to have a special inquiry made by the Tariff Commission.

As will become apparent from the foregoing account of the procedure in making a trade agreement, the effort is made to insure that all interests in our national economy, and especially domestic producing interests, are adequately safeguarded. Situations existing, or foreseen, at the time an agreement is made are taken into account in making the agreement, usually by specific provisions relating to specific concessions. It is recognized, however, that, notwithstanding all the care and caution exercised, mistakes may be made. All along, moreover, it has been recognized that under the changing and uncertain economic conditions which have existed since the passage of the Trade Agreements Act, situations unforeseen at the time a particular agreement is made, might arise thereafter and cause such excessive imports as to threaten injury to domestic interests. A sincere effort has been made to guard against such contingencies.

In my testimony before the Ways and Means Committee, I went to considerable pains to trace historically the efforts made to insure that all interests in our national economy, especially domestic producing interests, are adequately safeguarded. Here it will suffice to state briefly the various methods by which it has been attempted to safeguard domestic producing interests.

One method is the employment of the device of tariff quotas by which a given reduction in duty is applied only upon imports up to a specified quantity, imports in excess of that quantity continuing dutiable at the higher rate. Examples are the duty reductions on cattle, cream, and potatoes made in the trade agreement with Canada. Another method is to narrow by one way or another the scope of concessions. In the case of fresh fruits and vegetables, this is done by limiting imports to a specified season of the year. In other cases, the scope is narrowed by setting up a special tariff classification within a classification in the tariff act. Reclassification, or subclassification, was used, in particular, to prevent the cheaper and more competitive grades of commodities coming from Japan from getting the benefits of the concessions made to European countries on the more expensive grades of the same commodities. The goods imported from Japan were usually so markedly different from those coming from other countries that in effect they constituted different commodities with different competitive problems.

Besides safeguards relating to individual commodities, general safeguards have been written into trade agreements to protect against unforeseen situations which may develop after a trade agreement is made. In the earlier agreements separate provisions were inserted to safeguard against various contingencies, such as currency depreciation, which were envisaged as sufficiently within the realm of possibility to warrant taking a precaution of this kind. In the later agreements, the tendency has been to reduce the number of such provisions and to rely largely upon a single general provision broad enough in its scope to afford the basis for speedy action in situations, which may arise to threaten serious injury to producing interests in either of the countries parties to the agreement. Such a provision is contained in article XI of the trade agreement with Mexico.

That article reserves to both the United States and the Mexican Governments the right to withdraw or modify the concessions made with respect to any article, or to impose a quota limitation on the imports of the article, should such action prove necessary to protect the domestic producers of like or similar articles from serious injury through excessive imports resulting from developments unforeseen at the time the agreement was made. The article provides that the President, upon a finding of facts, is required to take one of the courses of action authorized by the article: naturally after consultation with the Mexican Government.

My understanding is that it is the intention of the trade agreements organization to recommend the inclusion of appropriate safeguards along the lines of article XI of the Mexican agreement in all subsequent agreements of any considerable importance.

Senator WALSH. Has any action been taken by Mexico or by this country under that provision?

Mr. RYDER. No, there has not. Obviously, there would not be any necessity for any action during the war when our imports have been very rigidly controlled through war controls of various kinds.

The CHAIRMAN. This particular escape clause was inserted only in the Mexican agreement?

Mr. RYDER. This particular escape clause was inserted only in the Mexican agreement, but there are a number of agreements which contain provisions of one kind or another designed to safeguard against unforeseen contingencies. I went into that on the House side, but I did not attempt to do it here.

The CHAIRMAN. I understand. We have your testimony before the House.

Mr. RYDER. Yes; you have my testimony before the House before you.

Its inclusion will provide what it is very important to have amid the uncertainties of the postwar transition period, a flexible instrument for prompt and adequate action to prevent injury from an unexpectedly large and excessive increase in imports.

Senator TAFT. The object was to increase the imports, was it not?

Mr. RYDER. How is that, Senator?

Senator TAFT. Is not the purpose of the thing to increase the imports?

Mr. RYDER. The purpose is to increase the imports, but not to cause excessive imports, such as would be ruinous to any domestic industry. As I have said throughout, the trade agreement attempted to guard against that.

Senator TAFT. In other words, the moment the increase of imports becomes large you shut it off.

Mr. RYDER. That would depend upon what you call large. If they became so large as to threaten very serious injury to domestic industry, then action could be taken under this safeguarding clause; and in some cases, as I pointed out above, Senator Taft, in some cases the agreement itself imposes a limitation on the imports that can come in at the reduced duty.

Senator TAFT. I would like to ask about those quotas. The quota system has been denounced just as violently as the tariff, has it not?

Mr. RYDER. Yes.

Senator TAFT. Do you think that is perfectly consistent with the whole most-favored-nation clause theory?

Mr. RYDER. I think it is wise to avoid the use of quotas wherever possible. I think they should be used only in emergency cases, and only in cases where it is necessary under all the circumstances involved, to insure that there be no serious injury to domestic industry.

Senator TAFT. Now, when you put a quota on the Mexican cattle what is the effect of the most-favored-nation clause in regard to other countries?

Mr. RYDER. No effect, except on Mexico and Canada. Practically the entire imports of cattle come from Mexico and Canada. The distribution of the quota is between the two countries.

Senator TAFT. Doesn't it apply to the other countries of the world, like Argentina and Brazil, the ones that we import cattle from?

Mr. RYDER. That would not apply to cattle, because we don't import cattle from the Argentine or Brazil.

Senator TAFT. It does not apply to those countries because of the hoof-and-mouth disease, but otherwise they are large exporters of cattle. What is the effect of the most-favored-nation clause on the import of cattle from the Argentine when you put the quota against Canada and Mexico? Do they have an unrestricted right to export to us, or do they have some corresponding quota?

Mr. RYDER. If Argentina had an interest in exporting cattle to this country and was an exporter of cattle to this country, which it has never been and could not be under the sanitary embargo——

Senator TAFT (interposing). That is right, but suppose they got rid of the disease, which might happen any minute?

Mr. RYDER. Then under the interpretation of the most-favored-nation clause which has been applied to quotas, Argentina would be given a quota commensurate with its proportion in past trade, the proportion it usually had in past trade.

Senator TAFT. And since it had none, the truth is, with this quota provision, there simply is no favored-nation-clause in effect at all.

Mr. RYDER. I would not agree with that. I would say there are difficulties in connection with administering quotas under the most-favored-nation clause, but I would not say that they are entirely inconsistent with it. This Government, and I think wisely, has always opposed extensions of the quota system.

However, there are certain situations which arise which can be handled best by a quota, especially in emergency situations such as I have described.

Senator TAFT. Suppose you reduce the tariff on sugar, that would not do some new country that went into the sugar business any good, would it? I was going to say "Java," but Java has perhaps had some; but some South American country going into the sugar business;

since the quota system prevails, you can lower the tariff all you want, and yet they could not export to us a pound of sugar.

Mr. RYDER. When the sugar quotas were in effect they were the effective limitation on imports. What the amount of the duty was, was pertinent only to the amount of revenue collected.

Senator TAFT. That may be so, but the tariff has been reduced.

Mr. RYDER. Oh, yes.

Senator TAFT. And under this act it may be reduced another 50 percent, down to 45 cents.

Mr. RYDER. That is right.

Senator TAFT. That would not do any other nation any good whatever, would it? I mean they could not increase their exports of sugar to us in any way.

Mr. RYDER. If the quota system was reimposed after this war, as I suppose it will be, on sugar, then a further reduction in duty, as far as I could see, would have no effect on the quantity of imports.

Senator TAFT. That is contrary to the whole most-favored-nation clause theory, isn't it?

Mr. RYDER. No. The experience with the most-favored-nation clause and the quota has been that the two are reconciled, insofar as they can be, through giving each country the proportion of the trade which it had in a previous period before the quota was imposed.

Senator BARKLEY. Don't you think the most favored-nation clause emphasizes rates more than quotas?

Mr. RYDER. Oh, yes. The most-favored-nation clause, of course, grew up as it applied to tariff rates, and then, as Senator Taft wisely indicates, they had great difficulties in adjusting quotas to the most-favored-nation clause.

Senator TAFT. I understand the most-favored-nation clause was on the theory that if we are going to have peace all over the world we have got to treat all the nations the same; they have all got to be on the same basis. All I wanted to do was to show, if you put the quota in, then you violate the whole theory of the most-favored-nation clause, it seems to me.

Mr. RYDER. The understanding which has grown up in the experience of the quotas in the last 15 years is that the countries which have most-favored-nation-clause agreements have considered that if they get the proportion of the trade which they normally had before the quota was imposed, then the quota is regarded as being administered in conformity with the most-favored-nation clause.

Senator TAFT. That prevents any country from getting into a new field, or getting access to this market for new products, and it is absolutely against this theory of dynamic world economy.

Mr. RYDER. That is one of the reasons why the administration has been opposed to quotas and has tried to check the growth of quotas.

Senator TAFT. But you are pressing quotas here as something that has to go along with the reciprocal trade agreements in order to make them bearable.

Mr. RYDER. No. All I am saying is that in the uncertainties of the world as we have it now, if you are going in for a program of trade expansion, including an expansion of imports, then the quota provides a method of protecting against emergencies which may arise.

Senator McMAHON. Doctor, what proportion of the treaties now extant have quotas in them?

Mr. RYDER. You mean of the trade agreements?

Senator McMAHON. Yes.

Mr. RYDER. I do not recall. I would have to look that up.

Senator McMAHON. I thought maybe you could give us some ideas.

Mr. RYDER. The Canadian agreement has the most, I think. They have quotas in the Canadian agreement on cattle, on milk and cream, and on potatoes. I cannot recall offhand any instances in the other agreements that are at present in effect. Do you remember any, Mr. Ballif?

Mr. BALLIF. There are very few agreements with that provision, very few items.

Senator McMAHON. That obviates Senator Taft's objection about a new country coming into a field.

I suppose it would be possible, when you are negotiating an agreement, to put in a clause to the effect that when a new country came into the production of sugar for export to this country, you would reserve the right to cut down pro tanto the other countries, in order to give the new country its proportion of the quota?

Mr. RYDER. Yes. That is one of the great difficulties with quotas and one of the reasons why quotas ought to be avoided, as a general rule. I go into that question a little later.

Senator TAFT. It is better than an unrestricted trade policy, isn't it?

Mr. RYDER. In the world as we have it now, Senator Taft, with all of its uncertainties, I think that is true. I think it is better to have a provision such as that in the Mexican agreement rather than to write specific quotas into the agreement, as it was done in the case of milk and cream. Some of those quotas, as I recall, have never been filled.

Senator TAFT. I am not really opposed to the quota system. I am just asking if it is consistent with what you are advocating here today, the further extension of the trade agreements.

Mr. RYDER. Not the way I am advocating it. I will go into that a little further on.

The inclusion of the Mexican safeguarding provision will provide, what it is very important to have amid the uncertainties of the postwar transition period: A flexible instrument for prompt and adequate action to prevent injury from an unexpectedly large and excessive increase in imports. And what is just as important to the maintenance of the trade-agreements program, this provision will make it possible for the United States to take such safeguarding action with the minimum of risk of causing the other country party to the agreement to terminate the agreement, in whole or in part, as it of necessity is given the right to do in case of such action.

By the way, the fact that the other country has a right to denounce the agreement, if you take such action would naturally make you very cautious about the imposition of quotas.

The authority to impose quotas is important in this connection. In temporary emergency situations, such as may arise in the transition period, quotas are probably the most effective method of import control. They may be set at such a figure as to prevent serious injury to producing interests and at the same time to permit a sufficient volume of imports to satisfy the exporting country.

At this point, it is pertinent to consider the way complaints regarding the operation of trade agreements are handled by the trade-agreements organization. Complaints are made to the Committee for Reciprocity Information, supporting briefs are received and analyzed by that Committee, and a conference is held with the complainants for the purpose of developing all pertinent facts. After all the facts have been developed, the Committee for Reciprocity Information makes a report to the Trade Agreements Committee summarizing the facts, and making its recommendations for or against action.

During the 3 years I was chairman of the Committee for Reciprocity Information—from the fall of 1939 to the summer of 1942—at most not more than four or five important complaints were received and definite action was taken on two of them—upon those regarding the concession on handkerchiefs in the Swiss agreement and on silver-fox furs in the Canadian agreement. The account of the action with respect to silver-fox furs, which I gave in my testimony before the House, is of sufficient pertinence to be repeated here.

Senator WALSH. Who are the members of the Committee for Reciprocity Information?

Mr. RYDER. That is composed of the vice chairman of the Tariff Commission, who is chairman of it, and the members are representatives of the Departments of State, Treasury, Agriculture, and Commerce, as I recall.

Senator TAFT. This is what committee?

Mr. RYDER. The Committee on Reciprocity Information.

It held the hearing before which you appeared, I believe, when I was chairman.

Senator TAFT. We are adding the War and Navy now.

Mr. RYDER. That is correct.

Ordinarily, the great bulk of furs of this type produced in Canada and the Scandinavian countries are marketed in Europe. After the beginning of the war, however, the European markets were largely cut off, and the prospect was that the bulk of Canadian and Scandinavian silver fox furs would move to the United States, and in view of that prospect domestic prices began to decline sharply. When this situation was made clear to the Committee for Reciprocity Information, it recommended to the Trade Agreements Committee that as there was no provision in the Canadian agreement under which action might be taken, an attempt be made to take care of the situation by a supplementary agreement with Canada. The recommendation of the Committee for Reciprocity Information was approved by the Trade Agreements Committee, the Secretary of State and the President, and negotiations were undertaken with Canada resulting in an agreement whereby a quota limitation was imposed upon the imports of silver fox furs into the United States. This quota, with some modification, is still in existence.

Two observations may be made about the quota action taken with respect to the concession on silver fox furs. The first is that action of the kind taken in this case could, under authority of the broad safeguarding provisions contained in article XI of the Mexican agreement, discussed above, now be taken by the President without going through the time-consuming procedure of negotiating a supplementary agreement. The second is that through the friendly trade relations fostered by trade agreements, it is not difficult to come to an amicable agreement with a foreign country as to the handling of an emergency situation. To be able to do this is certainly better than a trade war in which all sides lose.

That is all I have to say except to state that the procedure and methods adopted in administering the trade agreements program have, in my opinion, been well adapted to carrying out the purpose of the Trade Agreements Act that concessions be made which will assist in expanding the foreign trade of the United States which at the same time will take adequate account of the domestic producing interests affected by the concessions.

The CHAIRMAN. Are there any further questions of Dr. Ryder?

Senator TAFT. Mr. Chairman, I would like to ask a question or two.

The CHAIRMAN. Yes, sir.

Senator TAFT. Dr. Ryder, this article XI of the Mexican agreement to which you referred, that, of course, in addition to giving us the right to impose quotas or some other bloc on the development, also gives the other country the right, I suppose, to do that if our exports become what they may consider dangerous to their economy; is that correct?

Mr. RYDER. Oh, yes. That would necessarily be true.

Senator TAFT. So if anybody reconverts, as was suggested in the House, to go into an export business rather than some domestic business that he has been in, which might be threatened by imports, he stands the chance of having the whole export market cut off by some foreign country overnight by canceling the agreement, doesn't he?

Mr. RYDER. No; I do not think so.

Senator TAFT. Or by imposing the quota?

Mr. RYDER. If the agreement is of importance to the foreign country they are going to be careful in any action they take, just as we would be careful if an emergency situation should arise in making the quota so liberal as not to injure the exporting interests in the foreign countries.

The CHAIRMAN. And you would run much greater risk of being cut off if you had no trade agreements with the foreign country.

Mr. RYDER. That is right, you would.

If the United States takes action, or if Mexico, under the Mexican agreement, takes action, then the other country has the right to denounce the agreement. That always, of course, introduces an element of caution, if the agreement is of importance to the two countries.

Senator TAFT. It seems to me nobody can rely on the treaty at all.

Mr. RYDER. I do not think so, Senator. In our experience, for instance, in the silver-fox furs, where we voluntarily made an agreement with Canada on the subject, it indicates you can usually, if you have friendly relations with the country and if there is an emergency situation, come to an arrangement with them.

Senator TAFT. Yes; but this clause gives the other country an arbitrary right to do it.

Mr. RYDER. Both of them have the arbitrary right, in theory, but in practice, if they value the agreement, they will exercise that right with caution.

Senator TAFT. The truth of the matter is you do not value the agreement any more and therefore the agreement expires under this clause. That is the only purpose of the clause to terminate the agreement if you do not like the agreement any more.

Mr. RYDER. Of course, you can get rid of the agreement by other clauses than that clause. If you want to get rid of it you can get rid of it by the general termination clause. After 3 years you can always denounce it, and sometimes after 6 months, depending on the agreement. There are various other clauses in the agreement through which you can denounce the agreement on one technicality or another, if you are bent on getting rid of the agreement.

Senator BARKLEY. The escape clause is intended to deal with the situation when imports of different commodities are putting the manufacture of those products in this country in danger, but getting rid of the whole agreement is another matter, because it covers other items in which that situation does not exist; isn't that correct?

Mr. RYDER. Yes. Take the silver fox fur business. If we had had a right to withdraw the concession under the original agreement, Canada might have denounced the agreement, but we came to an amicable arrangement with Canada regarding the matter.

Senator TAFT. That is right, but you did not have this clause in the Canadian agreement.

Mr. RYDER. I know. It was difficult. It took time to negotiate the supplemental agreement. We had to have a hearing, and all that kind of thing.

Senator TAFT. If you just do it arbitrarily under this clause it might make the Canadians very mad and you might have difficulty with the whole agreement.

Mr. RYDER. I do not think so. You would consult Canada and I think you could make a quota limitation such as would not cause Canada to denounce the agreement and at the same time prevent excessive injury to your domestic industry.

Senator TAFT. Mr. Ryder, I do not quite understand the relation of these various committees. The Committee for Reciprocity Information is the one to which you referred. Are the same people on the Interdepartmental Trade Agreement Committee as on the Committee for Reciprocity Information?

Mr. RYDER. To a considerable extent. There are over 11. Not all the members from the different departments are the same members. When I was Chairman of the CRI, I was a member of the Interdepartmental Trade Agreement Committee, and the Chairman of the Interdepartmental Trade Agreement Committee, Mr. Harry Hawkins, was a member of the Committee for Reciprocity Information. At the present time, the Chairman of the CRI is Vice Chairman of the Tariff Commission, Mr. Edminster, who is my alternate on the Interdepartmental Trade Agreement Committee. The Department of State representative is on the Interdepartmental Trade Agreement Committee, and I think also the Department of Agriculture representative.

The CHAIRMAN. Can you name the present membership of the Interdepartmental Trade Agreement Committee?

Mr. RYDER. I will have to put that in the record. I think there have been some recent changes in the membership of some of the committees, and I do not have that. I can insert it in the record.

The CHAIRMAN. As presently constituted, you will insert that in the record?

Mr. RYDER. I will do that.

The CHAIRMAN. Especially the Interdepartmental Trade Agreement Committee.

Mr. RYDER. Yes.

(The information referred to is as follows:)

The present membership of the Trade Agreements Committee and the Committee for Reciprocity Information are as follows:

TRADE AGREEMENTS COMMITTEE

Department of State: Charles Bunn, Chairman.
Department of Treasury: V. Frank Coe; Norman T. Ness, alternate.
Department of Agriculture: Leslie A. Wheeler; G. B. L. Arner, alternate.
Department of Commerce: Amos E. Taylor; H. P. Macgowan, alternate.
United States Tariff Commission: Oscar B. Ryder, Lynn R. Edminster, alternate.
Office of Price Administration: Vacant.

COMMITTEE FOR RECIPROCITY INFORMATION

Tariff Commission: Lynn R. Edminster, Chairman.
Department of State: Charles Bunn.
Department of Treasury: V. Frank Coe; Norman T. Ness, alternate.
Department of Agriculture: Edward A. Foley; G. B. L. Arner, alternate.
Department of Commerce: Amos E. Taylor; H. P. Macgowan, alternate.
Secretary: Edward Yardley.

Senator TAFT. Does the Committee for Reciprocity Information hold these hearings?

Mr. RYDER. Yes.

Senator TAFT. Do the members of the Committee attend those hearings or do they send alternates?

Mr. RYDER. Usually they attend. In some cases necessarily they would send alternates, but usually they attend.

The CHAIRMAN. I notice here the Office of Price Administration is added to the Interdepartmental Trade Agreement Committee. Has the Office of Price Administration ever functioned in that respect? Have there been any trade agreements up since the Office of Price Administration was on the Committee?

Mr. RYDER. I do not think so.

The CHAIRMAN. If you keep the Office of Price Administration on there, you will need longer than 3 years to negotiate an ordinary treaty.

Senator TAFT. Mr. Ryder, you have referred now to the negotiating committee which does not appear on this chart. How are the negotiating committees made up? Are they always the same, or are they different ones?

Mr. RYDER. Of course, the chairman of the negotiating committee is always from the State Department. There is usually associated with him experts from the Department of Commerce, the Tariff Commission, and the Department of Agriculture.

Senator TAFT. Not the Trade Agreements Committee itself?

Mr. RYDER. Not the Interdepartmental Trade Agreements Committee itself; no.

Senator TAFT. It is another special committee. Is it appointed each time for each agreement?

Mr. RYDER. Each agreement has a separate negotiating committee. Sometimes negotiations are carried on in Washington and sometimes in the foreign country. The committee negotiates on the basis of the lists of concessions which have been approved by the Interdepartmental Trade Agreements Committee first, then by the Secretary of State and the President, a list of concessions we offer, and a list of concessions we ask. Any departures from those schedules have to be referred back to the Interdepartmental Trade Agreements Committee for approval, and to go up to the Secretary of State and also the President for approval. So, in all stages close touch is kept with the negotiation.

Senator TAFT. Supposing the negotiation is completed, what happens then? What does the committee do then?

Mr. RYDER. As I said in my statement here, the formulated agreement is submitted to the Interdepartmental Trade Agreement Committee, which, in the nature of the procedure involved, is informed of practically everything in it of any importance. Notwithstanding that, however, the Interdepartmental Trade Agreements Committee goes over the agreement carefully before it recommends its approval by the Secretary of State and the President.

Senator TAFT. There isn't any hearing by any negotiating committee by American interests?

Mr. RYDER. No.

Senator TAFT. There is never any hearing before the Interdepartmental Trade Agreements Committee?

Mr. RYDER. No; but the hearings are held by the Committee for Reciprocity Information which is, to a considerable extent, composed of the same membership as the Interdepartmental Trade Agreements Committee.

Senator TAFT. And at what stage in the proceedings are those hearings held? Are they held before the negotiation is undertaken by the negotiating committee?

Mr. RYDER. Yes. The first stage is to determine whether you are going to have a negotiation, and pretty thorough study is made of the concessions you would ask for and those which you are willing to give before decision is made to go into negotiation. Once the decision is made to enter into negotiation, the next step is to perfect a list of the articles on which we will be prepared to consider giving concessions. That has to be done, because under the trade-agreements procedure an announcement must be made of that list so that anyone can come and give testimony and information for or against a concession on that article.

Senator TAFT. That is on these articles that you are considering the possibility of making the concession?

Mr. RYDER. Yes.

Senator TAFT. That is all the American manufacturer knows?

Mr. RYDER. The list of articles on which concessions are to be considered is announced, and then a certain time is given for filing briefs; after briefs have been filed, in 10 days or 2 weeks, the hearing is held. After the hearing the Committee for Reciprocity Information summarizes or analyzes the data given at the hearing and passes it on to the country committees and the Interdepartmental Trade Agreements Committee.

Senator TAFT. That finishes the hearing proposition?

Mr. RYDER. Yes.

Senator TAFT. Then, there is no more hearing from that time on until the whole thing is announced?

Mr. RYDER. That is right. Then, the next stage is to prepare the list of concessions that you will ask for and the list of concessions that you are prepared to offer, and get them approved, and after that is done then the actual negotiation begins.

Senator McMahon. Doctor, you said you had four or five complaints since 1939 that were of a serious nature. How many did you have altogether, do you know?

Mr. Ryder. It would be very difficult to tell. I tried to get that up. You will have a letter come in which you answer and say that you will be very glad to have information on the subject, and you never get an answer to it.

Senator McMahon. Have you looked at the back history before you became connected with it in 1939 to find how frequent the complaints were?

Mr. Ryder. No, I did not. I do not think they were much more frequent, but I did not look it up.

Senator McMahon. As the result of complaint, how many agreements have you made since that time?

Mr. Ryder. Action was taken in two cases. One was taken by a supplementary procedure. That was the one with Canada on the silver-fox furs.

Senator McMahon. I mean previous to that.

Mr. Ryder. Only two have been taken, as far as I can recall, and they were taken in the period when I was Chairman of the CRI. The other one was on embroidered handkerchiefs, in the Swiss agreement. The adjustment in the handkerchief case was made under a clause in the Swiss agreement which also appears in most other agreements. This clause provides that if as a result of the concession granted on any article the imports from a third country should increase so greatly as to threaten injury to domestic industry, then you can withdraw or modify the concession.

Senator Walsh. The Swiss complaint was on watches and parts of watches, was it not?

Mr. Ryder. As I understand there is a complaint now pending before the CRI and the Interdepartmental Trade Agreements Committee on watches. That has not yet been adjudicated as far as I know.

The Chairman. Was the quota imposed originally on shoes or was that subsequently done?

Mr. Ryder. As I recall it, Senator, there was not actually a quota imposed on shoes, but in the agreement the United States reserved a right to impose a quota—I forget the amount now—if it became necessary to do so. That right was never exercised.

The Chairman. It never became necessary?

Mr. Ryder. It never became necessary to exercise it. The agreement, as a matter of fact, was not in effect a very long while.

The Chairman. Yes, I know.

Senator Taft. Mr. Ryder, I would like to ask you a couple of questions that have been brought to my attention relating to the administration of the tariff law. In one case, do I understand that under the rates fixed in the Smoot-Hawley law the President may first reduce them 50 percent, and after that the Interdepartmental Trade Agreements Committee may reduce them a further 50 percent, and that thereafter the provision contained in this act is a third 50 percent, so it may reduce them to 12½ percent of the statutory rate?

Mr. Ryder. You are referring, are you, to reductions in duty?

Senator Taft. That is right.

Mr. RYDER. Reduction under the flexible tariff provision, section 336 of the Tariff Act?

Senator TAFT. That is right.

Mr. RYDER. I presume theoretically that could be done. There would be very few case where it could.

Senator TAFT. Hasn't it actually been done in the case of beer?

Mr. RYDER. Possibly. I think it has also been done in the case of sugar reduction—no, the reduction in duty on sugar under section 336 was not 50 percent.

Senator TAFT. The sugar reduction was a dollar a gallon. It was cut by the President, under the flexible tariff provision of the act, 50 percent.

Mr. RYDER. That is right.

Senator TAFT. It was cut by special agreement with Mexico to 25 cents a gallon, and under this act it may be cut to 12½ cents.

Mr. RYDER. That is right.

Senator TAFT. It happens apparently that the internal-revenue tax on beer does not apply to imported beer, so today beer imported from Mexico and from Canada is actually subsidized against domestic beer. Is that the situation?

Mr. RYDER. I have been told that in recent days. I have not looked into it myself. I presume that is true. If it is, it should be rectified. It seems to me the tax on beer should apply on imported beer as well as domestic beer. As I recall, there has been very little, if any, imports of beer.

The CHAIRMAN. The internal-revenue tax applies to liquor.

Mr. RYDER. I know it does. But apparently, from the information I received in the last few days, it apparently does not apply to beer. The same question was raised with regard to bitters.

Senator TAFT. I understand on the border the Mexican beer has a great advantage over American beer because of this situation.

Mr. RYDER. I have not heard that from the beer people at all.

Senator BARKLEY. That advantage might be overcome by the quality.

Senator TAFT. Also I understand this business about the subsidizing of foreign production applies to bitters for nonbeverage purposes.

Mr. RYDER. I do not know. I got the information from a man who was interested in bitters who also told me about beer.

Senator TAFT. So that at least requires some action under the internal-revenue law, I assume.

Mr. RYDER. I would think so. I have not looked into the bitters matter or the beer matter. I understand, though, there is some question of a draw-back on bitters. I haven't gone into it, and I am not quite certain of it, Senator.

Senator TAFT. I understand. There is a $9 tax and $6 draw-back.

Mr. RYDER. That is right.

Senator TAFT. So that the foreign pays how much?

Mr. RYDER. $2.50, and our domestic interests pay $3.

Senator TAFT. So there is a 50-percent subsidy to foreign production in the present situation.

However, I would like to get back to this question of the three reductions. I understand the President may reduce the tariff, first, 50 percent under the flexible tariff provision. He may still do that, may he not, if there is no trade agreement relating to that product?

Mr. RYDER. If there is no trade agrement relating to that product, but since the Trade Agreements Act has been in effect—except on beer, which was made right at the beginning, probably, and maybe on sugar; I am not certain as to the exact dates on those; except on those, there have been no reductions in duty under the flexible tariff provision.

Senator TAFT. I am asking if there may be.

Mr. RYDER. There may be theoretically, but practically I doubt it. I think it is almost certain there will not be.

Senator TAFT. We are concerned with possibilities. It has happended in beer, and I do not know why it could not happen on anything else.

Mr. RYDER. Under the bill the duty in effect on January 1, 1945, is the duty subject to a 50-percent reduction. Therefore, if there should be a 50-percent reduction under section 336, no further reduction could be made by trade agreement.

Senator TAFT. You are confident of that, are you?

Mr. RYDER. Yes.

Senator TAFT. I have not studied the act from that standpoint.

Mr. RYDER. I am sure of that.

Senator MCMAHON. May I ask a question?

The CHAIRMAN. Yes; if you wish.

Senator MCMAHON. Doctor, if this power is given under this act, you would be one of the gentlemen who will be primarily concerned in any future treaty making. Now, I will read this short article from one of the magazines:

> United States plane manufacturers were hopping mad at a report that Britain was frowning on a sale of five Douglas DC-28's to Misr (Egyptian) Airlines. Airmen heard that Britain's Minister for Civil Aviation, the Right Honorable Viscount Swinton, had warned the Egyptians that their blocked sterling account in London could not be tapped for United States airplanes.

I presume in any future negotiations looking toward new reciprocal trade treaties with England some discussions will be had with the English about the blocked sterling procedure, would there not?

Mr. RYDER. Yes; that is one of the problems of the postwar period. The blocked sterling affects a number of countries—India, Egypt, Argentina, and various other countries.

Senator MCMAHON. Do you know of any other way to get at this blocked sterling account and get a concession from England to do away with this process other than through reciprocal treaty negotiations?

Mr. RYDER. Certainly, negotiations of reciprocal trade agreements would be one of the best ways of going at it. I would not say it is the only way you could negotiate with the British on the subject, but certainly it would be one of the most effective ways. That could be made one of the conditions of the agreement.

Senator MCMAHON. I suppose that beer situation was caused by the fact that we have increased our domestic tax on beer since that import duty was set.

Mr. RYDER. I am sorry, I am not informed on that. All I know is about the reductions in duty on beer, and it is only just recently that I learned about the excise-tax situation on beer. Apparently the internal excise tax does not apply to the importer's product. I have not checked on it. I am just giving what I was told on the telephone.

Senator TAFT. It is true, however, under this bill the tariff on beer, which was fixed at a dollar in the statute, may now be reduced to 12½ cents.

Mr. RYDER. That is right.

Senator TAFT. I would like to follow up a little on Senator McMahon's inquiry. I had a call from a pump manufacturer in this country who for years had exported American-made pumps to India. He made a particular kind of pump, I think, for domestic use, for providing a kind of Delco water system, and other things. He is now wholly unable to get a license in India; and, in effect, the Indians are saying, or the British are saying: "If we are going to get this money paid to us, it is paid to us under this blocked sterling, and we have got to buy British pumps."

You think that is perfectly true, don't you?

Mr. RYDER. I have no doubt it is. I know situations of that kind have arisen. I know they are actually being explored now by the Government departments. An interdepartmental committee, I think, has been working on it.

Senator TAFT. You suggested by having this additional 50-percent bargaining power we could bargain with the British and we could bargain them out of this position on blocked sterling. What tremendous imports into this country of British products could possibly equal the value of this business of being able to undersell all other countries 100 percent under the blocked sterling theory?

Mr. RYDER. I agree with you; you could not give them any concession that would equal at all the blocked sterling balance.

Senator TAFT. As a matter of fact, you could always cancel your 50-percent reduction, could you not? Isn't that more of a bargaining power than the additional 25 percent?

Mr. RYDER. What is that?

Senator TAFT. I say, at the end of 3 years you can go on with your 50-percent reduction.

Mr. RYDER. Yes.

Senator TAFT. Is not that more of a threat to British imports into this country than the additional 25 percent?

Mr. RYDER. I do not know. The subject is a very difficult one to be certain on. I would doubt it. Of course, the British have blocked balances in India, Egypt, and various other countries. That is a tremendous problem to them.

Of course, the Germans gave us a great example as to the strategic advantage the debtor always has in trade matters of this kind, but the British have a world-wide trade and they cannot afford to take action in India and elsewhere that is going to injure their trade throughout the world. If they have reciprocal trade relations with us, it would help a great deal to get them to not use their blocked balances as strenuously as they could be used.

Senator TAFT. What are these big British imports into this country that would give them the additional trade with us if we reduced the tariff further? What sort of products would come in here from Britain?

Senator WALSH. Woolens, for one thing.

Mr. RYDER. There is a great variety of products that we get from Britain. How far you would be able to expand them by a further reduction of the tariff, I do not know.

Senator TAFT. You are not sure you would increase the imports from Britain into this country at all?

Mr. RYDER. I think we could, but I do not know the extent to which it could be done.

Senator TAFT. You indicated it might not be much.

Mr. RYDER. No; I said there may be some question as to the extent. I think you could expand them considerably. How much, I do not know.

Senator TAFT. Would they be woolen and cotton goods?

Mr. RYDER. Some of them.

Senator TAFT. What other things could be increased in great volume in this country? I can see a lot of little knickknacks, but what items that could possibly be worth giving up the imperial preferences for could be added to the British imports into this country by this bill?

Mr. RYDER. I do not know of any one item that would bulk very large, but the number of items in the British trade with the United States is very large. In many of them the imports are small, and a good many times they are specialities. With some further reduction in tariff, I imagine that there would be a considerable increase in imports.

Senator TAFT. Glass and china?

Mr. RYDER. Yes; certain types of bone china—very high grade china.

Senator TAFT. The total volume of imports of glass and china is not much, probably $1,000,000, and I do not think that would make much difference.

Mr. RYDER. I say, leaving out a few items, most of the items of imports from Britain are small, but the total is very large, and an increase in any number of these small items might make a considerable increase in trade.

Senator TAFT. I suggest it is not anything like enough to get them to give up the imperial preferences, or this control of blocked sterling.

Mr. RYDER. Whether they would be willing to do it or not is an open question.

Senator BUSHFIELD. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Senator BUSHFIELD. Doctor, I would like to ask you about this sugar item that you referred to. As I understand it, we have reduced the duty on sugar from Cuba from $2 to 75 cents per 100 pounds, and from other countries besides Cuba we reduce from $2.50 to 93 cents.

Mr. RYDER. That is right.

Senator BUSHFIELD. Now, if this additional 50-percent cut was made, how could our sugar-beet growers in this country compete with the price of labor cost in those other countries?

Mr. RYDER. The reductions on sugar that were made in the various trade agreements were made with the idea that the quota system was going to be continued, the system of quotas under the Sugar Act which have been suspended during the period of the war. My understanding is that the quotas probably will be reimposed at the end of the war. If they are not, of course, the whole tariff treatment would probably have to be reconsidered; but those tariff reductions, as I understand it, were made in the light of the quota system.

Senator BUSHFIELD. I understand labor, say, in Peru as well as in Cuba, is only about $1, or $1.10, as compared with what we pay in this country.

Mr. RYDER. I haven't the figures before me. Their labor is no doubt lower than ours, but I haven't the figures on it.

Senator BARKLEY. These reductions in the sugar tariff from $2 to 75 cents were not made in the trade agreement?

Mr. RYDER. The first reduction was made under the flexible tariff provision.

Senator BARKLEY. You could not reduce more than 50 percent under the trade agreement?

Mr. RYDER. The first reduction in duty under the flexible tariff provision, as Senator Taft has pointed out, was before the Trade Agreements Act was passed. As I recall, it was from $2.50 to $1.50.

Mr. BALLIF. $2.50 to $1.875.

Mr. RYDER. So it was not a 50-percent reduction. Then, in the successive Cuban agreements, we reduced the duty to Cuba, and then in the Peruvian agreement we made it about $0.93 to Peru and countries other than Cuba. Then, a preferential of 20 percent was guaranteed in our treaty with them.

Senator TAFT. I do not quite understand what happened then. The tariff was $1.875?

Mr. RYDER. That was the general tariff, and 20 percent less was the Cuban tariff.

Senator TAFT. Then, you made a treaty with Cuba and you reduced it to how much?

Mr. RYDER. I think it was reduced first to 90 cents, if I remember rightly, and then it was reduced to 75 cents. We had two agreements with Cuba. So for a while the Cuban people paid, say, 90 cents, and the rest of the world $1.875, so they got much more than their 20-percent differential. This was corrected in the Peruvian agreement. I think 75 cents from Cuba is 20 percent less than 93 cents that applies to other countries.

Senator TAFT. As I understand it, Cuba now has less than 50 percent of the reduced rate; is that correct?

Mr. RYDER. Cuba has 75 cents now. It started out with $2.20. I think the Tariff Act was $2. Is that right?

Mr. BALLIF. I think so.

Mr. RYDER. Twenty percent less than $2.50.

Senator TAFT. At the beginning they had $2.50 less 25, or $2.25?

Mr. RYDER. $2.50 less 20, or $2.

Senator TAFT. Well, when it was reduced by the President they must have cut it down to $1.50.

Mr. RYDER. I think it must have been, because it was $1.875 for other countries, and 20 percent less than that was the Cuban rate.

Senator TAFT. The Cuban rate now is only one-third of what it was; am I correct in that? Is it still 75 cents?

Mr. BALLIF. Seventy-five cents; yes. It went from $2 down to 75 cents.

Senator TAFT. It is only one-third of the statutory rate today.

Mr. RYDER. Seventy-five cents as compared with $2.

Senator BUSHFIELD. And for the other countries it is 93 cents.

Mr. RYDER. Compared with the original duty of $2.50.

Senator TAFT. And they are reduced to 75 cents.

Mr. RYDER. Under this act.

Senator BARKLEY. What concession did Cuba grant to the United States for this reduction of sugar duty?

Mr. RYDER. They made many concessions, some of them of very considerable value; for instance, one on rice to our rice growers; as I recall, that is one of the important concessions. I think probably on potatoes. I do not remember the entire list.

Senator TAFT. I do not want you to give them all.

Mr. RYDER. It was on a very large number of items.

Senator BARKLEY. There was supposed to be a quid pro quo in there.

Mr. RYDER. Oh, yes; they made reductions on a very large number of items.

Senator TAFT. In normal times our rice could not compete with Indian rice, could it?

Mr. RYDER. With the preference we have in Cuba; yes. They increased their preference to us in their trade agreement. In other words, the trade agreement resulted in increasing the preferences we gave to Cuba and the preferences that Cuba gave to us.

Senator TAFT. Mr. Ryder, I have one other subject. Under the provisions of sections 336 and 516 (b) of the act, an American domestic manufacturer may question the classification of imports and take them to court. Now, as I understand it, he may no longer go to court on any question of classification on goods brought in under the Trade Agreements Act; is that correct?

Mr. RYDER. Yes. Section 516 (b) is the section. Section 336 does not have anything to do with that.

Senator TAFT. A House amendment was offered and not adopted providing for the repeal of that provision.

Mr. RYDER. That is right.

Senator TAFT. Why should not an American manufacturer have the right to at least be heard in court on the question of classification of a product under the Trade Agreements Act?

Mr. RYDER. There are many questions involved in that. I am not quite thoroughly informed on all the details of the question. It was considered advisable to do it because of the great amount of litigation which might be involved in an attempt to handicap the carrying out of reclassifications made under the Trade Agreements Act.

Senator TAFT. Was not the tariff act amended so it may be done in one case?

Was not the tariff act amended to prevent the excessive litigation in the case of products not covered by the Trade Agreements Act?

Mr. RYDER. I am sorry, I am not informed on that enough to discuss it intelligently.

Senator TAFT. It was brought to my attention by manufacturers of corn starch. The importations of tapioca have increased from nothing to a tremendous importation of 500,000,000 pounds. Their contention is when it was granted originally it was granted as food product, whereas all the tapioca that comes in now is for the manufacture of starch. Under the act it should be classed as starch and not as tapioca, and that all other starch pays a certain tariff, but by reason of this provision 516 (b) they cannot raise in court in any possible way the question whether tapioca takes the higher rate or not.

Mr. RYDER. I am not familiar with that.

Senator TAFT. I do not understand why a man should be denied his day in court on a matter that vitally affects the welfare of his business.

Mr. RYDER. I am not familiar with the starch situation. I do know it was thought advisable at the time, to repeal the right given in section 516 (b). I am not informed about it enough to discuss it in detail, however.

Senator TAFT. It was suggested to me that the provision was put in to prevent anybody from finding any possible way for raising the question of the constitutionality of the act. It does seem to me that the question of classification is one that the domestic manufacturer is vitally concerned with.

Mr. RYDER. I do not recall ever having heard anyone advance that reason.

The CHAIRMAN. That was in the original act.

Mr. RYDER. Yes, and I think you will find an explanation of it in the committee report.

Senator TAFT. It has been a subject of debate right along, but it was new to me. I could not see why, if you could raise it on something in the tariff act that is not affected by trade agreements, why you could not raise it on something in the tariff act that is affected by trade agreements. I did not understand the distinction in rights.

The CHAIRMAN. All right, Doctor, thank you very much.

Senator JOHNSON. I want to ask Dr. Ryder one question.

Yesterday, I asked for a list of commodities upon which the reduction of 50 percent had been made, and a partial reduction. I was given many pages of a report. Now, I would like to have, if I may, a list of the reductions as of the reductions 1939 under the flexible tariff provisions.

Mr. RYDER. That can be done.

(The information referred to is as follows:)

List of articles on which rates of duty were reduced under the provisions of sec. 336 of the Tariff Act of 1930, May 31, 1945

Article	Paragraph number	Change in duty	Date of Presidential proclamation	Effective date of change
Wood flour	412	Decreased from 33⅓ percent to 25 percent ad valorem.	Feb. 5, 1931	Mar. 7, 1931
Maple sugar	503	Decreased from 8 cents to 6 cents per pound.	do	Do.
Maple sirup	503	Decreased from 5½ cents to 4 cents per pound.	do	Do.
Hats, bonnets, and hoods of straw, chip, paper, grass, palm leaf, willow, osier, rattan, real horsehair, cuba bark, ramie or manila hemp: 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.
Pigskin leather not imported for footwear.	1530 (c)	Decreased from 25 percent ad valorem to 15 percent ad valorem.	do	Do.
Edible gelatin, 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
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.

List of articles on which rates of duty were reduced under the provisions of sec. 336 of the Tariff Act of 1930, May 31, 1945—Continued

Article	Paragraph number	Change in duty	Date of Presidential proclamation	Effective date of change
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 $12\frac{1}{2}$ cents per article.	Mar. 16, 1931	Apr. 15, 1931
Olive oil weighing with the immediate container less than 40 pounds.	53	Decreased from $9\frac{1}{2}$ cents per pound on contents and container to 8 cents per pound on contents and container.	June 24, 1931	July 24, 1931
Bent-wood furniture wholly or partly finished, and parts thereof.	412	Decreased from $47\frac{1}{2}$ percent ad valorem to $42\frac{1}{2}$ percent ad valorem.	-----do-------	Do.
Pipe organs and parts thereof----	1541 (a)	Decreased from 60 percent ad valorem to 35 percent ad valorem.	-----do-------	Do.
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.
Feldspar, crude-----------------	207	Decreased from $1 per ton to 50 cents per ton.	Dec. 2, 1931	Jan. 1, 1932
Cylinder, crown, and sheet (window) glass.	219	Decreased from $1\frac{7}{8}$ cents to $1\frac{29}{64}$ cents per pound on sizes not over 150 square inches $2\frac{1}{16}$ cents to $1\frac{35}{64}$ cents per pound on sizes over 150 and not over 384 square inches; $2\frac{7}{16}$ cents to $1\frac{53}{64}$ cents per pound on sizes over 384 and not over 720 square inches; $2\frac{5}{8}$ cents to $1\frac{62}{64}$ cents per pound on sizes over 720 and not over 864 square inches; 3 cents to $2\frac{1}{4}$ cents per pound on sizes over 864 and not over 1,200 square inches; $3\frac{3}{8}$ cents to $2\frac{34}{64}$ cents per pound on sizes over 1,200 and not over 2,400 square inches; $3\frac{3}{4}$ cents to $2\frac{52}{64}$ 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 percent ad valorem to $37\frac{1}{2}$ percent ad valorem.	-----do-------	Do.
Boots and shoes of leather, turned-	1530 (e)	Decreased from 20 percent ad valorem to 10 percent ad valorem.	-----do-------	Do
Peppers in their natural state----	774	Decreased from 3 cents per pound to $2\frac{1}{2}$ cents per pound.	-----do-------	Do.
Eggplant in its natural state-- ---	774	Decreased from 3 cents per pound to $1\frac{1}{2}$ cents per pound.	-----do-------	Do.
Infants' unembroidered wool jersey outerwear not specifically provided for, 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
Alsimin, ferrosilicon aluminum, and ferro-aluminum silicon containing 20 but not more than 52 percent of aluminum and containing silicon and iron.	302 (j)	Decreased from 5 cents to $2\frac{1}{2}$ cents per pound.	June 18, 1932	July 18, 1932
Sheepswool sponges------------	1545	Decreased from 30 percent to $22\frac{1}{2}$ percent.	Aug. 19, 1932	Sept. 18, 1932
Cotton velveteens cut or uncut, whether or not the pile covers the entire surface:				
Plain-back-----------------	909	Decreased from $62\frac{1}{2}$ percent to $31\frac{1}{4}$ percent.	June 24, 1933	July 24, 1933
Twill-back-----------------	909	Decreased from $62\frac{1}{2}$ percent to 44 percent.	-----do------	Do.

List of articles on which rates of duty were reduced under the provisions of sec. 336 of the Tariff Act of 1930, May 31, 1945—Continued

Article	Paragraph number	Change in duty	Date of Presidential proclamation	Effective date of change
Sperm oil, crude	52	Decreased from 10 cents per gallon to 5 cents per gallon.	Mar. 2, 1933	Apr. 1, 1933
Spermaceti wax	52	Decreased from 6 cents per pound to 3½ cents per pound.	do	Do.
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.	Apr. 3, 1933	May 3, 1933
Other agricultural forks, hoes, and rakes and parts thereof.	373	Decreased from 30 percent ad valorem to 15 percent ad valorem.	do	Do.
Laminated products of which any synthetic resin or resinlike 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
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
Sugars, tank bottoms, sirups of cane juice, melada, concentrated melade, 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 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
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.
Ale, porter, stout, and beer	805	Decrease from $1 per gallon to 50 cents per gallon.	Jan. 16, 1935	Feb. 15, 1935

The CHAIRMAN. Very well. Thank you, Doctor.

Mr. RYDER. Thank you very much.

Article XI of the Mexican Trade Agreement and the trade agreements organization and procedure chart are as follows:)

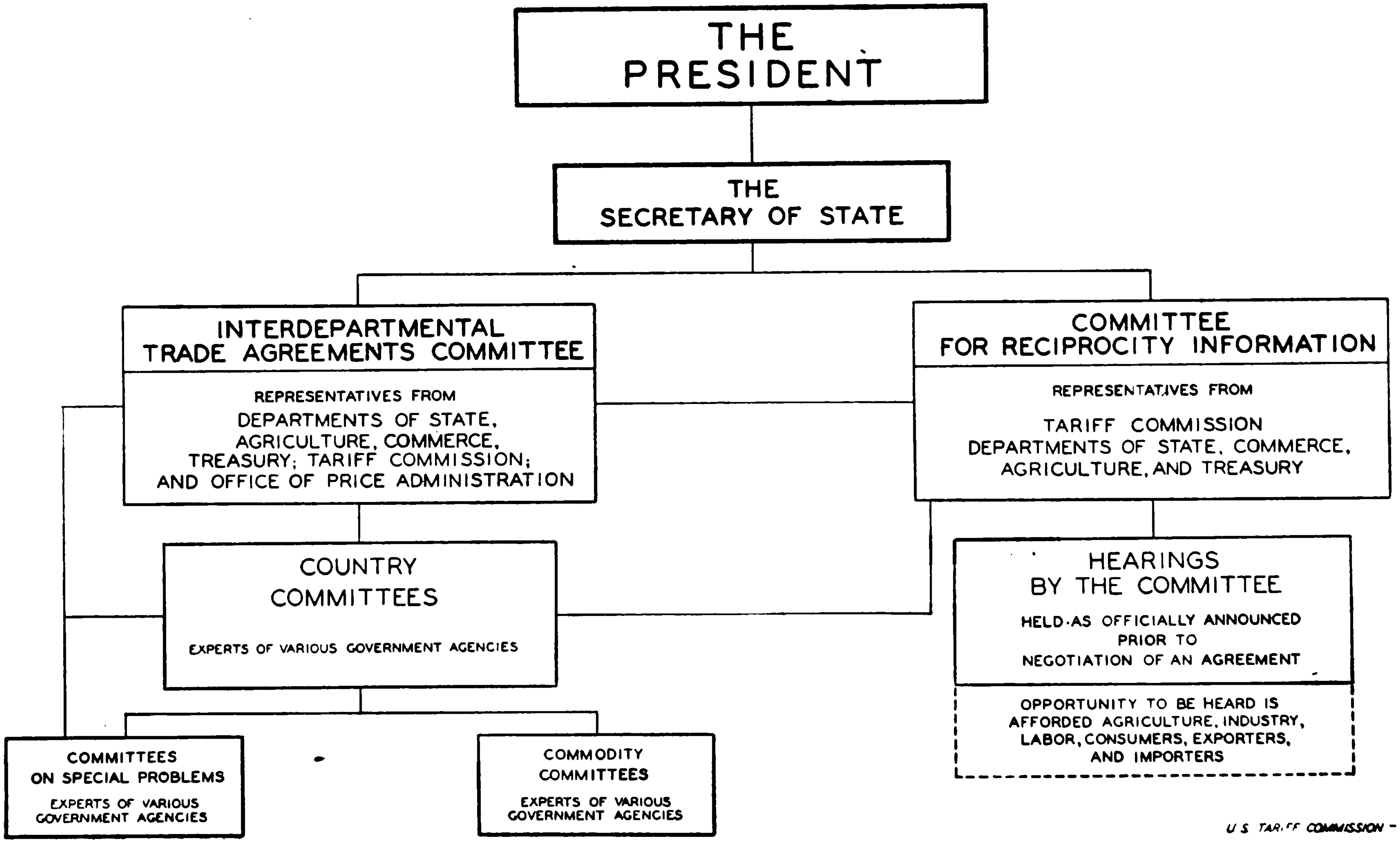
ARTICLE XI OF THE RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND MEXICO

1. If, as a result of unforeseen developments and of the concession granted on any article enumerated and described in the schedules annexed to this agreement, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles, the Government of either country shall be free to withdraw the concession, in whole or in part, or to modify it to the extent and for such time as may be necessary to prevent such injury. Accordingly, if the President of the United States of America finds as a fact that imports of any article enumerated and described in schedule II or schedule III are entering the United States of America under the circumstances specified in the preceding sentence, he shall determine whether the withdrawal, in whole or in part, of the concession with regard to the article, or any modification of the concession, by the imposition of quantitative regulations or otherwise, is necessary to prevent such injury, and he shall, if he finds that the public interest will be served thereby, proclaim such finding and determination, and on and after the effective date specified in such proclamation, and so long as such proclamation remains in effect, imports of the article into the United States of

America shall be subject to the customs treatment so determined to be necessary to prevent such injury. Similarly, if the Government of the United Mexican States finds as a fact that any article enumerated and described in schedule I is being imported into the United Mexican States under the circumstances specified, it may, if it finds that the public interest will be served thereby, withdraw in whole or in part the concession with regard to the article, or modify the concession by the imposition of quantitative regulations or otherwise, to the extent and for such time as may be necessary to prevent such injury.

2. Before the Government of either country shall withdraw or modify a concession pursuant to the provisions of paragraph 1 of this article, it shall give notice in writing to the Government of the other country as far in advance as may be practicable and shall afford such other Government an opportunity to consult with it in respect of the proposed action; and if agreement with respect thereto is not reached the Government which proposes to take such action shall, nevertheless, be free to do so and the other Government shall be free within 30 days after such action is taken to terminate this agreement in whole or in part on 30 days' written notice.

TRADE AGREEMENTS ORGANIZATION AND PROCEDURE



U S TARIFF COMMISSION – MAY 1945 (24644)

The CHAIRMAN. Dr. Ware; come around, please, Madam.

STATEMENT OF DR. CAROLINE F. WARE, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

Dr. WARE. My name is Caroline Ware, and I am representing the American Association of University Women.

The American Association of University Women, which I represent, is an association of approximately 80,000 college and university graduates organized in over 900 branches throughout the country. On the basis of long years of study, these branches have supported legislation for the removal of restrictions on international trade, specifically including the reciprocal trade agreements program. Today, delegates to our national convention which, because of the travel ban, is being held simultaneously in each branch instead of at one meeting, are voting on the question of support for:

> A constructive American foreign policy and full United States participation in world organization with the following objectives:
> The promotion of international economic cooperation and reconstruction.
> The expansion of world trade and the development of world resources.

In their preliminary expression on this issue, 496 branches have stated their support as against 5 opposed and 14 which were undecided or desired a change in wording.

The members of this association have also supported for many years legislation in the interest of the consumer. It is the point of view of the American consumer which I want especially to emphasize here.

The interest of the American people as consumers relating to foreign trade is twofold: (1) In the ability to secure the things which American families need and want for a high standard of living; and (2) in an expanding national economy which alone can mean the jobs, income, and production what make a high standard of living possible. The Reciprocal Trade Agreements Act makes a contribution to the welfare of the American people on both these counts.

The act is designed to remove barriers which prevent American consumers from having access to the goods which they want to buy and use. While the great resources of the United States and the high productivity of American workers make it possible for most of the things which American families need and want to be brought in the United States at lower cost than abroad, a portion of our wants can be better satisfied from foreign sources because of natural resources, superior skills, or the distinctive characteristics of foreign goods.

Fortunately, we are able to pay for the goods we want to buy with the goods which we can produce for export. The productivity of American labor is a great national resource which permits us not only to satisfy the bulk of our own needs at a level higher than virtually any other nation, but to buy to advantage abroad. We are in a position to choose to develop our most productive industries in order to buy abroad instead of being forced to spread our energies indiscriminately over less productive industries as well. The result is a higher standard of living for American people and more jobs in the industries which can afford to pay their workers well.

The purpose of international trade, as of all trade, is to exchange the goods which can be made more cheaply in one place for the goods which can be made more cheaply in another. From such a trade, advantage comes to all. Any attempt to use tariffs to equalize the cost of production abroad and at home defeats the whole purpose of trade and runs directly counter to the national interest.

In short, trade barriers erected to fence American consumers off from the goods which they want and need are special-interest legislation at the expense of the common good. The Reciprocal Trade Agreements Act provides an orderly approach to the reduction of barriers which have been built up in the past.

The most important reason for lowering trade barriers is the contribution of such steps to the expansion of the American economy.

The Nation's No. 1 economic problem is to achieve a high level of peacetime production and consumption which will sustain full employment and national prosperity. The higher the level, the more need there will be to import materials to be used by American industries, and other goods to satisfy demand. In times of depression, when people cannot buy, the need to purchase abroad is slight. But with the high national income which means full employment and prosperity, many demands will have to be met abroad.

In my testimony before the House Ways and Means Committee, I pointed out the application of this fact to some specific products, such as zinc and other minerals, wood, hides, fats, and oils. I will not take time to repeat that evidence here.

I do want to call the attention of this committee, however, to the fact that progressive businessmen are recognizing that enough imports are essential to the existence of full employment and high living standards.

Mr. Paul G. Hoffman, Chairman of the Board of Trustees of the Committee for Economic Development, in a special note to a statement on international trade policy issued by CED's research committee 2 days ago, said:

> Importing on a large scale—as well as exporting—are indispensable to high employment in the kind of economy with its high standard of living that Americans now enjoy. There is hardly a manufactured product we make—either of consumers' or producers' goods—that does not greatly depend, directly or indirectly, upon some imported material for its quality, its marketability in quantity, its lower price, and in many cases its very existence. This is true, needless to say, of every highly industrialized economy. Thus, the existing pattern of American production, and with it our established occupational pattern—the products our labor force and capital are daily engaged in turning out at present prices—is to a very large degree determined by our exchanges of goods with other countries, and particularly by the incoming side of that trade. Obviously, then, if that pattern of employment and production—with the resulting high standard of living—is to be kept at a high level, trade with other countries in large volume is indispensable. The point usually overlooked * * * is that imports have far more of an influence on both the kind and amount of employment we have than do our exports. Until this indispensability of imports in our entire pattern of production is widely and sharply recognized, in all its details, our international trade policies will continue to be distorted—as they have been for decades—by the basic error that experts are beneficial to domestic employment and that imports somehow lessen our total employment (International Trade, Foreign Investment, and Domestic Employment, Research Committee, Committee for Economic Development, p. 10.)

An expanding economy includes, by its nature, expanding trade. More than that. Obstacles to imports of needed goods, which were not serious in the years of depression and unemployment before the war, can become bottlenecks which prevent full employment and prosperity after the war.

I want to touch on two more points, the timeliness of reducing trade barriers at this time, and the relation of the Reciprocal Trade Agreements Act to other measures looking to world organization and international security.

As we face reconversion from war to a peacetime economy, virtually every industry must make new adjustments—not readjustments to a former pattern of low-level production, but adjustment to the 50 percent higher level of production and consumption without which the American economy will suffer depression and collapse. These adjustments can be made to any given tariff structure.

We thus have a golden opportunity today to remove trade barriers without causing the disruptions which any drastic change in tariffs, up or down, would entail under stable conditions. Moreover, by cutting tariffs now, we shall encourage expansion in those industries in which we are most productive, rather than in those which are sheltered by tariff walls from the healthy effects of competition. It is our great opportunity to lay a sound foundation for our future economic life.

Furthermore, the association which I represent regards this measure as inseparable from other measures for world security. We are firm in our belief that we must have the substance as well as the shell of world organization—not just the machinery for settling disputes, but a positive, constructive relationship in all the major areas of international policy. World trade on terms which are favorable to everybody—and that is the only kind of trade that ever endures and is profitable—is one substantial element in the building of world security.

The Reciprocal Trade Agreements Act is an integral part of the structure of world organization, along with Bretton Woods, the Food and Agriculture Organization, and the San Francisco Conference. We urge its extension in the form already passed by the House of Representatives.

Mr. Chairman, I have been asked by three other women's organizations for the privilege of submitting for the record brief statements from them. May I present them at this time?

The CHAIRMAN. You may.

Dr. WARE. The first is from the national board of the Young Women's Christian Association, signed by Mrs. Henry A. Ingraham president, in which this organization stresses the world need for goods and the importance of the free flow of those goods to meet world needs. I ask the privilege of presenting that for the record.

The CHAIRMAN. That may be included in the record.

(The letter referred to is as follows:)

THE NATIONAL BOARD OF THE
YOUNG WOMEN'S CHRISTIAN ASSOCIATIONS
OF THE UNITED STATES OF AMERICA,
New York, N. Y., May 15, 1945.

Senator WALTER F. GEORGE,
Senate Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SIR: For more than 20 years the Young Women's Christian Association has worked earnestly and intensively in the cause of peace. History has taught us that there will be no real peace unless economic as well as political barriers between nations are broken down. In the depression of the 1930's we saw the result of economic isolationism in our own country and dangerous economic alinements made by Germany whose ultimate aim, we learned later, was to culminate in the present war.

The Reciprocal Trade Agreements Act of 1938 attempted to pierce the economic barriers which nations had erected. It was a notable beginning but for the outbreak of hostilities in 1939 might have been able to show the world what reduction and limitation of trade barriers coupled with a healthy and reciprocal flow of trade between nations might have accomplished. We are nearing the end of the war and we are aware of the need for speedy action to bring nations back not only to political but also to economic health.

All over the world there will be need for increased trade. The United States will need markets as never before if she is to sell the goods which it will be possible to manufacture through technological improvements and if her workers are not to be idle—countries which are less developed will want to buy out goods and cannot do so unless we also trade with them. The demand for goods will have to be met and paid for in kind. Countries will want to make loans and repay their loans with goods. It will be disastrous to repeat the blunder of the 1920's and block the imports of debtor nations.

When we say this we are not advocating complete free trade. We know that such would not be entirely desirable in these times. But we are saying that trade barriers must be reduced so that goods may flow back and forth between countries in a world which needs them so badly.

Peace and war, employment and joblessness are all vital concerns to the women and girls who belong to the Young Women's Christian Association. We have supported the reciprocal trade agreements program ever since its inception and earnestly hope that it will be renewed again this year.

Sincerely yours,

MARY S. INGRAHAM,
Mrs. Henry A. Ingraham,
President.

Dr. WARE. The second is from the General Federation of Women's Clubs, in a statement signed by Anna Kelton Wiley. In this statement the General Federation of Women's Clubs emphasizes, among other points, the frequency with which tariffs have been revised in the past, that we have a new tariff on the average of 6 years in the United States, and the old method of tariff making was a burden on the Congress, and urges that we keep the economy as well as soundness of the reciprocal trade agreements procedure. I ask the privilege of submitting this also in the record.

The CHAIRMAN. That may be done.

(The letter referred to is as follows:)

GENERAL FEDERATION OF WOMEN'S CLUBS,
Washington, D. C., May 30, 1945.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: The General Federation of Women's Clubs has twice gone on record as favoring the extension of the reciprocal trade agreements program—once in 1938; and when that first resolution ran out again at our last convention at St. Louis, in 1944.

As expressed in our resolution, the General Federation believes that international trade is an essential element in the intercourse between nations and that satisfactory international economic ties are an important factor in promoting the well-being of peoples and friendly relations among nations. It believes, also, as set forth in the resolution, that artificial barriers to trade should be reduced or eliminated and that economic transactions be conducted with a proper regard for the interests of each party, as well as for the effect on the international community as a whole. Believing that the reciprocal trade agreements program of the United States is based on these principles and that it will contribute to the realization of these economic objectives in the period following the war, our organizations of 2,500,000 members voted for a continuation of the program, as already stated in April 1944, and expressed the hope that other governments will adopt these same principles in their international economic relations not only with this country but with the other nations of the world.

As chairman of legislation of the General Federation, I wish to point out that research establishes the fact that in the last 156 years this country has had 24 different tariff acts passed, or approximately a new tariff act every 6 years. Some of these raised, others lowered, the tariff rates of the country. It is a matter of record that the last tariff act, the Smoot-Hawley Act by name, was 14 months in preparation, that the Tariff Commission submitted 2,750 pages of data, that 11,000 pages of tables and data filled the printed hearings, and that 2,363 witnesses appeared before the House and Senate committees.

It is manifestly a waste of the time and strength of our heavily burdened legislators to return to this old-fashioned method of determining tariff rates. The United States Tariff Commission, created in 1916, and the present mechanism of the interdepartmental committee, created under the operation of the Reciprocal Trade Agreements Act, of representatives from the Departments of State, Agriculture, and Commerce and the Tariff Commission, together present a much less burdensome program for our Members of Congress, now facing tremendous problems of the future both here and abroad.

This interdepartmental Committee carefully studies each country and its commodities, and after careful research, hearing all witnesses at a public hearing, having the benefit of advice of experts who carefully weigh the evidence presented and make recommendations, then and then only are suitable reciprocal tariff rates agreed upon on the imports to be brought into this country and the exports to be sent into another country. In this way the economy of the two countries, the needs of the people, and the general prosperity of all concerned is gone into from every angle.

As is so well expressed in our General Federation Reciprocal Trade Agreements Study Outline, 1941–44, page 8:

"We believe that imports with reduced tariffs 'are generally made on products which either are not produced at all in the United States or are not produced in sufficient quantity to supply the American demand for them. Only a relatively small segment of American industry comes into direct competition with foreign goods in any case. The biggest and most profitable industries—those paying the highest wage scales—as well as the major branches of United States agriculture, are either on an exporting basis already meeting foreign competition in the world market or are secure in their ability to supply all, or almost all, of the needs of the home market.'

"These great branches of American agriculture and industry have nothing to gain, but much to lose, from high tariffs that throttle our export as well as our import trade. On the other hand, they benefit from the enlarged foreign markets which are made possible through trade agreements. Then, greater activity, by increasing the purchasing power in the hands of American consumers, benefits, in turn, those American producers who are interested solely in the home market." (See accompanying book edited by Sara A. Whitehurst, General Federation of Women's Clubs president, 1941–44, p. 8.)

The present state of the world dictates, I think, that new concepts and new techniques must be adopted now. A high protective tariff may have been the proper technique in the beginning when we had our "infant industries." But now, with Europe and parts of Asia in ruins, but America untouched by direct warfare, we must have a more tolerant attitude toward the prosperity of the other peoples of the world as well as our own. Enlightened self-interest seems to direct that we can help build up these other people by allowing them to sell us such goods as they can now produce, with a lowered tariff, so that they may begin to pick themselves up out of the ruins of war and buy from us desperately needed articles which only America can produce. It seems to me that the appeal of President Truman to the United Nations' Conference, April 26, 1945, when he said: "I earnestly appeal to each and every one of you to rise above personal interests and adhere to those lofty principles, which benefit all mankind" is applicable as related to the reciprocal trade agreement program.

The idea of sharing prosperity is now more important for other nations and for ourselves than just trying to hug prosperity to ourselves.

The principle of lowering trade barriers and expanding world trade, which will increase employment, bring higher standards of living, greater prosperity, and a friendlier atmosphere, seems to be the proper concept for the present time.

I am happy, Mr. Chairman, to bring to your committee a second time the endorsement of the General Federation of Women's Clubs for bill H. R. 3240, providing for the renewal of the reciprocal trade agreements program for another

3 years, with authority for 50 percent discretionary reduction of prewar tariff duties.

Respectfully submitted.

ANNA KELTON WILEY
(Mrs. Harvey W. Wiley),
Chairman, Department of Legislation.

RECIPROCAL TRADE AGREEMENTS PROGRAM

Whereas international trade is an essential element in the intercourse between nations and satisfactory international economic ties are an important factor in promoting the well-being of peoples and friendly relations among nations; and

Whereas to achieve these ends it is indispensable that artificial barriers to trade be reduced or eliminated and that economic transactions be conducted with a proper regard for the interests of each party, as well as for the effect on the international community as a whole; and

Whereas the reciprocal trade agreements program of the United States is based on these principles and should contribute to the realization of these economic objectives in the period following the war: Therefore be it

Resolved, That the General Federation of Women's Clubs, in convention assembled, April 1944—

1. Recommends the continuance of the reciprocal trade agreements program by the Government of the United States.
2. Expresses the hope that other governments will adopt these same principles in their international economic relations, not only with this country but with other nations of the world.

Presented by,

Mrs. NANCY R. ARMSTRONG,
Chairman, International Relations Department.

Dr. WARE. The third is from the National Women's Trade Union League, and they request to file a full statement at a later date, and they wish especially to emphasize the fact that the women in industry who make up the great bulk of the membership of the National Women's Trade Union League are not afriad of our markets being flooded with products from countries where wages are lower than in the United States. It is not wages that determine whether or not a product can compete in the world market, it is the cost per unit of any product when it reaches the market, and this in turn is determined by the alertness and efficiency of the workers, the up-to-dateness of the machinery used, and the efficiency of the method employed in the work. Industry in the United States excels in all three of these and because of its efficiency has nothing to fear from foreign competition. They want to include in their statement evidence of the higher wages in American industries which are not protected as compared with many of the industries which are. I ask leave to file that at a later date.

The CHAIRMAN. We will be pleased to have it in the record.

Dr. WARE. That is all I have.

The CHAIRMAN. Are there any questions?

Senator BUSHFIELD. I would like to ask a question of Dr. Ware. If I understood your statement correctly, Doctor, what you are saying is you believe in free trade.

Dr. WARE. No; I am not. I am saying our association believes in expanding international trade, and we believe in taking positive measures to expand international trade.

Senator BUSHFIELD. The record seems to indicate that this export trade, the foreign trade, only amounts to 5 percent of our production. Isn't it more important to develop our own trade than it is to develop that foreign trade?

Dr. WARE. It is of the most importance to develop our home trade, and I do not want to imply for a minute that the greatest market for American products is not the home market and that the greatest source for American consumers is not American production; but as our home production expands and our domestic consumption expands, we have an increasing need for certain production, and it is the ability to get those products which we need, that grows as our domestic production grows and our domestic market grows, that I want to emphasize, and that Mr. Hoffman, whom I quoted, emphasizes.

Senator BUSHFIELD. Did I understand you to say that the cost of labor did not enter into the question of competing with foreign operation?

Dr. WARE. I presented the Women's Trade Union League statement, that the cost per unit of production and not simply the wage rate was the factor which determined the price at which goods could be sold in the market, and American productivity is so high that full, healthy American industries haven't anything to fear.

Senator BUSHFIELD. We have had a number of industries testify here or, representatives of them, to the effect that if the tariff were reduced any more than it is now they could not compete with foreign operators.

Dr. WARE. The question, then, which we would raise—and I do not have reference, Senator, to any specific industry because I do not know those to which you have reference—the question which we then would raise would be: Should we, as a Nation, be better off with more jobs at higher wages in the industries which can produce for export than with more jobs at lower wages in industries which can only survive if they are sheltered? After all, there is no net reduction in employment, if we employ workers, let us say, in automobile plants to produce automobiles for export which will be exchanged for goods coming in in some other line.

Senator BUSHFIELD. We had one witness here yesterday before us, in the chinaware industry, who claimed that his industry could not continue to compete with certain countries in making this high-grade china. Would you move the workers out of the home industry of high-grade china, for instance, into the automobile industry?

Dr. WARE. Senator, I do not know the details on the china industry, but the point which I tried to emphasize and would like to repeat is this: After VJ-day, after the close of the war, American production will have to expand, peacetime production, to something like 50 percent more than it has ever been at the peak of production in the past. The question is, Where does the expansion come? It seems to us much sounder that that expansion should come in our strong and healthy industries rather than indiscriminately.

Senator BUSHFIELD. I agree with you in general, but what are you going to do with those laboring men who work in an industry that cannot compete with the foreign industry and has to fold up?

Dr. WARE. What do you do with the laboring men in the hand process in competition with the machine process, when the machine process comes into this country? What do you do with the laboring men in a small firm when a large firm which is more efficient, or in an inefficient firm when a more efficient firm, competes successfully?

The problem of mobility of labor from one occupation to another is a general problem of which this is a very, very, very small part.

When you consider the amount of labor mobility and the shifting from job to job which is coming with the cut-back of war industries, the amount of adjustment which is likely to be involved here is negligible, particularly since, as I have just said, we should be and must be in a situation where industry is expanding and where, in many instances, an industry which could not afford to expand may still be maintained, and the question is really whether you have the workers go into that industry or go into another industry.

Senator BUSHFIELD. I agree with you; but take an industry like the one I mentioned a moment ago, where several thousand workers have their homes and have their jobs in a certain industry; if that industry cannot make a go of it, then they will have to fold up and those workers will have to move to some other town or some other city or go into some other industry. Is that your idea?

Dr. WARE. I want to call attention to the fact that that happens every day of every year all over this country. If we should adopt a policy of guaranteeing to every worker the same job in the same industry we would have to freeze our entire domestic economy. The influences which are causing and will cause workers to move from industry to industry and from place to place are much, much greater as they arise from our domestic economy than the few workers in chinaware, and I do not know the details on chinaware.

Senator BUSHFIELD. I do not know anything about chinaware either. You are saying exactly the opposite thing, Doctor. They would not be frozen, they would become tramps and drift all over the country.

Dr. WARE. I am sorry I have not made myself clear. May I try once more? What I am saying is in the next few years millions and millions of war workers are going to be shifting jobs, leaving the places where they are now working. We are going into a period of tremendous shifts, and I am only saying with the amount of shift which is likely to be involved through the effects of competition on those American plants, competition from abroad on those American plants which cannot take it, that that amount is likely to be very small in the total picture. That is the only point I wanted to make.

I will make this further point, however—and this is why I said "No" to your question as to whether I was a free-trader—the machinery provided in this reciprocal trade-agreements program is machinery which permits all those factors to be taken into consideration and decisions to be made in the public interest which seem to be to be much sounder than either a rigid system or a sweeping away of all international regulations in trade.

Senator BUSHFIELD. Well, the American policy has been for a long time to assist in a reasonable way industries that were trying to get started in this country, and if we follow the policy that you apparently advocate it would be only the survival of the fittest in this thing.

Dr. WARE. May I call your attention once more, Senator, to the statement of Paul Hoffman, who, after all, as president of a State bank and Chairman of the Board of Trustees of the Committee for Economic Development, has been in a position to give some thought to it from the business point of view. He emphasizes the need. He says the point usually overlooked is the need of industries for import in order to survive as industries. Now, that is quite as important, and he feels more important, than the need of industries for export markets. He goes so far as to say—I do not know whether I would go as far as he does, but he goes so far as to say that there is hardly a manufactured product that we make that does not greatly depend, directly or indirectly, upon some imported material for its quality, its marketability and quantity, its lower price, and in many cases its practical existence.

Senator TAFT. Practically everyone of those things is on the free list. I do not see what the argument amounts to.

The CHAIRMAN. They should be on the free list if they are indispensable to our own industry.

Dr. WARE. I do not want to take the committee's time to repeat some of the material which I presented, giving just one illustration in the House, but I would be glad to perhaps call your attention to some of the material on minerals, zinc, copper, and so forth, which was included in my testimony in the House, Senator.

The CHAIRMAN. Thank you very much.

Senator TAFT. Mrs. Ware, on the first page you make this statement:

> A portion of our wants would be satisfied from foreign sources because of natural resources, superior skills, or the distinctive characteristics of foreign goods.

Haven't you left out the lower wage rate in the production of foreign goods? If you want to be fair in your statement should not you state that a part of this reason is that they have lower wage rates?

Dr. WARE. I have yet to be persuaded that the lower wage rates which habitually are associated with lower productivity, give, in any substantial degree, an advantage to foreign producers.

Senator TAFT. You may have to be persuaded, but there is plenty of evidence that while the productivity is only half, the wages are one-quarter, in many cases.

Dr. WARE. For example, take the British textile industry. Now, the British industry is not a low productivity industry as compared with the industries in the less industrially developed countries, and yet in 1944 a British mission that studied our textile industry stated that that was not one of the more efficient industries.

Senator TAFT. It is certainly more efficient than the British. The machinery is twice as good, twice as productive. The British, after the war, are going to have the productive machinery at our expense.

Dr. WARE. The point I want to make is, if you compare a low-productivity industry in the United States, such as textiles, with a relatively high productivity industry in foreign countries, such as in Great Britain, you still get from the British sources the conclusion that it takes nearly twice as many British as American spinners to turn out the equivalent amount of work, and nearly three times as many weavers and seven times as many workers in other processes.

Senator TAFT. What is to prevent any nation from getting our machinery and putting their men to work on it? Take the Japanese. People in Cleveland say the Japanese people who worked with them are infinitely more efficient than the American labor they have on the same machines. What on earth is to prevent, in these days of complete technical knowledge, of know-how and of machinery, what is to prevent any nation from setting up competition even in the automobile industry? The pay in Russia is one-sixth, which is practically no comparison; and in China, one-tenth; and in Japan, one-tenth of our wages, and they can compete effectively with our industries.

Dr. WARE. Of course, one of the reasons for low wages in the other countries is low productivity.

Senator TAFT. You are saying that in the course of this process we will raise our wages to their wages. I suggest we will also lower our wages to meet their wages; there will be a double process on this thing, if we are going to stay in competition with the rest of the world under those circumstances.

Dr. WARE. I do not have that fear. Also I again emphasized the interest of the people of the United States as buyers and not simply the interests of the people of the United States as sellers.

Senator TAFT. Are not your arguments just as good for free trade as for reducing the tariff? I mean as a general proposition it is an argument for free trade. You say you would not go that far at the moment, but the argument made that this is no attempt to use tariffs to equalize the cost of production runs directly counter to the national interest, because that is the only purpose of tariffs, is to equalize somewhat the cost of production. You say that is against the national interest. Is not your argument really against all tariffs?

Dr. WARE. No, Senator, my argument is for positive measures to expand trade and an orderly process for the removal of barriers which impede sound trade, and when I say "sound trade," I mean, as I have said, the kind of trade which is a good swap on both sides.

Senator TAFT. Mrs. Ware, what is your position with the American Association of University Women?

Dr. WARE. I am the chairman of their national social studies committee, and a member of their board on a term of office which expires today.

Senator TAFT. Are you employed by them?

Dr. WARE. No; I am not employed.

Senator TAFT. What is your work at present?

Dr. WARE. I am a teacher.

Senator TAFT. Have you worked for the Government during recent years?

Dr. WARE. I have not worked for the Government since 1942.

Senator TAFT. For how many years did you work for the Government?

Dr. WARE. I worked for a year and a half at that time, and I worked for about a year about 10 years ago.

Senator TAFT. You are a trained economist; are you?

Dr. WARE. An economic historian.

Senator TAFT. Did you work for the National Resources Planning Board?

Dr. WARE. I worked without compensation for the National Resources Planning Board.

Senator TAFT. Did you participate on the report they made on foreign trade?

Dr. WARE. No; on the structure of American economy.

Senator TAFT. Your husband also worked for them?

Dr. WARE. At that time.

Senator TAFT. He was one of the leading economists of the National Resources Planning Board?

Dr. WARE. He prepared the report to which I have reference. He is at the present time employed outside the Government.

Senator TAFT. He is also an economist?

Dr. WARE. Yes, sir.

Senator TAFT. This statement that was passed on by these associations:

> A constructive American foreign policy and full United States participation in world organization with the following objectives: The promotion of international economic cooperation and reconstruction, the expansion of world trade, and the development of world resources—

I do not see how anybody could vote "No" on that. I cannot understand how five branches voted against it. What do you think led them to do so?

Dr. WARE. I will be glad to explain that. Four of them voted against the entire legislative program of the association except on educational matters, because they felt that the association's legislative program should only cover educational matters. So actually there is only one branch that voted on its merits, and I do not know why.

Senator TAFT. I do not say that necessarily a vote for this would have anything to do with reciprocal trade in any particular bill.

Dr. WARE. This is the revised statement of language which has been on the legislative program of the association for the past 4 years which specifies the Reciprocal Trade Agreements Act.

Senator TAFT. You furnish speakers to these various groups from the national board, I suppose. Do they have regular meetings and speakers that present the issues on both sides?

Dr. WARE. You mean for the expression of the branches on this particular point?

Senator TAFT. Yes.

Dr. WARE. The manner of arriving at the legislative program for the association is, first, for the national subject matter committee, that is, the committee on international relations, to make a recommendation on the basis of the study which has been going on in the association in the past, and then for the national legislative committee to approve, and then for the national board to approve it, and then it is sent with an explanation and references for study to all the branches, and then it rests with each branch to use any method which it chooses for informing itself further.

Senator TAFT. Can anyone send arguments against it in the different branches, or do they get the usual type of propaganda from the national office?

Dr. WARE. I do not know what you mean by "the usual type of propaganda."

Senator TAFT. I have seen that done in the National League of Women Voters, where it is all on one side, or where it all came from what the State Department sent out. I presume you sent out all that the State Department sent out on reciprocal trade agreements?

Dr. WARE. We have sent to our State chairmen of legislation, social studies, and international relations a copy of the presentation which I made to the House Ways and Means Committee, a copy of the President's speech, the message to Congress asking for the Trade Agreements Act, and an informal question and answer bulletin, which was not derived from the State Department. That is the material which has recently gone to the branches, long after the vote was taken on this. That was just recent informational material which we sent out. We have had this on our program, Senator, for years and years.

Senator TAFT. Do these various groups have speakers for and against the question?

Dr. WARE. We do not have speakers.

Senator TAFT. You mean these different groups in the American Association of University Women do not have any speaker?

Dr. WARE. Yes; but they invite anybody they choose. I am sure you have been invited.

Senator TAFT. I do not remember when. However, I have this complaint from a member—I will not swear that it is the American Association of University Women, I think it is probably the League of Women Voters—who requested that a speaker against this be furnished them, and they said, "No," the national board has taken a position on one side and they only hear speakers on one side.

Dr. WARE. That rests with the branch. Our association does not take a position on something like that. There has been extensive study in the branches. I can get for your information, if you want, the material running back 6 years or more on this, which has gone to the branches and which has been the basis of study.

Senator TAFT. Where are you teaching?

Dr. WARE. I am about to leave, in 2 days, for the summer session of the University of Puerto Rico.

Senator MCMAHON. Where was the one branch that opposed it?

Dr. WARE. I am sorry; I do not know. I could find out.

Senator JOHNSON. I just have one question. Dr. Ware, do you believe in the Fair Standards Act that requires payment of 40 cents per hour before goods produced may move in the commerce of the United States? Do you believe in that act?

Dr. WARE. Personally, I do; yes.

Senator JOHNSON. Do you know of any foreign country that has such an act as that, and do you know whether that applies to goods produced in foreign countries?

Dr. WARE. Our act, of course, does not apply to goods produced in foreign countries.

Senator JOHNSON. No. Do you know of any foreign country that has such an act as that?

Dr. WARE. I am not familiar in detail with the labor laws of other countries, but I would be very much surprised if there were not such.

Senator JOHNSON. You say you are personally in favor of that?

Dr. WARE. Yes.

Senator JOHNSON. But you do not know about your organization?

Dr. WARE. Our organization includes, in its legislative program, the maintenance of labor standards.

Senator JOHNSON. At home and abroad or just at home?

Dr. WARE. At home, I mean our statement specifically relates to that, except that also in our international relations program it includes—I am sorry I haven't the exact phraseology, but it is the participation in international effort to raise living standards throughout the world. Our members have studied the work of the international labor organization and the charter of the international labor organization for international labor standards with great interest and sympathy.

The CHAIRMAN. Thank you, Dr. Ware.

Senator BUSHFIELD. One further question, Mr. Chairman.

The CHAIRMAN. Yes, sir; Senator. We have a long list of witnesses.

Senator BUSHFIELD. I will be very brief.

Dr. Ware, we have a total of about 214,000 manufacturing plants in the United States, and of that total over 200,000 employ less than 100 men. I draw the conclusion from your statement that if those 200,000 small businesses could not make a go of it they ought to be closed up and the employees moved into some big automobile plant or something else.

Dr. WARE. I am sorry you drew that conclusion, because it was not meant that way. I did not mean to imply that a large proportion of those 200,000 are not very efficient and able to hold their own under any conditions.

Senator BUSHFIELD. Under the labor standards of foreign countries?

Dr. WARE. You are talking about competition in the United States between small concerns and large concerns, are you not?

Senator BUSHFIELD. No; I was not.

Dr. WARE. I was talking about competition in the United States between small concerns and large concerns, or between the inefficient concerns and more efficient concerns. I did not mean to make size and efficiency necessarily synonymous.

Senator BUSHFIELD. I gathered from your general remarks that you were in favor of foreign industry or foreign business plants, manufacturing plants, having our market if they could sell cheaper here than we could without regard to labor standards in this country.

Dr. WARE. What I was trying to say was that we were in favor of making it possible for the American people to secure the goods which they need for a high standard of living, and making it possible for American industry to operate at an expanded level which would provide full employment and full consumption. Now that, as we see it, depends, among other things, upon the ability of industries to secure the goods which they need in manufacturing, and it also will be strengthened by the expansion in those industries which are the healthiest rather than in those industries that have to use crutches, either domestic crutches or foreign crutches.

I further want to make quite clear that the most serious competition in the United States in many lines to the inefficient American concern comes from the more efficient American concern.

Senator TAFT. Doesn't that mean we are superior practically only in the matter of mass production, and doesn't it mean that we have to confine ourselves hereafter to mass production if that theory is carried out?

Dr. WARE. I would not say so. There are many types of production where the ability to produce and sell for the custom market locally is of great advantage.

Senator TAFT. Of course, there is a lot of local business. But still the argument is that we should only keep the efficient industry. As I understand, the only way in which we can compete in a practical way is in our mass-production industry, so I think you would force us into a complete mass-production economy.

Dr. WARE. I do not think that follows. Certainly all the prospects for expansion after the war include a great expansion in the specialized and service industries and occupations which people can afford only when there is prosperity. So, I do not feel that fear is quite justified.

The CHAIRMAN. Thank you very much, Dr. Ware.

Mr. Francis A. Adams.

STATEMENT OF FRANCIS A. ADAMS, PUBLISHER, RAYON TEXTILE MONTHLY, NEW YORK CITY

The CHAIRMAN. Mr. Adams, you are representing the Rayon Textile Monthly?

Mr. ADAMS. I am the Rayon Textile Monthly publisher.

The CHAIRMAN. All right, Mr. Adams, you may proceed.

Mr. ADAMS. An examination of the voluminous testimony presented by scores of witnesses who appeared before the Ways and Means Committee of the House of Representatives, discloses that there was a serious omission of pertinent facts that have a direct bearing on the important matter of the trade agreements. To rectify this omission in the record, may I draw the attention of the Finance Committee to the following:

In all tariff acts that have been enforced in this country prior to the passage of the Trade Agreements Act of 1934, and its renewals, the changes in duty rates have been held within a reasonable range and have not represented lopping off 50 percent duty. This policy of reasonable revision by the Congress, over a period of more than a century and a half, has been the businessman's assurance that his investments and livelihood would not be imperiled by sudden and drastic tariff changes.

Under low-tariff acts in our history, ad valorem duties have averaged close to 38 percent; on higher acts, duties averaged close to 44 percent.

Senator TAFT. That excludes the free list, which is what? Two-thirds, or 60 percent?

Mr. ADAMS. Over 60 percent.

This represents a swing of 6 percent from the lowest to the highest range in duties. It did not disrupt any line of business; it did not militate against the establishment of new enterprise; and this moderation in tariff changes served to encourage the establishment of a great variety of industries in the United States of America.

The proposal in the Doughton bill now being considered by the United States Senate, calls for a further permissive reduction of 50 percent in duties, and is asked for by the State Department as a means of further "bargaining" with other countries. To grant this additional drastic reduction in duties would impose a heavy penalty on many lines in this country and jeopardize American wage standards.

It is important to the welfare of this country that our domestic economy remain broad, and that we do not restrict production to a limited number of products in which our domestic consumption has reached gigantic proportions, and which we make better and at a more reasonable price than anywhere else in the world.

There is something childlike in its simplicity, in the reiterated assertion by advocates of slashing tariff cuts, that an American industry which needs some measure of protection should be wiped out, so that similar goods, made by industries abroad, can come here, from other countries, under low tariff duties.

To carry out this policy would make American industrial activity lopsided.

There are hundreds of things that are made in America that have justified their being encouraged, through some adequate measure of protection. In the postwar era there are many new industries to be developed, and American skill, business enterprise, and assured home market will give these industries a chance to develop here in our own country.

It is for the Senate to consider whether the watchmaking industry, the precision-instrument industry, pottery, glass manufacture, textiles, and many others should be subjected to greater competition from foreign countries. There is no testimony on the record that shows inefficiency on the part of American industry and management; or inferiority on the part of American labor.

Where costs in this country are higher than in foreign countries, it is due to the many items of higher cost that have resulted from laws we have passed for the betterment of labor. The progress we have made should not be swept away by lowering tariff duties on highly competitive lines of merchandise.

A misconception in much of the testimony presented before the Ways and Means Committee on the Trade Agreements Act, was that the industries requiring protection were sheltered. This is a complete turn-about of the proper application of the word; for it is the workers in industries and the activities of the great mass of our people, who meet no direct foreign competition in gaining their livelihood, who are in sheltered industries.

The records of imports into this country over the period of the past half century shows that we have not erected a tariff wall to exclude foreign-made goods. The attitude of this country has been one of great liberality, for our tariffs have been moderate, and not excessive, as compared with those in force in other lands.

More than 60 percent of all imports come into this country on the free list.

On the balance of imports, affecting lines that are strictly competitive here and from imports, the duties in our tariff acts have not been prohibitive. Imports have not been denied entrance into our American market.

To authorize an additional 50 percent permissive reduction in tariff duties, as an amendment to the Trade Agreements Act, is to write a law that will work irreparable harm to American economy.

At the present time, with the war against Japan still to be won, Congress has deemed it sufficient to extend lend-lease legislation for a period of 1 year. The sound reasoning that led to this decision should be followed in connection with the Trade Agreements Act. The extension for 1 year to June 12, 1946, with no further reductions in duties, would give validity to our position as a nation ready to cooperate with other countries in the peacetime ahead. Yet, it would not tie the United States of America to a rigid commitment, while all other countries are left free to study the policies that will best suit their own domestic conditions.

May I urge this committee to give due consideration to the fact, that the enactment of treaties comes within the constitutional duty of the Senate, and that this duty should not be abrogated for long periods under the pressure of "emergencies."

In whatever form the Trade Agreements Act is finally passed, it should be amended to provide that duties be assessed on American valuation, the only method that gives the customs authorities accurate information, as to costs of comparable American goods that must meet the competition of foreign merchandise entering our ports.

Thank you, sir.

Senator TAFT. Mr. Adams, you represent the Rayon Textile Monthly. What is the history of the rayon industry?

Mr. ADAMS. The history of the rayon industry is that in 1911 a product known as artificial silk was being spun by a chemical process; it was being made in Europe, and an enterprising man in this country said he thought he could start a plant here. It began in Marcus Hook, Pa., and the company in the first year made some seven or eight million pounds. The production today in the entire industry, with about 39 enormous plants operating and 20 producers, is over 780,000,000 pounds of rayon.

Senator TAFT. Since it is an entirely new industry, are not there many modern plants, many plants that are just as modern, in other parts of the world?

Mr. ADAMS. The necessity of making rayon is it is the only industry in the world that allows no tolerance. By that I mean silk can vary 15 percent in degree in quality, and cotton has nine varieties that you can deliver on a contract, and wool has all kinds of varieties and has to be made in a blend, but when you deliver a pound of rayon, it has got to be 100 percent correct or they cannot use it, and a silkworm is not quite that fine.

Senator TAFT. What I meant to get at, are not there just as modern plants abroad, so if you remove the tariff they would have an advantage over this country in the wage rate?

Mr. ADAMS. Yes, sir. Wherever rayon is made it has to be made perfect. Japan, before the war, was making 600,000,000 pounds and was the largest producer, and made as much as all the rest of the world together in the year 1939, and potentially can go back into that production.

The CHAIRMAN. You do not expect them to do it, do you?

Mr. ADAMS. How?

The CHAIRMAN. You do not expect Japan to become a great competitor in the immediate future in the world market, do you?

Mr. ADAMS. Well, Senator, as to the thing that Japan will do, Japan surrendered her silk industry in 1926 and began producing rayon. For 20 years it refused to consider rayon at all, thinking it would be poison to silk.

The CHAIRMAN. I know they made better textile machinery, too, than we did 10 years ago. Talking about efficiency, they made better textile machinery and had more modern machinery. Thereafter our textile manufacturers began to improve their machines.

What is your duty on rayon yarn now?

Mr. ADAMS. There is an adequate duty on rayon.

The CHAIRMAN. How high is it?

Mr. ADAMS. It is a duty of 45 cents per pound on rayon.

The CHAIRMAN. Forty-five cents per pound?

Mr. ADAMS. Yes. That is a specific duty. We are talking about ad valorem, but that is a specific duty.

The CHAIRMAN. Yes; I know it is specific, I remember well its history.

It is not your theory, is it, that you have got to have the entire American market, that you are afraid of a little importation?

Mr. ADAMS. No; I am not speaking of that. The rayon industry is not afraid of competition. It meets it in the form of yarn and meets it in the form of foreign-made goods from India, China, Japan, and all other countries.

The CHAIRMAN. As a matter of fact, you have had one of the most phenomenal growths in the rayon industry of any industry in the United States?

Mr. ADAMS. That is correct. Senator, for the information of your colleagues here, the entire success of that industry was built upon the American valuation of the chemical industry. If it had not been for the establishment of the chemical industry in 1922, extending to it as the one exception in our tariff the American valuation, the American industry could not have developed. It found the synthetic organic chemical industry in existence under the protection of our tariff laws, the American valuation, and that is the basis upon which the rayon industry and the dyestuffs industry has advanced.

The CHAIRMAN. I am just a little bit curious when any manufacturer comes here and has to admit that the actual importations have been a negligible quantity and then proceeds with the argument that of course a negligible quantity may affect the price, which I suppose any economist would recognize. Carried out logically, it would meet the absolute exclusion from the American market of all implications that remain on the dutiable list at least, and carried out logically it would mean a complete monopoly.

Mr. ADAMS. That is true.

The CHAIRMAN. So it seems to me that it is just as illogical to talk about absolute free trade on the one side and absolute exclusion of all competition on the other side. It does not seem to me to be a realistic approach.

Mr. ADAMS. That is not the approach we make. In 1926, after 5 years of operation of the tariff giving chemicals a special position of American valuation, the importation of rayon became so heavy that the manufacturers appeared in Washington and received some aid under the Antidumping Act of 1920. The Antidumping Act of 1920 is still the law. There is an interesting exhibit. That is a very thumb-worn copy that they tell me there are no more in the Printing Office available, but that is the Antidumping Act of 1920, gentlemen, that prevented at that time the intrusion of a large quantity of merchandise from Europe, and the President at that time was given permissions which still exist in this Antidumping Act, and that very legislation was built on that as a cornerstone.

The CHAIRMAN. I appreciate the fact you did get special treatment in the chemical industry and rayon, and that we gave a specific duty rather than ad valorem, which was a very great concession.

I appreciate also the fact when you come to argue tariff questions that very much can be said on American valuation just as on foreign valuation. Is that very pertinent in reciprocal trade agreements, if you are going to have any sort of reciprocal agreements entered into, with the view not only of protecting or preserving our own industry but also of getting some concessions from other countries?

I do not see the pertinency of any controversy arising between American valuation and foreign valuation. It is very pertinent in the general tariff act, but I do not see the particular pertinency when you are dealing with a reciprocal arrangement which recognizes the existence of the tariff and accepts the standards that you have and then proceeds with the view, at least, and hope that concessions may be obtained for our own industry in other countries.

Mr. ADAMS. Well, Mr. Chairman, the only thought in advocating an extension of American valuation to other branches of industry is that at the present time we have no reliable measure of the costs of production in another country. Now, in Mexico or Canada, on our borders, and in England, perhaps, we may have some idea about the cost of production, but we have no way of determining what it cost to produce in any other country.

The CHAIRMAN. I think, in a general tariff, it would be very, very pertinent, but I do not see where it would have any direct bearing here, because we are proceeding from a given point with tariffs already established, duties already fixed, and then we are proceeding to consider whether there may be a reduction in those duties that will not be harmful to American industry, and whether by bringing them down we can gain any comparable benefits for our general industry, general economy from other countries. It may all be an impossible program, but that is what the Reciprocal Trade Agreements Act primarily is; it is simply a proceeding from the point where we are.

This matter of American valuation against foreign valuation, as you know, has been a long-standing controversy in this country, and many capable men certainly have advocated the American valuation for the reasons which you state and for very many others.

Mr. ADAMS. Very many others; yes.

The CHAIRMAN. Are there any questions, gentlemen?

Thank you very much, Mr. Adams.

The committee will now take a recess until 2 o'clock.

We will ask the other witnesses to come back promptly at 2 o'clock.

(Whereupon, at 12:10 p. m., a recess was taken until 2 p. m., of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2 p. m.)

The CHAIRMAN. The committee will come to order. Other members of the committee will be coming in as soon as it is possible for them to do so.

Mr. Neumann, of the Neumann Endler Co.?

Mr. BROWN. Mr. Chairman, I am not Mr. Neumann but I am Mr. Brown. Mr. Neumann has asked me to come here for him and also for two others on the list, Mr. John Mohn, of Mohn Bros. Co.; and Mr. S. E. Fichthorn of the F. & M. Hat Co. I am from the Merrimac Hat Corp.

The CHAIRMAN. Very well, you may give your name to the reporter, and then proceed.

STATEMENT OF EVERETT BROWN, EXECUTIVE VICE PRESIDENT, MERRIMAC HAT CORP., AND PRESIDENT, WOOL HAT MANUFACTURERS ASSOCIATION OF AMERICA

Mr. BROWN. My name is Everett Brown; I am executive vice president of the Merrimac Hat Corp. and president of the Wool Hat Manufacturers Association of America.

My company, as well as the three others for which I appear, are all members of the Wool Hat Manufacturers Association of America.

The CHAIRMAN. They are all hat manufacturers, are they, Mr. Brown?

Mr. BROWN. All hat manufacturers.

The CHAIRMAN. All right, proceed.

Mr. BROWN. Our company is located in Massachusetts——

Senator WALSH (interposing). Where in Massachusetts?

Mr. BROWN. Amesbury, Mass.

Senator TAFT. What kind of hats do they manufacture?

Mr. BROWN. I am appearing for wool bodies in men's wool hats and ladies' millinery.

Senator TAFT. Felt hats?

Hr. BROWN. Yes, sir.

I have prepared a brief to submit, and also have a short oral statement that I would like to make.

The Wool Hat Manufacturers Associztion of America represents approximately 12 to 14 manufacturers, and they represent approximately 95 percent of the wool felt body production in this country.

A wool felt body is made of wool and is formed into a conical shape, and from that shape we sell these bodies to the different manufactueres of women's millinery and manufacturers of men's hats. Those companies connected with our association make approximately 50,000,000 bodies a year for ladies' hats——

The CHAIRMAN (interposing). I presume you will cover this, but where do you get your raw material, the wool?

Mr. BROWN. Our wool comes from Texas and from Australia, principally.

The CHAIRMAN. Is it a superior quality wool?

Mr. BROWN. Not particularly. We use a lot of noils, which are the combings of the wool, and we blend wool with the noils to make a felting material.

The CHAIRMAN. You may proceed in your own way.

Mr. BROWN. We make about 10,000,000 a year of men's wool hats.

In 1930 we enjoyed the benefits of 75 percent ad valorem, plus 40 cents a pound, and we went along on that basis until 1933. In 1933 the flexible tariff provisions came in and our rate, was cut from 55 percent to 40 percent, and it was from that time on that we began to have trouble.

Body hat making originated in Europe and they are just as far advanced in hat making as we are.

Senator WALSH. In what countries?

Mr. BROWN. Germany, Austria, Italy, England, Belgium, and now some in South America and Japan.

By that I mean that they have about the same machinery as we have, and use about the same methods of manufacture as we do.

Italy became quite a problem with us shortly after 1933. We have no objections to the flexible tariff provisions when you sit down with a country and get their manufacturing costs and fix it on the basis of that—and give some too—and we feel that we can function, but when we have to compete with substandard countries we have trouble.

In my own company we employ 3,000 people and have an average wage scale of 92 cents an hour, have social privileges of all kinds, tennis courts and golf courses, and vacations with pay, and all those things which are, we will say, the average standard of this country today, at least, and the members of our association have similar conditions.

We found that Italy could deliver goods here so much cheaper than we could that it made it very difficult for us to function. We suspect—in fact we feel quite sure—that they were subsidized by the Italian Government.

Then, to make matters worse, about 3 years before the start of the war, Japan started shipping merchandise into this country. We visited their plants in Japan and we found that they had the same machinery—they had copied it from us or other places abroad—and they started putting merchandise into this country at atrocious prices.

Those are the things that we fear under these reciprocal trade treaties. As I said before, we don't fear at all sitting down with anyone and making a fair comparison with that country and arrive at some form of equalizing our costs, but to generalize those rates and extend those rates to substandard countries makes it very difficult for us.

For instance, to take a concrete case, let's assume that we were to make a treaty with Great Britain where their value, over there, was $2. Well, our rate today is 55 percent, which is $1.10 plus 40 cents a pound.

Now, on the value basis, Japan's value may be 85 cents. Now they enjoy the same privileges as Great Britain would enjoy under this generalization of rates. That is the thing about the treaties that is so very difficult to us to just sit down and not say anything about.

Senator TAFT. What is your present rate?

Mr. BROWN. Our present rate is 55 percent ad valorem plus 40 cents a pound.

Senator TAFT. And what does that come to on an ordinary felt body in a hat?

Mr. BROWN. That comes to about $1.50 or $1.60. Bodies vary so much in size that we have bodies that go anywhere, in this country, sell from anywhere in the range of $4.10 up to $7 a dozen—so it is rather difficult to tell.

Senator TAFT. And the tariff——

Mr. BROWN (interposing). The tariff is 55 percent——

Senator TAFT (interposing). On the $4.10?

Mr. BROWN. No; on the basis of their costs, but there have been no bodies brought into this country for a couple of years, naturally, because those countries have been at war with us. The tariff is based on their value, naturally.

Senator TAFT. Did the imports increase before the war?

Mr. BROWN. They increased terrifically after 1933.

Senator TAFT. Did that reduce your production?

Mr. BROWN. It did, very much so; yes, sir.

Senator WALSH. Is this item in the reciprocal trade agreements?

The CHAIRMAN. Do you mean that it actually reduced production?

Mr. BROWN. Perhaps I am wrong in making that statement. We tried to keep our production up and sell at off-prices, and we did, but we were being terriffically hurt and, frankly, the war saved us.

Senator WALSH. Was this item in the reciprocal trade agreement with Great Britain?

Mr. BROWN. Only finished hats were included in that.

Senator WALSH. But does that affect you indirectly?

Mr. BROWN. No; because they have been putting in very few, and there is a limitation on that. We make very cheap hats, our whole industry makes cheap hats, and that was limited to $14 a dozen. It applied, in other words, to higher grade finished hats.

Senator WALSH. Was there a cut made in the trade agreement with Great Britain on felt hats?

Mr. BROWN. Yes, sir.

Senator WALSH. Of how much?

Mr. BROWN. On that particular type of hat?

Senator WALSH. Yes.

Mr. BROWN. I don't know exactly.

Senator TAFT. That was $4.10 a dozen, was it?

Mr. BROWN. Yes.

Senator TAFT. I didn't understand that. And the tariff was something like $1.50 a dozen?

Mr. BROWN. Yes; and it goes up to $1.80 and down to $1.35.

Senator TAFT. That is 10 or 15 cents a hat, then?

Mr. BROWN. Yes, sir.

Senator TAFT. Have you ever made any study of the efficiency of the labor abroad, and the wages, as compared to your 92-cent-an-hour figure?

Mr. BROWN. As compared to the 92 cents an hour?

Senator TAFT. Yes.

Mr. BROWN. We haven't, because this 92 cents an hour is just a recent achievement with us.

Senator TAFT. Have you any idea what the Japanese labor was?

Mr. BROWN. They delivered a body that cost us $1.90 in raw material—they delivered it into this country for 90 cents.

Senator WALSH. Was it just as good?

Mr. BROWN. No, sir; not at the beginning, but after 3 years they rapidly improved. It was surprising to see what an improvement they really made after 3 years. Their first product was not very good, but their last product was not bad at all.

Senator TAFT. Have you any idea of the comparative efficiency of the labor in their plants, as compared to ours?

Mr. BROWN. Only, sir, from the study that our engineers made when they went to Japan and got into some of those plants there. Their report came back that they worked just about as well as we did.

Senator TAFT. Per man?

Mr. BROWN. Just about as efficiently per man, and they had about the same machinery as we did. Of course, they are smart over there and they are constantly improving their machinery and equipment, and so are we. At the same time we are trying to, we know they are, not perhaps right at this minute, but we know that they will.

Senator MCMAHON. Does the Hat Institute of America discuss this problem?

Mr. BROWN. This is the Wool Hat Manufacturers Association of America.

Senator MCMAHON. Not felt hats?

Mr. BROWN. Not the felt hat. There is the Hat Institute and the Hat Corporation of America. Those are practically all fur felt companies. We make about 60,000,000 bodies a year which are all wool felt.

Senator MCMAHON. They are cheap hats?

Mr. BROWN. Entirely.

Senator MCMAHON. Where are most of them made?

Mr. BROWN. Massachusetts, Pennsylvania, Connecticut, and New York State.

Senator McMAHON. We make mostly fur felts in Connecticut.

Mr. BROWN. No; we make more wool felts in this country than fur felts.

Senator McMAHON. I mean in Connecticut.

Mr. BROWN. In Danbury and those places, yes; but one of the members of our association, in fact, Mr. Neumann of our association, who was to appear here, comes from Connecticut. There are two plants in Connecticut making wool felts. In addition to wool-felt hats, there are hats made out of fur felt, straw, ribbons, and snoods and all those things.

The CHAIRMAN. Are there any further questions? Do you have anything else, Mr. Brown?

Mr. BROWN. No, sir; except that I have a brief that I would like to leave with you.

The CHAIRMAN. Yes, sir; you may leave that with the reporter.

(The document referred to is as follows:)

STATEMENT OF WOOL HAT MANUFACTURERS ASSOCIATION OF AMERICA

The FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIRS: We herewith submit our opposition to H. R. 3240 (formerly H. R. 2652), S. ——, a bill proposing further extension of the Trade Agreements Act of 1934 and a further reduction of existing dutiable rates on imports into the United States.

The undersigned is the Wool Hat Manufacturers Association of America, comprising practically all the companies engaged in producing wool felt hat bodies in the United States.

Our product is used in the manufacture of women's hats.

We oppose the proposed legislation for the following reasons:

THE HISTORY OF THE TRADE-AGREEMENTS PROGRAM MILITATES AGAINST THE DESIRABILITY OF ITS CONTINUANCE

When the Trade Agreements Act was adopted in 1934 it was designed to become mainly a part of and in aid of the national economic recovery program. The Tariff Act of 1930, which it amended, was intended to raise revenue, regulate foreign commerce, and to protect the industries and labor of the United States.

The Tariff Act of 1930, has purposes incompatible with the proven objectives of the amendment. The act protects labor and industry while the amendment tends to lower the safeguards which the act was designed to maintain.

In operation the Tariff Act of 1930, was intended to place dutiable imported merchandise on a competitive basis with similar products produced in the United States. Consumers in our markets would thus be enabled to choose between competing domestic and foreign products of the same general price levels.

To maintain these levels, section 336 provided a method to increase or lower existing dutiable rates by determining cost of production here and abroad and levying a duty up or down to a point of equalization. Rates were thus made flexible.

The trade-agreements amendment, on the other hand, followed no formula which could be identified. Yet during the past 11 years over 1,200 rates in trade agreements were reduced and 500 of them were cut in half. As a result, existing rates resembled the tariffs established in the 1913 Tariff Act—the so-called Wilson Free Trade Act.

As the reduction of rates proceeded under the amendment the reasons prompting adoption of the act ceased to be valid at times of renewal.

During the war period no economic necessity arose requiring the exercise of the powers of Congress to establish tariff rates or regulate foreign commerce because commerce, as such, had ceased to exist. Yet, during the war trade treaties were negotiated lowering our import duties. It is not reasonable to assume the rates were reduced in anticipation of approaching peace, since no one can foretell prevailing world economic conditions when the war comes to an end.

While the Trade Agreements Act was in progress, our Nation was alone in adopting wage-and-hour legislation. However, commendable or desirable its purposes may be in our domestic economy, the Nation's ability to compete in international trade with low-wage, long-hour nations of the rest of the world is opened to serious question.

The degree of our competitive vulnerability is heightened by H. R. 2652. The bill proposes further reduction of protection in providing an additional 50 percent maximum of raising or lowering of tariff rates existing January 1, 1945.

In our opinion, the time has approached when the Trade Agreements Act and its tariff program should be reexamined by the Congress in the light of world conditions as they emerge into a peacetime economy.

THE RECIPROCAL TRADE AGREEMENTS ACT IS A USURPATION OF CONGRESSIONAL FUNCTION

Unrelinquished power over customs duties and the regulation of foreign commerce are exclusively within the legislative branch by mandate of the Constitution.

Nevertheless and except at anniversaries of renewal Congress has relinquished much of its constitutional power over customs duties and foreign commerce.

The power to regulate commerce conferred by the Constitution upon Congress is that which previously existed in the States, *South Carolina* v. *Georgia* (93 U. S. 4, 10 (1876)). It is complete in itself, may be exercised to the utmost extent, and acknowledges no limitations, *Gibbons* v. *Ogden* (9 Wheat. 1, 197 (1824)); *University of Illinois* v. *United States* (289 U. S. 48 (1933)).

It is now a settled principle of our democracy and constitutional form of government that in its sphere the legislature is supreme and the full exercise of its exclusive powers cannot be divested. Any attempt is not voidable but absolute, since done without power. As a consequence, there is nothing to support usurpation—not even emergency.

Emergency legislation may not be arbitrary or oppressive (*Treigle* v. *Acme Homestead Assn.* 297 U. S. 189 (1936)). For illustration, a statute bringing about impairment of the obligation of contract is void (*W. B. Worthan Co.* v. *Kavanaugh* 295 U. S. 56 (1935)).

Extraordinary conditions may call for extraordinary remedies. But the argument necessarily stops short of an attempt to justify action which lies outside the sphere of constitutional authoriiy. Extraordinary conditions do not create or enlarge constitutional powers (*A. L. A. Schecter Poultry Corp.* v. *U. S.* 295 U. S. 490, 528 (1935) citing *Ex Parte Milligan* (4 Wall. 2120, 121 (1886)); *Home Bldg. & L. Assqc.* v. *Blaisdell* 290 U. S. 398, 426 (1934)).

THE ACT IS AN UNLAWFUL DELEGATION OF LEGISLATIVE POWER

The act in question amends the Tariff Act of 1930.

The power in Congress to lay duties, although embraced in the taxing power (Constitution, art. 1, sec. 8, cl. 1), may and is exercised as a regulation of foreign commerce (Constitution, art. 1, sec. 8, cl. 3).

It is now settled law that "this power is exclusive and plenary" (*Board of Trustees of the University of Illinois* v. *United States* (290 U. S. 48)).

In *Schechter Poultry Corp.* v. *United States* (295 U. S. 495, 537 (1935)) the Supreme Court of the United States held:

"Congress cannot delegate legislative power to the President to exercise an unfettered discretion to make whatever laws he thinks may be needed or advisable for the rehabiliation and expansion of trade or industry." (See also *United States* v. *Chemical Foundation*, 272 U. S. 1 (1926); *Panama Refining Co.* v. *Ryan*, 293 U. S. 388 (1935).

In the poultry corporation case, a finding that the general purposes of a statute would be promoted by the President's exercise of legislative power was held to be not a finding of fact but a mere expression of an opinion, leaving him free to exercise his discretion as he saw fit.

The principles to determine the constitutionality of legislative grants of power were fully developed and established by the Supreme Court in *Hampton & Co.* v. *United States* (276 U. S. 394), and *Field* v. *Clark* (143 U. S. 649).

A summary of legislation dealing with past delegations of legislative authority appears in *Norwegian Nitrogen Co.* v. *United States* (288 U. S. 294) at pages 308–309.

Unless, therefore, the Trade Agreements Act is within the limitations of the Constitution as judicially decided, it is unconstitutional and void.

THE AGREEMENTS ENTERED INTO BY THE PRESIDENT WERE NOT CONCURRED BY AND WITH THE ADVICE OF THE SENATE

Assuming for the purpose of argument that the act does not lack constitutionality as an unlawful invasion of legislative power, we contend that it is unconstitutional for another reason.

Article II, section 2, clause 2 has but one exception which does not apply to treaties or trade agreements. Presidential power to make treaties is conditional upon the advice of the Senate and provided two-thirds of the Senate present concur. The exception relates only to appointments. The powers exercised by the President in the Trade Agreements Act of 1934 were granted by people of the United States, not to the President but exclusively to Congress. All trade agreements when negotiated can be validated only by the same source of power acting through its chosen medium specified, namely, by the Senate.

CONCLUSION

For the foregoing reasons we hereby record our opposition to H. R. 3240, S. ——.

Respectfully submitted.

WOOL HAT MANUFACTURERS ASSOCIATION OF AMERICA.
By LAMB & LERCH, *Attorneys.*

MAY 29, 1945.

The CHAIRMAN. Is Mr. Morton in the room?

Mr. JOHN G. LERCH. Mr. Chairman, speaking on behalf of Mr. Gavin C. Morton, Mr. R. Emerson Putney, and Mr. J. L. Braman, I had a telegram from them and they were under the impression that they were to appear tomorrow. So may I ask that their names be passed until tomorrow?

The CHAIRMAN. We have a long list of witnesses, but we will pass them with the understanding, at least, that they can put in the record any statement they wish.

Mr. LERCH. There is another member of the same industry in the list for the first thing tomorrow morning, and we will try to consolidate them so that we will make but one appearance.

The CHAIRMAN. With that understanding——

Mr. LERCH (interposing). If you will just pass them until tomorrow?

The CHAIRMAN. It would be well to give the names of those gentlemen to the clerk.

Mr. LERCH. I will do so.

The CHAIRMAN. Mr. Conover?

Mr. CONOVER. I have a statement here, the important parts of which I should like to read, and will omit certain other parts to save the committee's time, but I would appreciate it very much if the statement could appear in its entirety in the record.

The CHAIRMAN. That may be done, and your entire statement will appear in the record. Will you give your name and for whom you appear to the reporter?

STATEMENT OF JULIAN D. CONOVER, SECRETARY, AMERICAN MINING CONGRESS

Mr. CONOVER. My name is Julian D. Conover. I am secretary of the American Mining Congress, a national organization of the mining industry, with offices in Washington, D. C.

At the hearings before the Ways and Means Committee, we proposed certain amendments to the pending legislation which we believe would help to carry out the objectives of the Trade Agreements Act, and would contribute materially to prosperity and employment in the postwar period. We should be glad to discuss these at length, but in compliance with the committee's desire, are limiting our prepared statement to a further proposal which we believe is sound and deserving of your consideration.

The general position of the mining industry was well stated in the resolution adopted at our last annual western meeting, in Denver, January 29, 1944, as follows:

TARIFF

The need for adequate mineral and metal production from the mines of the United States in time of national emergency has been forcefully demonstrated in the past 3 years. To protect our Nation against any future threats to its secruity, and to permit continuation of a basic industry essential to the economy of the West, our mines must of necessity be kept in good operating condition, future reserves must be developed to the fullest extent possible, and new exploration must be encouraged. While the mining industry, in the interest of national and world prosperity, favors maximum international trade in time of peace, such trade must not be stimulated at the expense of national security. Domestic mines must be protected by a traiff adequate to offset richer natural deposits and lower costs in foreign countries.

Your committee, Mr. Chairman, has on previous occasions given sympathetic and intelligent consideration to the problems of exploration, development, and production of mineral resources. You have shown an appreciation of the fundamental difference between the mineral industries and those engaged in processing, fabrication, or manufacture. You have recognized that a sound and healthy mining industry is a source of strength to this country both in peace and in war—that modern wars are fought with minerals and metals, and that the Nation not adequately supplied is powerless to defend itself against aggression.

To safeguard this source of national strength, to preserve important branches of the industry upon which depends our future security, we ask that you amend the law so that strategic and critical minerals and metals will be specifically excluded from further duty reductions under the trade-agreements program. Concretely, we urge a definite provision excluding from further trade agreements action those minerals and metals which are named in the current list of strategic and critical materials compiled by the Army and Navy Munitions Board. This list is given in table II of Senate Document 5 (79th Cong., 1st sess.), this being a report transmitted to the Congress by the Secretary of the Navy and the Undersecretary of War, with the concurrence of the Secretary of the Interior, on January 2, 1945. A copy of this report is appended to my statement for convenient reference.

(The document referred to will be found at the conclusion of Mr. Conover's statement.)

The CHAIRMAN. Can you tell us what those strategic and critical materials are?

Mr. CONOVER. The list includes a considerable number of metals and minerals, and certain nonmineral commodities also, which are essential in time of war, and as to which the urgency of wartimes requires advance preparation to insure an adequate supply. I cover that somewhat in my statement, Senator.

The CHAIRMAN. Very well.

Senator TAFT. Does that list include coal?

Mr. CONOVER. No, sir.

Senator WALSH. Senator Bailey made a better argument yesterday for that amendment than I am sure you could make if you took all day. Were you here when he spoke?

Mr. CONOVER. Yes, sir; I heard his statement.

This list shows the strategic and critical materials as to which special provisions are needed to insure adequate supply in a war emergency. The Army and Navy Munitions Board recommends, as one means to this end, the creation of permanent stock piles, a policy with which we are in full agreement. As to some of these materials, such as tin, cobalt, quartz crystals, tantalite, and so forth, together with various nonmineral commodities, domestic sources of production are virtually nonexistent, and most of these materials are on the free list under the existing law. Such materials, of course, would be unaffected by the proposed amendment.

As to other materials, however, including the major nonferrous metals, as well as fluorspar, mercury, cadmium, molybdenum, tungsten, barite, and so forth, our own mines, with the aid of reasonable tariff protection, are able to supply a substantial part or all of our normal requirements. While stock piles of these minerals are essential, as a means of meeting promptly the vastly increased requirements of a military emergency and filling the "pipe lines" of war production, we must recognize that such stock piles are only a first line of defense; that our main reliance, as in the past, must be an active and vigorous mining industry, prepared to maintain the flow of needed mineral raw materials to carry us through.

For the future security of the Nation, the preservation and continued development of these strategic mining industries must be a primary concern of the Congress. The tariff duties on metals and minerals determined upon in 1922 were in most cases unchanged in the 1930 act, and represented the minimum protection required by domestic producers. Foreign mines in many cases have the advantages of lower wage rates and higher metallic content, while our modern mining machinery and engineering talent are readily available to them. Unless positive provision is made against further lowering of the tariff protection on our strategic and critical minerals—protection which has already been seriously reduced in several cases under trade agreements already in force—the continued existence of the domestic industry is gravely imperilled. Lower duties would mean not only captial losses, unemployment throughout entire communities, and relief costs far out of proportion to any benefits from outside trade, but also the permanent loss of valuable ore reserves, and a loss of confidence in the future which would tend to stifle exploration and the development of additional reserves.

The Ways and Means Committee, in adding subsection (d) (a) to section 350 of the act, recognized that certain temporary reductions in tariffs for the period of the war should not establish a base from which further cuts might be made. This applies, for example, to the rates on lead and zinc in the Mexican agreement, which were subjected to a 50 percent cut for the war period but which automatically revert to 80 percent of the statutory rates thereafter. However, even the 80 percent level is too low, and any reduction below this would be disastrous.

In a recent public address on our mineral policy, Elmer Pehrson, Chief of the Economics Branch, United States Bureau of Mines, had this to say with reference to some of the strategic metals:

> Drastic changes in import duties, therefore, would seriously injure the competitive position of domestic producers and result in extensive unemployment in our metal-mining areas and depression in the regions surrounding them. Because mining is usually the only occupation in the region, the problem of stranded population can be anticipated. For two decades before this war, we struggled with a similar situation in our coal-mining regions, and our experience during that period with bootleg conditions and other consequences of the distress in these areas should cause us to go slow in inviting more.

Mr. Pehrson then advocated that prewar tariff rates on these metals be guaranteed for at least 5 years following the war.

It may be contended that the provisions for public hearings and for consultation with other Government agencies in the formulation of trade agreements afford adequate assurance to the mineral industry for the future. Unfortunately, the experience of mining men does not bar out this conclusion.

They have all too painfully in mind the lowering of zinc duties under the second Canadian agreement, which failed notably to carry out the assurances of care and caution in determining tariff reductions. This agreement was signed in November 1938, effective January 1, 1939. The industry was immediately penalized by a drop in price of $7 a ton—the exact amount of the duty cut—to meet the competition of foreign metal offered on the London market for future delivery. Mines and smelters were forced to close, and others continued only because the workers voluntarily accepted lower wages. Production, as shown by actual month-to-month statistics, dropped off. The industry was seriously injured, and only the European war, which broke out in September 1939, saved the situation.

An exchange of correspondence and discussions with the trade-agreements authorities (see 1940 record of Committee on Ways and Means on H. J. Res. 407, pp. 1569–1584 and 2416–2429) showed clearly that the facts had not been adequately investigated or understood.

The Bureau of Mines, the one Government agency fully conversant with the industry, had not even been consulted, although the Director of that Bureau had publicly warned that a reduction in tariff on this important defense metal would not be in the public interest.

Canada, the country with which the agreement was concluded, was not the principal supplier, and the great bulk of the resultant imports of zinc came from other countries. Although all the conditions needed to invoke the "escape clause" were demonstrated at a hearing before the Committee for Reciprocity Information, and although the then chairman of the Senate Finance Committee was so impressed that he stated publicly he thought the industry had been aggrieved and that a mistake had been made, no action was taken to correct the situation.

Senator TAFT. Was the treaty renewed when it came up?

Mr. CONOVER. The treaty is still in effect and the reduction which was made at that time has been continued and enlarged upon in the trade agreement with Mexico, which was made subsequently.

Senator TAFT. By "enlarged upon" you mean——

Mr. CONOVER (interposing). It was enlarged upon through a reduction to 50 percent for the period of the war, with the provision that it would go back to the 80-percent level of the Canadian agreement 1 month after the termination of the emergency.

Senator TAFT. You say in that case you had an actual example of closing down of mines and a voluntary reduction of wages resulting directly from the tariff?

Mr. CONOVER. That is correct. That is shown quite fully in the record of the Finance Committee's hearings in 1940. Mr. Howard I. Young, of St. Louis, the president of the American Zinc Institute, testified at some length on that.

Also in the Mexican agreement, Senator, the duty on lead, which as you know is a coproduct of lead and zinc mines, was reduced from the full statutory rate to 50 percent, with a restoration to only an 80-percent level following the war.

Senator TAFT. May I ask the effect on the industry of this Executive order taking all tariffs off——

Mr. CONOVER (interposing). That was something that the industry opposed in no manner. We didn't oppose even the 50-percent cut in the Mexican agreement as a war measure. We felt that if that would be helpful in any way to the war, when we need these tremendously increased quantities of metals, that we would interpose no objection for the period of the emergency.

Senator TAFT. But the Executive order took all tariff off, didn't it, on anything that went into war production?

Mr. CONOVER. I believe that is true.

Senator TAFT. And that is practically all the imports of zinc?

Mr. CONOVER. Yes. That has not, in itself, had any effect upon the industry.

Senator TAFT. By reason of the war, because they took the full production anyway?

Mr. CONOVER. That is correct.

Senator TAFT. Have you been promised that that order will be rescinded?

Mr. CONOVER. My understanding is that that is under the war emergency powers. We have had no commitment, but that has been the understanding in the industry.

The CHAIRMAN. That it automatically expired?

Mr. CONOVER. That was our understanding.

Senator TAFT. You mean at a particular time?

The CHAIRMAN. Yes.

Senator TAFT. I thought it was just an interpretation of that thing about naval stores.

The CHAIRMAN. I think it automatically expires so many months or days after the war ends. I am pretty sure that that is the case, but I haven't got the act here.

Mr. CONOVER. Mining men do not attribute these unfortunate experiences to bad faith, but rather to an excess of zeal on the part of the trade-agreements staff. They feel strongly, however, that Congress itself should establish a definite policy to insure the preservation of our strategic mineral industries. They would emphasize what your committee already knows, that mining is peculiarly dependent upon long-range planning and confidence in the future. Ordinarily, it takes several years from the time a discovery is made until full production is attained. The entire process of exploring for and opening up ore bodies involves extraordinary risks and heavy investments, and the proportion of successful venture is all too small. Mining men are natural-born optimists—they have to be—but they cannot be expected to assume the inherent hazards of mineral development if, after overcoming all these natural risks they must then face also the uncertainties of administrative control of their destinies through tariff action which can destroy their price structure and their markets.

Accordingly they ask that you exclude the strategic and critical minerals and metals listed by the Army and Navy Munitions Board from further duty reductions under section 350 of the tariff act. They ask that this be done by a specific provision, identifying the minerals thus protected and insuring that they will not be removed from the list or denied such protection by executive action. They do not ask that a similar exclusion be provided under section 336, the "flexible provision" of the act, and that mechanism would still be available for individual adjustments of duty if justified by cost differentials.

The guaranteeing of strategic mineral and metal duties against downward revision in trade agreements will be of the highest value to the mining industries, to the workers which they employ, to the economy of the mining States, and to the future welfare and security of our country. It will serve to restore confidence to an industry in which long-range planning is essential, and provide an incentive for the exploration and development upon which the future existence of the industry depends. It will encourage research in developing new treatment processes whereby noncommercial and hitherto worthless ores may be utilized and the mineral resources of our country adequately developed.

Before concluding, I wish to touch briefly on two other aspects of this problem.

First, it is sometimes urged that to encourage exports of automobiles, agricultural implements, office machines, household appliances, and other products of our mass production industries, we should reduce duties on the metals which go into their manufacture. It should be made clear that there are already ample provisions in the existing tariff act (secs. 311, 312 and 313) making ores and metals from foreign sources available to manufacturers of export articles, either with no payment of duty where smelted and manufactured in bond, or with a refund of 99 percent of the duty as a "drawback" when the manufactured articles are exported. Through these procedures, which are well established and extensively employed, the manufacturer of export goods may take full advantage of any foreign materials that may be available at lower cost, without our abandoning in any way the protection and preservation of our domestic mining industry.

Second, apprehension has been expressed in some quarters over the depletion of known ore reserves in this country as a result of heavy production during the war. It has even been suggested that we should conserve our resources by shutting down our own mines and importing our requirements from abroad. Such a suggestion, however, ignores several fundamental factors.

The conserving of mineral resources is not accomplished by shutting down mines, by allowing them to cave and fill with water so that much of the ore can never be recovered, by scrapping the mining plants and treatment facilities or allowing them to deteriorate, by scattering established technical and operating organizations, and by reducing thriving communities to ghost towns. Such a procedure does not conserve but can destroy our mineral resources. Additions to our mineral reserves are largely developed in the process of mining and advances in the techniques of ore finding, mining, and metallurgical treatment are made by strong and active mining organizations. Without such organizations and a going mining industry, resources in the ground would have no practical value in a national emergency, as it would take too long to bring them into production.

As a result of the magnificant contribution made by our mines to the winning of this war, it is true that blocked-out reserves at many mines have been reduced below normal. In large part, this has been due to the acute shortage of manpower, which has compelled mine operators to take men off development work and put them on production. The normal policy of developing new reserves to keep pace with ore extraction has had to be neglected. But even before the war, for a period of some 10 years, a combination of low prices, high taxes, legislative requirements, and the constant threat of lower duties and intensified foreign competition as a result of the trade-agreements program as administered, had discouraged enterprise and largely removed any incentive to undertake the risks of exploring for new ore bodies. The answer to the present problems of the industry is not to put our mines out of business and to import our requirements; rather it is to create conditions that will permit our mines to operate, that will afford the incentive needed to justify the application of modern prospecting methods, and the heavy expenditures which must be made to find and develop new mines, together with persistent research in devising and perfecting the processes whereby lower grade and hitherto worthless deposits may be utilized.

The suggestion that our mining industries be allowed to die while we meet our needs from abroad was likewise discussed by Mr. Pehrson in the article I have referred to. Mr. Pehrson said:

> From a theoretical viewpoint this argument has appeal, but from a practical standpoint the cost is too great. It imposes too severe a burden on the present generation by asking it to swap a bird in the hand for only one crippled bird in the bush to be saved for the use of future generations. The program would result in resource waste because much of the unmined portions of deposits now developed probably never could be recovered after a prolonged shut down. Also, the abrupt curtailment of mining would present a serious social problem in readjustment of the population that would be stranded in isolated mining areas. Huge capital losses would be incurred. For these reasons, the proposal does not seem to merit serious consideration.

The policy determined upon by Congress in the pending legislation will vitally affect the future of important branches of mining in this country. We believe that the amendment we have suggested is to the best interests of our country and represents sound policy in dealing with the problems that lie ahead. We solicit your earnest consideration of this proposal.

The CHAIRMAN. Are there any further questions?

Senator TAFT. Does your association cover coal?

Mr. CONOVER. Yes, sir.

Senator TAFT. What is the situation as to coal?

Mr. CONOVER. That is not included, sir, on the list of strategic and critical minerals.

Senator TAFT. I understand that, but I wanted to find out about the general effect of the tariff.

Mr. CONOVER. Coal is a commodity of very large bulk. The imports have not been a major part of domestic consumption. We have had protection in the form of an import excise tax on coal, but as to the principal country from which imports come it is not effective, because in that case there is a provision that any country to whom our exports exceed the imports will not be charged this import tax. There are local movements in different parts of the country——

Senator TAFT (interposing). What is that country to which you have reference?

Mr. CONOVER. Canada.

Senator WALSH. Don't we get coal from Russia? I thought we got some in New England at one time?

Mr. CONOVER. I don't have the figures, Senator Walsh. That was before the war, of course, and involved imports of Russian anthracite.

Senator TAFT. There were some imports from Russia in about 1937 and 1938. I don't know under what circumstances, but I only know that there were imports from Russia.

Mr. CONOVER. I don't recall the exact figures, sir.

The CHAIRMAN. In peacetime which of your mineral industries was doing any export business?

Mr. CONOVER. The amount of export business in peacetime was quite small. I was acquainted particularly with the zinc industry which exported to some extent back in the 1920's, but since that time there has been practically none. We have had imports of zinc in recent years.

The CHAIRMAN. Have you exported any copper?

Mr. CONOVER. A certain amount, yes, sir, particularly of foreign copper refined in this country.

Senator TAFT. Should this principle of strategic minerals be extended to things like synthetic rubber?

Mr. CONOVER. I would say that the principle applies as to at least keeping the facilities that would be needed in the event of an emergency. I don't have more than a layman's understanding of the rubber problem, although I know that it is one of the strategic materials that is on the free list, and I would say that the essential principle of being prepared to meet an emergency should be carried out as to all strategic and critical materials.

Senator TAFT. Well, I would suggest that if you had nothing but stand-by rubber plants they would be just like your stand-by mines, and I don't think they would be much good when you started them up again.

Mr. CONOVER. I am not sure that principle applies——

The CHAIRMAN (interposing). It would not take much refinement of reasoning now to extend it to everything, because in modern war everything is an essential, and sometimes becomes strategic.

Senator TAFT. We would also have the problem of the manufacture of synthetic nitrogen in Government plants.

Mr. CONOVER. Our proposal is confined to this list as representing the concentrated, boiled-down thought of the Army and Navy as to those things which are definitely strategic and critical.

Senator MCMAHON. You have attended, I think, most of these hearings since yesterday, haven't you?

Mr. CONOVER. I have been here a good part of the time; yes.

Senator McMAHON. Do you believe that we should erect a wall around the country on everything that we can't produce here?

Mr. CONOVER. On everything that we cannot produce here?

Senator McMAHON. Yes, such as bananas and coffee and tea and so forth.

Mr. CONOVER. No, sir; and as I pointed out in this discussion, many of these strategic materials which are not produced in this country are now on the free list and would not be affected by our proposal.

The CHAIRMAN. Are there any further questions?

Senator JOHNSON. Mr. Chairman, I have an apology to make to the Chairman. I haven't been able to solve how to be in three places at once and I promised Senator Bailey that I would ask one question of Mr. Conover whenever he testified.

The CHAIRMAN. Go right ahead, Senator Johnson.

Senator JOHNSON. Mr. Conover, perhaps you discussed this point before I came in, but did you say whether or not you favored the Bailey amendment, the amendment that Senator Bailey offered yesterday and asked me to take care of for him?

Mr. CONOVER. As I heard that, Senator, and as I understand it, that amendment would be very satisfactory. We think that that is a very desirable amendment.

The CHAIRMAN. He covered that, Senator Johnson, in the record.

Senator JOHNSON. That is what I wanted to be sure of.

I would like to hand a copy of that amendment to the reporter and have him insert it in the record at this point, unless it has been inserted before.

The CHAIRMAN. I think it was inserted, but I am not sure as to that.

Senator JOHNSON. It wasn't inserted in the record yesterday, but in any event I would like to have it inserted here in connection with Mr. CONOVER's testimony.

The CHAIRMAN. Very well, that may be done.

(The amendment referred to is as follows:)

Insert as a new subsection (3) on page 3, between lines 2 and 3, the following:

"(3) No proclamation shall be made pursuant to this section decreasing the duty or other import restrictions on any mineral or metal included in the 'Current List of Strategic and Critical Materials' approved by the Army and Navy Munitions Board November 20, 1944 (table II, S. Doc. No. 5, 79th Cong., 1st sess.)."

The present subsection 3 on line 3 becomes subsection 4.

Senator JOHNSON. I would like to ask Mr. Conover just this one other question. What do you understand is the difference between "critical" and "strategic" minerals?

Mr. CONOVER. There is no difference as between "critical" and "strategic" in the definitions of the Army and Navy Munitions Board at the present time. They formerly had different classes of "strategic," "critical," and "essential," but they have now recast their report on this subject and they make one classification of "strategic and critical" materials, they being those materials as to which special provisions are necessary to insure an adequate supply in the event of an emergency. The major portion of those materials are metals and minerals, although there are also various drugs and fibers and things of that sort.

Senator McMAHON. Mr. Conover, Senator Bailey's interest apparently stems out of the mica situation. What do we pay, laid down in eastern ports, for imported mica?

Mr. CONOVER. I would have to check on that, Senator. It varies for different grades.

Senator McMAHON. Around $6, isn't it?

Mr. CONOVER. I would have to check to be positive.

Senator McMAHON. Do you know what we have been paying for mica domestically?

Mr. CONOVER. We have been paying quite a high——

Senator McMAHON (interposing). About 300 percent more, haven't we?

Mr. CONOVER. As to some minerals, Senator, we have been paying very high prices during the war in order to get out production which is high cost——

Senator McMAHON (interposing). Would you approve, in order to protect the domestic mica industry, or protecting a $20 price if you could import it for $6?

Mr. CONOVER. I would not go beyond, in connection with this discussion here, the suggestion which we made to maintain the existing duties against reduction, and those——

Senator McMAHON (interposing). You would not advocate increasing it?

Mr. CONOVER. Not in connection with this legislation. I don't think it germane to this legislation. I think it is an entirely different subject. But I might say that our duties on these minerals are not prohibitive of imports. We have substantial imports and the existing duties do not exclude imports. They simply provide a reasonable cost differential to protect our own workmen and our own mines as against the lower costs of foreign mines.

The CHAIRMAN. Are there any further questions? Thank you very much, Mr. Conover.

(The document relating to strategic materials, heretofore referred to, is as follows:)

[S. Doc. 5, 79th Cong., 1st sess.]

STRATEGIC MATERIALS

LETTER FROM THE ARMY AND NAVY MUNITIONS BOARD TRANSMITTING, PURSUANT TO LAW, A REPORT ON STRATEGIC MATERIALS

ARMY AND NAVY MUNITIONS BOARD,
Washington, D. C., January 2, 1945.

The Honorable HENRY A. WALLACE,
The President of the Senate.

DEAR MR. PRESIDENT: There is transmitted herewith a report on strategic materials, which is submitted to the Congress by the Army and Navy Munitions Board, pursuant to section 22, subsection (d), of the Surplus Property Act of 1944.

Attention is invited to the fact that tables III and IV of the report are classified as confidential.[1]

This report is simultaneously being transmitted to the Speaker of the House of Representatives.

Sincerely yours,

JAMES V. FORRESTAL,
Secretary of the Navy.

ROBERT P. PATTERSON,
Under Secretary of War.

JANUARY 2, 1945.

I concur in the report.

HAROLD L. ICKES,
Secretary of the Interior.

[1] Not printed.

A Report to the Congress on Strategic Materials

(Submitted by the Army and Navy Munitions Board, pursuant to sec. 22, subsec. (d), of the Surplus Property Act of 1944)

Section 22 (d) of the Surplus Property Act of 1944 (Public Law 457, 78th Cong.), approved October 3, 1944, provides:

"Within three months following the enactment of this Act the Army and Navy Munitions Board shall submit to Congress its recommendations respecting the maximum and minimum amounts of each strategic mineral or metal which in its opinion should be held in the stock pile authorized by the Act of 7 June 1939. After one year from the submission of such recommendations, unless the Congress provides otherwise by law, the Board may authorize the proper disposal agencies to dispose of any Government-owned accumulations of strategic minerals and metals including those owned by any Government corporation when determined to be surplus pursuant to this Act."

Pursuant to this subsection, the Army and Navy Munitions Board herewith submits to the Congress its recommendations. In addition to minerals and metals, as mentioned in the statute, there are a number of fibers, chemicals, drugs, and oils, the stock piling of which is as fully necessary for strategic reasons of national defense as the stock piling of the minerals and metals. Therefore, we are presenting to the Congress the strategic needs of the Nation for raw materials of all types.

The recommendations submitted herein have been derived from several studies made of the subject of stock piling during the past 25 years, and an analysis of stock-piling experience in the present war. A discussion of the considerations leading to these recommendations follows.

For reasons of military security, we are of the opinion that the quantities of materials involved in our recommendations for stock-piling should not be made public. Consequently, tables III and IV, attached hereto,[1] which carry these quantities are classified as confidential.

I. Necessity for Stock-Piling

While the United States has a wealth of natural resources, the Nation's experiences of the past several years have established that it is far from self-sufficient in having available the variety of raw materials necessary to the conduct of a major war (including the maintenance of essential civilian supply). Further, the increasing drain upon and consequent depletion of the Nation's resources, resulting from the heavy demands of the war program, demonstrate conclusively, that the maintenance of stocks of strategic and critical materials is an essential element of national security. The strength of the Axis Powers was derived to a large extent from the stock piles of vital raw materials accumulated in the years preceding the outbreak of hostilities. Likewise, the limited ability of the United States to satisfy its military requirements in the early days of our participation in this war can be substantially attributed to the small stock piles of strategic and critical materials acquired prior to Pearl Harbor.

A. War Shipping

One important consideration making it desirable and necessary to import reserve stocks of raw materials is the difficulty of acquiring adequate supplies of such materials upon the outset of an emergency. At the beginning of war, shipping becomes a serious problem, available ships being immediately needed for the distribution of personnel and supplies as required by the armed forces. At the same time, the requirements in raw materials to meet the needs of our war industries are greatly expanded. A diversion of shipping in order to import those materials is a net loss to the war effort in those cases where this could have been obviated by stock piling such materials in peacetime.

Another compelling reason for stock-piling lies in the fact that at the outset of war we are likely, by reason of enemy operations, to be denied access to the principal world sources of many strategic materials. This fact is clearly illustrated by our experience in early 1942 when the Japanese cut our sea communications to the Far East, with consequent loss to us of our principal sources of supply of tin, rubber, manila fiber, and other necessary materials. While the Far East was completely shut off, other areas became inaccessible in varying degrees as the result of enemy action. Shipping routed to India, the east and west coasts of

[1] Not printed.

Africa, and to South America became endangered and the Mediterranean was practically closed to traffic. Consequently, supplies of material had to go by circuitous and hazardous routes, and large shipping tonnages were thus tied up for long periods of time. In an effort to shorten the time lag in transportation from foreign countries to the war plants in the United States, substantial tonnages of certain heavy materials had to be flown from China, Africa, India, and South America. As another example, we note that in the winter of 1942–43 substantial tonnages of bauxite from the Guianas were lost due to submarine sinkings; these losses, in turn, threatened to curtail aluminum production, placed an additional burden upon domestic mining facilities, and drew labor from other important war production.

In war, as well as in peace, there are many commodities, particularly foods, fats and oils, and fibers, which must be shipped periodically because of perishability or seasonal output. Since the major portion of raw materials essential to the production of munitions, particularly minerals, are not subject to deterioration through storage, acquisition, and stock piling of these materials prior to war will make available larger amounts of shipping space to move such commodities as coffee, sugar, palm oil, cocoa beans, copra, and other important seasonal or perishable items. In particular, during the war necessary heavy movements of coffee and sugar from the Caribbean area and South America have imposed shipping shortages in these areas necessitating a very strict allocation of space for strategic or critical materials.

Obviously, the necessity for importing extraordinarily large tonnages of raw materials vital to the munitions program under the most hazardous conditions, imposes heavy responsibilities on the Navy in escorting such movements and, in consequence, reduces the availability of fleet units for direct military operations.

B. EXPANDED REQUIREMENTS IN WAR

Aside from shipping difficulties, the Nation has been faced with the problem of obtaining sufficient supplies of imported raw materials from established sources. Experience has proved that the mining and other production of raw materials cannot, without many difficulties, be expanded to meet the rapidly increasing demands of our own military services and those of our allies. Considerable time is required to develop new sources of supply and to increase the production of existing mines and smelters. In this war it has been necessary sometimes to adopt extraordinary measures, such as the furloughing of soldiers for work in the mines, in order to increase the production of copper and zinc. It has further proved necessary in some cases to establish costly incentives for vital materials to insure production of adequate supplies thereof.

The securing during wartime of safe margins of reserve stocks for wartime use of strategic or critical materials is a difficult undertaking, and is indeed impossible in many cases. Such margins of reserves require procurement of these materials in amounts substantially in excess of amounts required for current consumption. Acquisition of supplies from foreign sources is hampered by rapidly rising prices, increased shipping and insurance costs, and trade barriers. Furthermore, our enemies during a war are actively engaged in preclusive buying

C. WARTIME EFFICIENCY

Adequate stock piles of strategic and critical materials at the outset of hostilities permit a more effective form of governmental control of supplies than would otherwise be the case. The materials can be more efficiently allocated to important needs, and available shipping space can be more effectively utilized to bring in those materials which must be imported. Stock piles would also tend to eliminate much of the confused competition among procurement and consuming agencies, both here and abroad, and the practice of hoarding which prevailed to some degree in 1941 and 1942.

Acquisition prior to a war of materials of grades and qualities not economically available in this country also makes possible the greater use during an emergency of certain lower-quality domestic materials which would otherwise not be usable by our manufacturing industries, and which can be mixed or blended with the high-grade materials from the stock pile.

Another obvious advantage of prewar stock piling is a more efficient utilization of labor and equipment. To the extent that adequate stock piles are maintained in this country, available labor and facilities can be used more effectively for other purposes.

During this war many less desirable materials had to be substituted for materials available elsewhere in the world, with the result that end products were often less useful or less convenient than would otherwise have been the case. We recognize, however, that shortage of facilities and manpower has also contributed to our forced acceptance of less desirable products. We want to emphasize that the ultimate goal of the Army and Navy Munitions Board is a sufficient supply of materials so that this Nation, in event of a future emergency, can develop an efficient military machine in the shortest period possible, and, at the same time, maintain a sound civilian economy. If the Congress deems it advisable to adopt the program outlined herein, and if continuous efforts are made to adjust the program to changing circumstances and unforeseen developments, it is believed that there will be less need to make use of substituted and more expensive materials in the event of a future war.

D. DEPLETION OF DOMESTIC RESERVES

The domestic production of certain minerals and metals in this war has increased beyond all previous records, and our reserves have been depleted at an alarming rate. The quantity of minerals produced in 1943 was 57 percent greater than the output in 1918 and 23 percent above that in the boom year, 1929. Unless new reserves are discovered, therefore, our country in the future will be even more dependent upon foreign sources than it has been in the past and, to a large extent, stock-pile goals must therefore be raised. The continuance of the existing domestic program of exploration of natural resources is clearly imperative. In addition, the rapid depletion of our domestic reserves emphasizes the extreme importance of developing a program for obtaining information on the location and extent of world resources and for acquiring stock piles of raw materials in which this country is largely deficient.

E. GENERAL CONSIDERATIONS

On account of the considerations discussed in the foregoing, the stock piles of manila fiber and quinine and other materials accumulated under the act of June 7, 1939, and the stocks of crude rubber acquired by other arrangements, have proved invaluable. Likewise, the early action of the Reconstruction Finance Corporation in procuring manganese and tin has been most helpful to the war programs. We should also note that the initiative and patriotism of the manufacturers of the Nation in building up their working stocks of needed materials before the war and in the early phase of the war alleviated the situation with respect to critical materials. Nevertheless, it still proved necessary strictly to conserve existing stocks in order to meet military requirements and essential civilian needs. Conservation in this war has necessitated drastic reduction in, or substitution of, less desirable materials for materials normally used in our manufacturing processes. The results, in some cases, were higher costs, higher replacement rates, and delays caused by altering industrial processes and rearranging facilities, as well as some less desirable products for civilian consumption. Much effort and time could have been saved for other important tasks had a program been started well in advance of the war to accumulate strategic raw materials and to plan for the expansion of facilities for their production. Moreover, during the last two major conflicts this country has been fortunate in having access to large foreign sources of raw materials in friendly countries. A different alinement of nations in a future war, involving enemy control of different geographic areas, might drastically curtail the movements of such materials into the United States.

In concluding this discussion of the reasons for stock-piling, we interpose a word of caution as to the extent of reliance which is to be placed upon this means of national security. We must not delude ourselves by adopting a Maginot line psychology by relying solely or too heavily on stock-piling as a measure of national defense. Our strategy of national defense will be properly based upon many other considerations of which stock-piling is one of the essential parts.

II. Recent Stock-Pile History and Legislation

For years the War and Navy Departments have been interested in a program for the stock piling of strategic and critical materials. Since early 1921 the Departments have made continuing studies toward the development of such a program.

In 1933 the President appointed the National Resources Board, under which the Planning Committee for Mineral Policy formed under this Board made a study of our natural resources and subsequently recommended the acquisition of stock piles of so-called deficiency mineral. The President thereupon asked the War Department for detailed stock-pile recommendations and, in 1936, Congress asked the Navy Department to make a similar study. These investigations have developed the basic data for the planning of a stock-pile program.

The Departments concluded as a result of these studies that the accumulation of reasonable stock piles of certain materials against a war emergency was required in the best interest of the Nation. Statutory authority for such stock piling was granted in 1937, when the sum of $3,500,000 was included for the purchase of strategic and critical materials in the 1938 Naval Appropriation Act (approved April 27, 1937). Appropriations for the Navy for the fiscal years 1939 and 1940 each carried an item of $500,000 for the same purpose. With these funds the Navy purchased tin, manganese, tungsten, chrome, optical glass, and manila fiber.

A. ACT OF JUNE 7, 1939

During the fall of 1938 and the spring of 1939 the Army and Navy Munitions Board, with the assistance of the State and the Interior Departments and other interested departments, further developed studies and recommendations on stock-piling which were presented to the Congress. These recommendations were followed by the act of June 7, 1939, which authorized and directed the Secretaries of War, the Navy, and the Interior, acting jointly through the Army and Navy Munitions Board, to determine what materials were strategic and critical, and the quantities and qualities of such materials that should be purchased for stock piles. The Secretaries of State, the Treasury, and Commerce were directed to designate representatives to cooperate with the Secretaries of War, the Navy, and the Interior in carrying out the provisions of the act. Materials cannot be released from stock piles under the statute except at the direction of "the President in time of war, or when he shall find that a national emergency exists with respect to national defense as a consequence of the threat of war," with the exception that materials may be released for rotation to avoid deterioration. This provision was to freeze the materials in the stock piles, so that such accumulated stocks would not have a depressing effect on markets. The act of June 7, 1939, was amended by the act of May 28, 1941, to allow the proceeds from sales or other dispositions of the strategic and critical materials acquired under the act to revert into a revolving fund, to be used to purchase more materials. For the purpose of carrying out the provisions of the statute, $100,000,000 was authorized to be appropriated during the fiscal years 1939 to 1943, inclusive. Under this authorization, appropriations totaling $70,000,000 were subsequently made by the Congress as follows:

Public Act No. 361, 76th Cong. (Aug. 9, 1939)	$10, 000, 000
Public Act No. 442, 76th Cong. (Mar. 25, 1940)	12, 500, 000
Public Act No. 667, 76th Cong. (June 26, 1940)	47, 500, 000

The departments concerned did not request appropriation of the remaining $30,000,000 which the Congress had authorized because under the act of June 25, 1940, hereinafter discussed, stock piling for national defense was put on a much broader basis than was possible under the act of June 7, 1939; consequently, the need for procurement of materials under the latter act for the time being became unnecessary. Authorization for further appropriations under this act lapsed June 30, 1943.

As of October 31, 1944, the status of the funds appropriated under the act of June 7, 1939, was as follows:

Total appropriations	$70, 000, 000. 00
Proceeds expended and committed for purchase of materials (including administrative charges)	55, 263, 737. 89
Total	14, 736, 262. 11
Proceeds realized from release of materials	8, 845, 792. 00
Unobligated available funds	23, 582, 054. 11

Table I, appended hereto, is a statistical summary of stock-piling activity under this statute, indicating the quantities delivered and the quantities released up to October 31, 1944.

We should point out that the materials stock-piled under this act have served as a real protection and have been treated as a "last ditch" reserve. Moreover, the accumulations of such materials as manila fiber, block mica, and quinine proved invaluable. The manila fiber acquired under the statute represented the only sizable stock pile of this material, the supply being strictly apportioned to take care of only the most urgent needs until such time as other sources (such as the development of plantations in Central America) would become available. The availability of quinine sulfate has also been a vital factor contributing to successful military operations in the malaria-ridden areas of the Far East and the South Pacific. Total lack of these two items might have proved disastrous.

B. ACT OF AUGUST 11, 1939

A further statutory provision for stock-piling of strategic materials enacted during this period was the act of August 11, 1939, which authorized the Commodity Credit Corporation to exchange surplus agricultural commodities produced in the United States for stocks of strategic and critical materials produced abroad. Under this act arrangements were made for the exchange of United States cotton for crude rubber held by Great Britain. It was because of such exchange that the Army and Navy Munitions Board did not include rubber in the initial procurement program set up under the act of June 7, 1939.

C. RECONSTRUCTION FINANCE CORPORATION AND TREASURY PROCUREMENT DIVISION

As early as the middle of 1940, it had become evident that action was necessary to increase stock-piling activities substantially beyond the scope authorized by the act of June 7, 1939. This legislation had been drawn primarily to provide a basis for stock-piling operations in peacetime, but before such operations could be successfully completed war broke out in Europe and our trade relationships with the belligerents were upset. Our own defense production programs increased very rapidly during the years following the passage of the act; it became obvious that the requirements of industry would absorb a large part of materials which, under normal circumstances, would have been held as a reserve. Consequently, it was necessary to broaden the base of stock-piling beyond that provided under the act of June 7, 1939.

Following the outbreak of the war in Europe the Government was forced to give further attention to the accumulations of strategic materials through the facilities of the Reconstruction Finance Corporation. In May 1940 representatives of the Reconstruction Finance Corporation and of the Army and Navy Munitions Board agreed that the former would procure manganese, rubber, and tin, and that the Treasury Procurement, under the direction of the Army and Navy Munitions Board, would procure other strategic and critical materials, within the limit of funds available under the act of June 7, 1939. This arrangement was made to avoid competition within the Government in the procurement of the critical items.

The act of June 25, 1940, gave broad authority to the Reconstruction Finance Corporation to produce, acquire, and carry strategic and critical materials as an aid to the Government in its national defense program. Almost all procurement of stock piles of strategic and critical materials to meet the production needs of the present war has been done under this authority. When this method of procurement was put into full operation, the Army and Navy Munitions Board virtually suspended procurement under the act of June 7, 1939. Contractual obligations already entered into, however, were executed whenever practicable.

III. Development of Stock-Pile Policy

In the emergency period prior to Pearl Harbor, and in the early days of the war, stock-piling policy was generally to acquire all available stocks of certain imported strategic and critical materials, since stocks of such materials in this country were greatly inadequate. The maximum amounts of these materials to be stock-piled were constantly being increased by the Army and Navy Munitions Board as military and lend-lease requirements vaulted upward.

The immediate requirements of industry in many instances made it essential to use the materials as fast as they were acquired, thus making it impossible to establish any substantial reserves. These difficulties are reflected in the combined public purchase and stock-pile program of the Office of Production Management and its successor, the War Production Board. Until August 1943 stock-pile objectives remained, in general, on a 3-year emergency basis, but at that time the

War Production Board adopted a policy establishing stock-pile objectives at 1 year's requirements. This was not, in most cases, a policy of retrenchment, for it had been impossible even to approach the desired goals. The Joint Chiefs of Staff, who had been asked to approve such a program, emphasized the importance of using the figure set for 1 year's requirements merely as a guide to over-all policy, and of considering specific materials on the basis of the particular circumstances affecting the supply of each material. This decision, in part, reflected an awareness of the adverse psychological effect of large stock piles on industry, which was anticipating with misgivings the effect of these accumulations at the end of the war. The War and Navy Departments indicated that they favored legislation which would give assurance to industry that the stock piles existing at the end of the current war would be sequestrated for future national emergency or otherwise frozen to prevent disruption of industry.

As the military outlook improved, the War Production Board in February 1944 again revised the wartime stock-piling policy, to establish the stock-pile objective as 3 months' total requirements or 1 year's requirements, less anticipated North American production, whichever was higher. When the approval of the Joint Chiefs of Staff was sought, that body reiterated its position that a formula should be used only as a general guide and that the stock-pile levels for particular materials should be based upon the particular circumstances affecting the supply of each material. At the same time the War Production Board outlined the several major considerations governing its wartime stock-piling policy. While these factors applied particularly to the conditions prevailing at that time, they are equally applicable today, and generally to the accumulation of reserves of strategic and critical materials, and we, therefore, set them forth below:

(*a*) The possibility of losing producing territories to the enemy;

(*b*) The possibility of interruption of imports because of loss or diversion of transportation facilities through sinkings or the opening of other fronts;

(*c*) The possibility of a failure of land transport as a result of military operations or port congestion;

(*d*) The possibility of temporary disruption of either foreign or domestic production occasioned by labor difficulties, labor shortage, accidents, or sabotage;

(*e*) The possibility of shortages that might be caused by increased future requirements; and

(*f*) The possibility of relatively serious interruption of supplies owing to concentration of production.

These discussions emphasized the need of coordinating the existing wartime stock-piling policy and a postwar stock-piling policy. Looking forward to the necessary relationship between stock-piling and disposal of surplus war materials, the Army and Navy Munitions Board, in the latter part of 1943, reconstituted its Strategic Materials Committee, which is composed of representatives of the War, Navy, and the Interior Departments. The Strategic Materials Committee has the duty to assist the Board to develop policies as to the stock-piling of strategic and critical materials under the act of June 7, 1939, and to coordinate such policies with those of other Government projects similar in purpose. This Committee has maintained liaison with the representatives of the Departments of State, Treasury, and Commerce under the act of June 7, 1939, and has also received m uc information from the War Production Board.

The first task of the Strategic Materials Committee was the formulation, in the light of war experience, of a new definition of strategic and critical materials and the revision of the Army and Navy Munitions Board's list of strategic and critical materials. On March 6, 1944, the Army and Navy Munitions Board approved the following definition of strategic and critical materials, prepared by the Strategic Materials Committee: "Strategic and critical materials are those materials required for essential uses in a war emergency, the procurement of which in adequate quantities, quality, and time is sufficiently uncertain for any reason to require prior provision for the supply thereof."

The adoption of one broad definition with emphasis upon the importance of "prior provision" and the recognition that physical stockpiling represents only one of the several media for assuring adequate supplies of strategic and critical materials led to classifying such materials into three major subdivisions, based on the following corollary definitions:

"Group A comprises those strategic and critical materials for which stock-piling is deemed the only satisfactory means of insuring an adequate supply for a future emergency.

"Group B comprises additional strategic and critical materials the stock-piling of which is practicable. The Army and Navy Munitions Board recommends their acquisition only to the extent they may be made available for transfer from Government agencies, because adequacy of supply can be insured either by stimulation of existing North American production or by partial or complete use of available substitutes.

"Group C comprises those strategic and critical materials which are not now recommended for permanent stock-piling because in each case difficulties of storage are sufficient to outweigh the advantages to be gained by this means of insuring adequate future supply."

In addition to the materials included in the above groups, the conduct of a war requires the use of an encyclopedic list of semiprocessed and processed materials, such as aviation gasoline, synthetic rubber, chemicals, drugs, ferroalloys, steel, light metals, and the like. In order that peacetime production may be quickly expanded to a wartime footing, a constant review of the facilities available to meet anticipated requirements will be necessary, together with continuing studies of new processes.

In accordance with the act of June 7, 1939, the Board has adopted the term "strategic and critical materials" in connection with the acquisition of stock piles authorized by that act. However, it has been found impractical to differentiate between strategic materials and critical materials. Accordingly, the term "strategic and critical," as used in the act of June 7, 1939, is regarded as synonymous with the term "strategic" as used in the Surplus Property Act of 1944.

There is presented in table II, attached hereto, the Army and Navy Munitions Board's current list of strategic and critical materials, dated November 20, 1944. This is the latest revision of the list adopted March 6, 1944. The listing of materials in groups A, B, and C does not imply that materials in any one group are more or less important to national security than material in any other group. The division is made entirely on the basis of the relative need for physical stock-piling or other "prior provision." The group B materials are just as suitable for stock-piling as those in group A; however, since adequacy of supply from a strategic standpoint can be assured by other means, expenditure of public funds for peacetime stock-piling is not justified. If conditions develop which appear to endanger the adequacy of supply or which indicate that ultimate economies can be secured by stock-piling substantial quantities of any group B material, such material will be transferred to group A. On the other hand, materials in group A may be shifted to group B as circumstances may warrant.

Most of the group C materials cannot suitably be stock-piled. Experience has proved, however, that advance planning of stocks of the group C materials is required to insure availability of an adequate supply for a future emergency. We have thought that the best assurance of adequate supplies of some group B as well as group C materials can be accomplished by the maintenance of permanent advisory committees representing technical personnel from industry, the civilian government agencies, and the military, to keep a check on these materials. In this way important technological developments can be readily applied to mobilization planning and needed facilities can be anticipated. Magnesium is a good example—while reserves of magnesium in mineral form in this country are abundant, the prewar production capacity has proved to be quite inadequate for war needs; thus, at the outset of the defense program the expansion of magnesium-production capacity became a major problem.

Advisory committees which will facilitate the adoption of technological improvements in the production and use of materials and the provision of facilities therefor are needed with respect to groups A and B materials, as well as with respect to the group C materials.

IV. Recommendations of the Army and Navy Munitions Board as to Materials To Be Stock-Piled

A. QUANTITY OF MATERIALS

On the basis of the considerations and principles heretofore outlined, the Army and Navy Munitions Board has formulated recommendations as to the minimum and maximum quantities of strategic materials which should be stock-piled (in accordance with the act of June 7, 1939). Table III,[1] attached hereto as a confidential supplement, sets forth the minimum and maximum quantities of group A materials as earlier defined. Table IV,[1] attached hereto, also as a confidential supplement, sets forth the minimum and maximum quantities of group B materials which we believe should be stock-piled.

[1] Not printed.

Tables III and IV,[1] in conjunction with table II (current list of strategic and critical materials), constitute inseparable parts of the over-all program for stock-piling materials. While the need for the availability of the several materials differs in degree, all of them are indispensable from the standpoint of national security. Materials in all groups must be subjected to constant surveillance and review, thus affording that flexibility which must be a basic part of any stock-piling program.

Group A includes bauxite. An equivalent metallic content in the form of aluminum ingot would be satisfactory in lieu of part of the bauxite requirement. With development in metallurgy, some other ores in group A, such as manganese or chromite, may be replaced in appropriate degree by the material in metallic form.

The minimum quantities of group A materials set forth in table III [1] represent the minima which should be maintained in peacetime to provide for the security of the United States in a future war emergency. In our opinion, failure to accumulate and maintain these minimum stocks will seriously endanger the national security because of shortage of such materials to meet the needs of essential war production. The quantities have been computed on the basis of certain strategic assumptions furnished to the Board by the Joint Chiefs of Staff, and United States consumption (including military, lend-lease, and essential civilian requirements) during the peak year of the present war to date. In addition, the figures reflect the following considerations.

(*a*) Compensation for any known depletion of, or reasonably certain increases in, available resources in the United States;

(*b*) A similar compensation for known anticipated changes in resources of material outside the United States (as to which we have comparatively meager information at the present time);

(*c*) Adjustment for anticipated increases or decreases in future military requirements as the result of technological changes already evident;

(*d*) Adjustments wherever consumption data indicate that it has been necessary to use inferior grades of material in the present war; and

(*e*) Limitations imposed upon the stock piles of perishable materials by reason of the necessity of rotating the quantities involved.

For group B materials the minimum quantities recommended in table IV [1] are in each case zero, since supply of these materials can be assured by means other than stock-piling.

The maximum quantities for group A materials represent those quantities necessary, in our opinion, to provide additional security, based on a current evaluation of certain considerations other than those above. Included among such considerations are—

(*a*) Supply from foreign sources as it may be affected in a future emergency by international political and economic conditions;

(*b*) The inordinate expenditures of manpower, equipment, and money which may be required to build up supplies of certain materials;

(*c*) Maintenance of an industrial economy at a higher level of efficiency than that prevailing during the current emergency by minimizing drastic dislocations resulting from critical shortages; and

(*d*) Requirements as they may be affected by the civilian needs of a population of the United States larger than the present population.

The maximum quantities for group B materials have been established on the basis of considerations similar to but not identical with those used in determining group A maxima.

These considerations will require continuous review and analysis, by all Government agencies concerned, of both the minimum and maximum quantities established.

We would emphasize the obvious fact that within practical limits the larger the stock pile, the greater the degree of security provided. The recommended maximum quantities (for other than perishable materials) represent the largest amounts which we feel at present justify the expenditure of public funds. In the case of perishable materials the maximum quantities are limited by the quantities which can be rotated within peacetime levels of consumption. It is, therefore,

[1] Not printed.

evident that with respect to such materials the maxima herein presented do not provide the maximum national security obtainable by stock-piling. With the reservations previously noted, the acquisition of any group B material is recommended only to the extent of its availability under the Surplus Property Act of 1944.

B. QUALITY OF MATERIALS

In formulating the minimum and maximum quantities listed in tables III [1] and IV,[1] we have given due consideration to the necessity of stock-piling materials of such quality and in such form as to render them readily usable by the manufacturing industries of the country in wartime. Specifications have been prepared on this basis, and are on file in the office of the Army and Navy Munitions Board.

These specifications are an essential part of the stock-pile recommendations and have been a critical factor in determining the quantities recommended. It cannot be too strongly emphasized that the minimum amounts recommended for stock-piling will, in our opinion, provide for the security of the Nation only if the quality and standards set forth in the specifications are met. Under section 22 of the Surplus Property Act of 1944, considerable quantities of materials which fail to meet these specifications will probably be transferred to the stock piles. Transfers of such materials should not be charged against the requirements of the minimum stock-pile quantities. They may, however, be considered part of additional accumulations between the maximum and minimum quantities recommended, and they should promptly be converted into products meeting stock-pile specifications.

V. Suggestions as to Future Stock-Pile Legislation

We recommend that the Congress adopt further stock-piling legislation in order to eliminate certain undesirable features of established policies relating to the procurement and release of materials for Government stock-piling. In view of the substantial depletion of domestic resources during the present war, statutory domestic preference requirements, allowing a year for deliveries from domestic production and the preference for domestic materials, as provided in the act of June 7, 1939, and the Buy American Act, respectively, are too restrictive. We believe that these requirements must be relaxed. Provision should also be made to permit the disposal of materials in stock piles which have become obsolete, due to technological developments, as well as to permit rotation of those which are subject to deterioration.

We further emphasize that the acquisition of stock piles in even the minimum quantities recommended in this report must be a gradual process, and will require periods ranging from 1 to 10 years, depending upon the material to be accumulated. This is because production of some of the materials in normal times is little beyond normal requirements of peacetime industry. In view of this fact, and the likelihood that in a future war we shall not have the time required to make the necessary provision for materials, it is important that an early beginning be made toward accomplishing a sound stock-pile program.

Closely related to stock-piling are several other measures that should be given consideration in connection with any plan for the supply of strategic materials in war. On account of the direct bearing which these measures have on the kinds and quantities of materials that should be stock-piled, it seems appropriate to include them under these suggestions for future legislation. We refer to provisions for stand-by facilities, pilot-plant operations, continuous technological research, and the development of more economical processes for the utilization of domestic marginal resources.

We shall be glad to discuss our recommendations as to stock-piling programs as set forth herein, and to develop in detail our suggestions as to further stock-piling legislation, as we may be directed by the Congress.

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[1] Not printed.

APPENDIX

TABLE I.—*Statistical summary of stock-pile activity under act of June 7, 1939*

Material	Unit of measure	Quantity purchased to Oct. 31, 1944	Quantity released to Oct. 31, 1944	Balance in stock pile Oct. 31, 1944
Cadmium	Pound	399, 672. 47	399, 672. 47	None
Chrome ore	Long ton	239, 830	None	239, 830
Industrial diamond	Carat	1, 089, 146. 19	None	1, 089, 146. 19
Manganese ore	Long ton	128, 666	None	128, 666
Manila fiber	Bale	146, 057	146, 057	None
Mercury	Flask	20, 010	None	20, 010
Mica:				
Block	Pound	700, 646⅝	700, 646. 5/8	None
Splittings	do	5, 000, 512½	None	5, 000, 512. 1/2
Monazite sand	Metric ton	2, 934	None	2, 934
Optical glass	Pound	12, 176. 75	12, 176. 75	None
Quartz crystals	do	52, 413	14, 718	37, 695
Quinine hydrobromide	Ounce	1, 491, 457	None	1, 491, 457
Quinine sulfate	do	7, 194, 749	4, 917, 382	2, 277, 367
Tin (pig)	Short ton	11, 457	None	11, 457
Tungsten ore	do	5, 830	None	5, 830

ARMY AND NAVY MUNITIONS BOARD,
Washington, D. C.

TABLE II.—*Current list of strategic and critical materials*

[The following forms an inseparable part of the strategic and critical materials list]

1. The definition of strategic and critical materials is as follows: "Strategic and critical materials are those materials required for essential uses in a war emergency, the procurement of which in adequate quantities, quality, and time is sufficiently uncertain for any reason to require prior provision for the supply thereof.

2. Within the above definition, materials are listed either in group A, group B, or group C, according to the following provisions:

(*a*) Group A comprises those strategic and critical materials for which stock-piling is deemed the only satisfactory means of insuring an adequate supply for a future emergency.

(*b*) Group B comprises additional strategic and critical materials, the stock-piling of which is practicable. The Army and Navy Munitions Board recommends their acquisition only to the extent they may be made available for transfer from Government agencies because adequacy of supply can be insured either by stimulation of existing North American production or by partial or complete use of available substitutes.

(*c*) Group C comprises those strategic and critical materials which are not now recommended for permanent stock-piling because in each case difficulties of storage are sufficient to outweigh the advantages to be gained by this means of insuring adequate future supply.

3. Materials in group A may be acquired in the manner prescribed for group B. Materials in all three groups are subject to constant surveillance and review. Additions to, or deletions from, the list, or movement of materials between groups, may be made, based upon future changes in their strategic and critical status.

4. The conduct of a war requires the use of an encyclopedic list of semiprocessed and processed materials, such as aviation gasoline, synthetic rubber, chemicals, drugs, ferroalloys, steel, light metals, etc. Elevation from peacetime production to a wartime footing will necessitate constant review of the facilities available to meet anticipated requirements.

Approved (for the Army and Navy Munitions Board, November 20, 1944):

LEWIS L. STRAUSS,
Captain, United States Naval Reserve.

F. R. DENTON,
Colonel, General Staff Corps.

Concurrence (for the Secretary of the Interior):

E. W. PEHRSON,
Department of the Interior.

CURRENT LIST OF STRATEGIC AND CRITICAL MATERIALS

GROUP A.—*Materials for which stock-piling is deemed the only satisfactory means of insuring an adequate supply for a future emergency*

Agar.
Antimony.
Asbestos:[1]
  Rhodesian chrysotile.
  South African amosite.
Bauxite.
Beryl.
Bismuth.
Cadmium.
Castor oil.[2]
Celestite.
Chromite:
  Metallurgical grade.
  Refractory grade:
    Rhodesian origin.
    Other origin.
Cobalt.
Coconut oil.[2]
Columbite.
Copper.
Cordage fibers:[2]
  Manila.
  Sisal.
Corundum.
Diamonds, industrial.
Emetine.
Graphite:
  Amorphous lump.
  Flake.
Hyoscine.
Iodine.[1]
Jewel bearings:
  Instrument jewels, except V jewels.
  Sapphire and ruby V jewels.
  Watch and timekeeping-device jewels.
Kapok.[2]
Kyanite, Indian.
Lead.
Manganese ore:
  Battery grade.
  Metallurgical grade.
Mercury.
Mica:
  Muscovite block and film, good stained and better.
  Muscovite splittings.
  Phlogopite splittings.
Monazite.
Nickel.
Opium.[1 3]
Optical glass.
Palm oil.[2]
Pepper.
Platinum group metals:
  Iridium.
  Platinum.
Pyrethrum:[2] Quartz crystals.
Quebracho.
Quinidine.
Quinine.[1]
Rapeseed oil.[2]
Rubber:[1 2]
  Crude rubber.
  Natural rubber latex.
Rutile.
Sapphire, and ruby.
Shellac.[2]
Sperm oil.[2]
Talc, steatite, block or lava.
Tantalite.
Tin.
Tung oil.[2]
Tungsten.
Vanadium.
Zinc.
Zirconium ores:
  Baddeleyite.
  Zircon.

GROUP B.—*Materials practicable for stock-piling, but recommended for acquisition only to the extent available for transfer from Government agencies because adequacy of supply can be insured either by stimulation of existing North American production or by partial or complete use of available substitutes*

Aluminum.
Barite.
Chalk, English.
Chromite.
  Chemical grade.
Cryolite, natural.
Diamond dies.
Emery.
Fluorspar.
  Acid grade.
  Metallurgical grade.
Graphite.
  Crystalline fines.
Magnesium.[1]
Mica.
  Muscovite block, stained and lower.
  Phlogopite block.
Molybdenum.
Platinum group metals.
  Osmium.
  Palladium.
  Rhodium.
  Ruthenium.
Selenium.
Talc, steatite, ground.
Wool.[1 2]

[1] Require special storage conditions.
[2] Require rotation of stocks.
[3] Stocks to be held by Treasury Department, Bureau of Narcotics.

GROUP C.—*Materials which are not now recommended for stock-piling*

Asbestos.[1]
  Canadian chrysotile.
Bristles, pig and hog.[2]
Burlap, jute.[2]
Cordage fibers.[2]
  Hemp, true American.
  Henequen.
  Jute.
Cork.[2]
Iron ore.
Leather.[1 2]
  Cattle hides.
    Heavy.
    Light.
  Calf and kip skins.
Loofa sponges.[1]
Lumber.
  Balsa.
  Mahogany.
Petroleum and petroleum products.[1 2]
Radium.[1 2]
Scrap, iron and steel.
Sesame oil.[2]

The CHAIRMAN. Mr. Wilken?

Mr. WILKEN. Yes, sir.

The CHAIRMAN. Will you be seated? You are appearing for the National Association of Commissioners of Agriculture?

Mr. WILKEN. That is right, Mr. Chairman.

The CHAIRMAN. Did you appear before the Ways and Means Committee?

Mr. WILKEN. I did, sir.

The CHAIRMAN. You may proceed, but since we have your testimony in the report of the House, I would like for you to give us the substance, as far as you can, of your position.

Mr. WILKEN. With the permission of the chairman, I would like to read this statement—it is very brief—and then answer whatever questions are asked when I get through.

The CHAIRMAN. All right.

STATEMENT OF CARL H. WILKEN, THE NATIONAL ASSOCIATION OF COMMISSIONERS, SECRETARIES, AND DIRECTORS OF AGRICULTURE

Mr. WILKEN. Mr. Chairman and members of the committee, I am testifying on behalf of the national association of Commissioners, Secretaries, and Directors of Agriculture and have a letter of authority from H. K. Thatcher, president of the national association, which I would like to make part of the record.

(The letter referred to is as follows:)

THE NATIONAL ASSOCIATION OF COMMISSIONERS,
SECRETARIES, AND DIRECTORS OF AGRICULTURE,
Washington, D. C., May 29, 1945.

Mr. CARL H. WILKEN,
Economic Analyst, Educational and Economic Research Committee, National Association of Commissioners, Secretaries, and Directors of Agriculture, Washington, D. C.

MY DEAR MR. WILKEN: This is your authority to represent me, as president of our national association, before the Senate Finance Committee, which is currently discussing House Resolution 2652 which is designed to extend the reciprocal trade agreements and to further reduce tariffs.

The National Association of Commissioners, Secretaries, and Directors of Agriculture has repeatedly gone on record requesting the Congress to provide

[1] Require special storage conditions.
[2] Require rotation of stocks.

parity prices for the basic agricultural commodities. The association is especially interested that no act of Congress shall be passed which will in any way nullify provisions already made to maintain parity prices on agricultureal products for the duration of the war and for the 2-year period following the cessation of hostilities.

I trust that you will point out to the Senate Committee on Banking and Currency the fundamental economic factors related to the protection of American agriculture at the parity levels.

Very truly yours,

NATIONAL ASSOCIATION OF COMMISSIONERS,
SECRETARIES, AND DIRECTORS OF AGRICULTURE,
H. K. THATCHER, *President.*

Lack of time prevents any detailed statement, and I respectfully refer this committee to our statement and cross-examination before the Ways and Means Committee for a more extended discussion.

On this basis of almost 8 years of research work in regard to the economy of the United States, I would like to point out that the extension of the trade-agreements program with the added powers to reduce tariffs below the present level is an excellent blueprint for a postwar depression. The act and the theories which have been used to support it are contrary to the basic economy and form of government which we have.

Our forefathers designed the Constitution to protect the civil and religious freedom of our citizens. They realized that as a foundation for such freedom they would have to protect their economic freedom as well.

They gave to Congress the express power to regulate the value of the American dollar. That power carries with it the right to regulate the price of goods and services which are exchanged by the use of the dollar as a measure of value.

To protect this power of Congress, the first session of Congress passed a tariff act. The tariff was designed for a twofold purpose—first, as a means of revenue for the National Government and, second, as a protection against foreign interests who might wish to control our prices and in turn the economic welfare of our people.

The growth of the United States from a nation of 3,000,000 people to a nation of 139.000,000 is unequaled in world history. Operating under the basic economy set out in the Constitution, the United States, with only 6 percent of the people of the world, is doing about 50 percent of the world's dollar business, using 70 percent of the world's automobiles, using approximately 50 percent of the world production of rubber, copper, lead, tin, and zinc.

Past experience with tariff revision shows that when tariffs were reduced two things generally happened. The Government ran short of funds and our price level was broken down, with the resulting depression.

Proponents of the program contend that tariffs are a barrier to trade. That premise is false and the simple fact that our imports in 1929 in almost every item were greater than in 1939 is proof of the fallacy. Our foreign trade depends on the earnings of the American people, and to reduce those earnings by asking our Nation to compete with international capital engaged in the exploitation of foreign labor will mean the break-down of our price level, our income, and finally the United States as a government.

That the tariff is not a barrier can be shown by simple examples from our domestic economy. In my home State of Iowa we have no petroleum production. We do have a tax on gasoline. This tax against the production of another State serves the identical purpose of a tariff on petroleum imports into the United States. The gas tax does not prohibit the sale of gasoline, and taking the State of Iowa as a whole does not cost the citizens anything. The taxes collected, like the duties on imports, find their way into the public treasury. The money, if used to defray State expenditures, replaces a tax that would have to be collected in some other way.

Every nation in the world depends on revenues from import duties. The time is never coming when there will be free trade. The proponents of the bill have been leading the people of our Nation to believe that free trade is the goal. Yet there isn't, in my opinion, a single Congressman or Senator who is willing to advocate the removal of all tariffs.

The entire program was designed for the purpose of exporting manufactured products and reducing tariffs on imports of farm products and other raw materials.

In the early history of our Nation our manufacturing States enjoyed tariff protection while agriculture had to compete with the world market and price levels.

During the 1910–14 period, however, our Nation had grown up. Our population had grown so that it could consume our agricultural production. In the period 1910–14 the farmer for the first time received the price he was entitled to without a war.

After the World War the same balance continued, and in 1925–29 the farmer again received parity. Our price level was broken down not because of tariffs but through the manipulation and breaking down of the world monetary system.

During the 1925–29 period we had the greatest industrial development in the history of the United States and the increase in efficiency during that 5-year period was almost three times that of the increase in efficiency during the 10 years 1930–39. Without the 1925–29 period of industrial expansion we could not have won the present war.

And in the post-war period, without parity for agriculture we will lose the peace and end up in national bankruptcy.

This matter of tariffs is far more important than is generally realized, because of the mathematical laws of exchange that exist in our economy. Agriculture and its copartner, mineral production, have always been the source of new wealth which, when turned into dollars through price, created new capital and earnings on invested capital. In this connection I wish to point out that our raw material income is the only income available as a profit of operating the United States as a business, and the only money available to pay interest and dividends on capital investment.

During the operation of the trade agreements, the end result has been the export of manufactured goods and imports of farm products and other raw materials to pay for them. The policy of paying American agriculture not to produce new wealth and importing agriculture products from other nations is contrary to the economic laws which govern our economy. Its cost in loss of income to the American people has been fantastic.

During the period 1930–41 we deserted the fundamental economy of the United States and returned to the international economy which our forefathers ran away from. We failed to protect our American price level and through the importation of farm products destroyed our basic income from agriculture. Again because of economic fallacies that low farm prices would mean cheap food. The records prove otherwise. Low farm prices mean a high cost of living, a low national income, and unemployment.

Each dollar of farm income since 1921 has translated into $7 of national income and will continue to do so in the postwar period because it is a natural law of exchange that no political party or theory of economics can violate.

In the period 1930–41 the record of the Nation reveals that our farm income was 67.5 billion dollars below parity. The loss in national income was seven times that amount, or $473,000,000,000. This loss of $473,000,000,000 was distributed with almost exact mathematcical ratio to all the various segments of our economy.

For example, for each dollar of farm income we will have a dollar of factory pay rolls, 50 cents of mineral production, 50 cents of transportation income, $4.50 of retail sales, $5.60 of value of manufactures, and last, but not least, a grand total of $7 of national income.

With this seven times turn of farm income in our economy a law of exchange, the passage of this legislation, with its delegation of authority, is too great a power over the economic welfare of our Nation to be in the hands of a few men. If Congress grants such authority it should retain complete supervision of any and all tariff policies in order that it may protect the welfare of the American people.

With the record of the United States in the past proving that our form of economy has been the best in the world, instead of abandoning it we should be demanding that the rest of the world adopt its principles.

Wars are the result of economic exploitation. To open up our Nation to economic exploitation and to foster further exploitation of other nations is not the road to peace but the road to war.

Our Congress should take the lead in making the American dollar and the American price level the world price level. We have a right to demand it in order that a foundation for peace can be built.

Other nations cannot become prosperous through loans from the United States. They can become prosperous only through a price for their production. With the American price level as a yardstick for world values, other nations can commence to build up their economy in the same way that we built up the economy of the United States.

It so happens that with 95 percent of our national income made up of our own domestic market and only 5 percent export trade, that we can maintain our prosperity regardless of the rest of the world. We owe it to the rest of the world to educate them to adopt an economy which will make it possible for them to have prosperity.

Our own Nation is almost a complete example of a perfect economy. If we will maintain parity prices for our agricultural products and a system of tariffs at parity or equal protection for all our economic groups, the United States cannot have a depression except through failure to produce. That is essentially the program adopted by the

48 State commissioners of agriculture at their convention in Omaha in November 1944. Such a program will give us the maximum amount of foreign trade. To reduce tariffs below the parity level on any American product means destruction of both our domestic and foreign trade.

With our price level the world price level, we could remove all tariffs, but should realize that other nations will need them to build up their economy in the same way that we built up ours during the past 150 years.

In closing, I wish to point out briefly that if we permit farm prices to drop back to 1939 levels, we will lose $75,000,000,000 in national income and have 15 or 20 million people out of work. In other words, failure to return to our basic economy means economic hari kiri for our Nation, and world chaos.

With 25 percent of the available raw material supply of the world within our own Nation, and only 6 percent of the world's population, for the United States to have a depression or unemployment is sheer nonsense and against all the laws of fundamental economy which make raw material income the source of new wealth and prosperity.

We have the new wealth and under the Constitution of the United States we have been given the powers of government to determine the price or in turn the income which we can annually have. If we need $150,000,000,000 annually we can produce it from our resources at an American price level.

That concludes my statement, Mr. Chairman.

The CHAIRMAN. Are there any questions by any member of the committee?

Senator TAFT. I would like to ask a question, if I may.

The CHAIRMAN. Go right ahead.

Senator TAFT. Mr. Wilken, you represent the National Association of Commissioners of Agriculture. Those are State commissioners of agriculture?

Mr. WILKEN. Yes, sir.

Senator TAFT. Do they all agree with you?

Mr. WILKEN. Quite well. At the meeting we had at Omaha, that is the last annual convention, in November last year, I think there were 35 commissioners represented, and the vote on the program we adopted was unanimous.

Senator TAFT. You do not, however, agree with the Department of Agriculture of the Government?

Mr. WILKEN. That is true.

Senator TAFT. They have appeared in support of this program.

Mr. WILKEN. They have, and we do not agree with them.

Senator TAFT. Have you seen the pamphlets that they are issuing and sending out to discussion groups all over the United States?

Mr. WILKEN. I have not, because I haven't been out in the country much, but I know they have been doing that for the last 8 or 10 years.

Senator TAFT. I just wanted to read you one, DS-25, so-called:

Sent out for small group discussion by the United States Department of Agriculture, Bureau of Agricultural Economics. Additional copies of this pamphlet may be obtained from your State agricultural extension service or the Office of Information, United States Department of Agriculture.

It says:

A knowledge of the primary reasons for foreign trade is necessary to an understanding of the foreign trade in agricultural products carried on by the United States. Most of our foreign trade, like domestic trade, takes place because consumers want things they cannot produce themselves or cannot produce as advantageously as they can buy them. Trade among nations is based primarily upon the comparative production advantages of the different countries. These advantages arise out of differences in climate, natural resources, efficiency and genius of the people, and available capital equipment.

Do you think they arise out of anything else? Does any other factor occur to you that isn't mentioned in this pamphlet?

Mr. WILKEN. I think this whole argument that other foreign nations are more efficient is without any foundation whatsoever.

For example, during this present war, with 10,000,000 men in the armed forces, and with only 6 percent of the world's population, we have produced more war materials than all the rest of the world put together; and when we talk about comparing our efficiency with that of foreign nations, the thing we are really talking about is comparing our production costs with exploited costs of low wages in other countries.

Senator TAFT. Isn't the cost of production of wheat in the Argentine affected more by the low wages paid than by any of these factors that are mentioned by the Department of Agriculture?

Mr. WILKEN. That is true in the case of almost every product that you can name.

Senator TAFT. Going on:

Different countries, by making use of their special advantages, are able to produce commodities for sale to other countries at prices and under conditions that are attractive. Countries that act both as importers and exporters benefit in the production in which they have the greatest comparative advantage.

Then I would like to call attention to DS-28, which is primarily a boost for the Dumbarton Oaks provision, but incidentally contains this statement:

What would happen to the standard of living in the United States without these (various farm products)? What would happen to it if agreements were worked out soon binding all nations to reduce trade barriers and buy things from nations that can produce them best? Or agreements binding particular nations to reduce particular barriers as under our prewar reciprocal trade agreements?

You don't agree with the philosophy expressed in these pamphlets that are being sent throughout the United States, I take it, by the Department of Agriculture?

Mr. WILKEN. I do not, Senator, and I would like to briefly point out to the committee what really happened under the reciprocal trade agreements.

If we take in the period from 1935 to 1939, you will find that we exported, roughly, $10,000,000,000 of manufactured goods. We imported approximately $4,000,000,000 of manufactured goods.

On the other hand, we exported $6,000,000,000 of farm products and imported $10,000,000,000 of farm products. In other words, we used net imports of agriculture to the extent of $4,000,000,000 to help pay for the excess exports of manufactured goods, and the balance of it was paid by imports of gold and silver at the price we were paying for it.

Now they have the same program in view in the postwar period, and the Department of Agriculture, in testifying before the hearing in regard to the Missouri River flood-control bill, came in and said that in the postwar period we could get along with 50,000,000 less acres of farm products.

Now in 1941, Senator, we imported net 50,000,000 acres of farm products into the United States, and we were paying our farmers not to produce.

Now then, by importing those 50,000,000 acres, for every billion dollars of farm products that we import and displace our own production, we are going to lose $7,000,000,000, like I pointed out, through that seven-times turn.

Senator TAFT. Wouldn't the further reduction of tariffs reduce the level of farm prices in some degree in the United States?

Mr. WILKEN. Absolutely. If this program is extended, with the present currency devaluations, we won't have any tariff protection at all. In fact, we haven't any now. Sixty-five percent of our products are duty-free, and if you take the 35 percent that are dutiable and spread it over the whole, we have a general tariff of approximately 15 percent; that is, covering the over-all import situation. Well, the currency devaluation throughout the world is such today that we are actually paying an import bounty on products coming into the United States.

Senator TAFT. What would be the effect of a reduction in price level of agricultural products on the Government's obligations to pay parity, or 95 percent of parity, for 2 years after the war?

Mr. WILKEN. Well, to talk about parity prices for agriculture and not have a tariff at parity is just nonsense; you just can't maintain it; it would break down.

Senator TAFT. But this guaranty that is contained in the Steagall Act and the other act would cost a good many billion dollars more if the price is beaten down by foreign imports, wouldn't it?

Mr. WILKEN. Well, we would be subsidizing foreign production. But the thing that will happen is this: If, in the postwar period, we permit our farm products to go back to world levels, we will wipe out $10,000,000,000 of farm income, and that will translate into $70,000,000,000 of national income, and we will be bankrupt, because the seven-times turn of the farm dollars isn't going to change.

The CHAIRMAN. Have you given any consideration to the farm products that have to be exported if we are to maintain what production we have ever had?

Mr. WILKEN. We only have two farm products that we have to take into consideration so far as exports are concerned—wheat and cotton. Now our agriculture as a whole, our agricultural economy as a whole, has been deficient ever since 1922. In other words, we have had a net import ever since 1922; and to give you the figures on it, from 1910–14 as 100, our exports have dropped to about 50 percent, and our imports have increased to 200 percent.

The reason our exports have dropped is because we haven't expanded our farm plants since 1919. We don't have any unharvested acres, and we can consume our own production; and the danger of a postwar surplus of agricultural products outside of wheat and cotton isn't in the picture.

The CHAIRMAN. You say "outside of wheat and cotton"; aren't they important?

Mr. WILKEN. They are important, but when you think of $400,000,000—I am combining cotton and wheat—exportable surplus, in the light of $150,000,000,000 of national income which we can have with farm prices at parity, it is a minor thing. We can give it away if that is necessary. But you won't have any trouble exporting that cotton if you maintain your price level, because you will be able to buy some other goods so that they can buy that cotton from you.

The CHAIRMAN. What other goods, if you maintain your tariffs at a very high level?

Mr. WILKEN. You are going to have about 5 percent of your national income in foreign trade, regardless of what you do, because it will be made of things you don't produce at all and things you don't produce enough of. Besides that, if we maintain $150,000,000,000 of national income we will probably spend about a billion to a billion and a quarter in foreign travel and remittances to foreign countries that they can use as exchange. We won't do that, however, if our price level goes down.

The CHAIRMAN. Well, I don't think you face the issue quite frankly when you don't take into consideration the fact that we have exported, under normal conditions, 55 to 60 percent of our cotton.

Mr. WILKEN. Well——

The CHAIRMAN (interposing). Of course, you can eliminate it if you wish to.

Mr. WILKEN. We made an analysis for the cotton hearing—Congressman Pace's cotton hearing. On the basis of $150,000,000,000 of national income, we can consume from 10 to 12 million bales of cotton in the United States. If we permit our cotton price——

The CHAIRMAN (interposing). We are not quite doing that, I respectfully submit, even under war conditions.

Mr. WILKEN. That is because they won't permit it to be made into textiles so the people can buy it.

The CHAIRMAN. We are using cotton now in larger quantities than in peacetimes, unless your economy greatly expands.

Mr. WILKEN. I don't think that is true. If you take your cotton expansion from 1910–14, with the growth of the Nation up to 1929, we were up to 7,000,000 bales of cotton consumption in 1929, and if we had maintained our normal progress and expansion, increase of population, we should be able to consume from 10 to 12 million bales of cotton, or its equivalent, at the present time.

The CHAIRMAN. You have got an expanded economy now, much more than 150 billions of dollars.

Mr. WILKEN. You have hardly got the textile capacity, Senator, to make 10,000,000 bales of cotton into cloth in the United States.

The CHAIRMAN. You are mistaken about that.

Mr. WILKEN. Then they surely could get rid of it if they could make it, because every store in the country is short of cotton goods.

The CHAIRMAN. You could under these war conditions.

Mr. WILKEN. They don't enter into the picture; if you have $150,000,000,000 of income in the peacetime you can buy just as much as you can under war conditions. Our postwar period in 1925–29 proved that, because we were consuming much more than we did during the First World War.

Senator WALSH. What State are you from?

Mr. WILKEN. Iowa.

Senator TAFT. May I suggest this: We have to import something like $2,000,000,000 worth of things that we have to have that we don't make—coffee, chocolate, and a whole list of things—at least, that is about my estimate, something like $2,000,000,000. With an increased economy, even 125 or 130 billion dollars, that figure would probably be fairly close to $3,000,000,000. We were importing about $3,000,000,000 of goods on the free list in 1928 and 1929. That provides for foreign countries $3,000,000,000 worth of purchasing power. Just $1,000,000,000 of that applied to wheat and cotton would take all the surplus cotton and wheat we could produce, wouldn't it?

Mr. WILKEN. That is true.

Senator TAFT. Then if you can't be sure of getting the $1,000,000,000 for the surplus wheat and cotton with three billion, why are you any more sure if we import $6,000,000,000 worth of goods? In other words, don't we have plenty of dollars to export surplus agricultural products if only the manufacturers didn't rush in and take up all the exportable ability of the country?

Mr. WILKEN. If you could use the credits created by agricultural imports to export agricultural products, you wouldn't have had any agricultural problem since 1922, because since 1922 our agricultural imports have exceeded our exports. In other words, we have had a net of imports; and, as you say, manufacturers have come in there and taken it to their advantage.

Senator TAFT. Well, isn't the difficulty in exporting cotton the fact that it costs us 20 cents or 21 cents, or something of that sort, parity now; and it can be produced in Egypt or Brazil at 15 or 16 cents, which is rapidly expanding because, of course, they can undersell us? Isn't that one of the difficulties of exporting cotton?

Mr. WILKEN. That is one reason; but the other reason, in my opinion, is that you have a product there that you have a limited market for, in the way of raw cotton. Now if we were manufacturing this cotton into textiles over here, we would have a more ready market than the rest of the world. We would have a sale to almost everyone. Now you are limited to a few textile mills, and they have you by the throat all the time because they know you have the excess cotton.

Senator TAFT. Don't you think rather than reduce the price for everything else, you ought to work out a method of giving cotton and wheat the benefit of something similar to a tariff for export purposes along the two-price line of the McNary-Haugen bill or some such system?

Mr. WILKEN. The program that the Commissioners worked out is based on this philosophy: Just because you sell cotton in the world market at a lower price than you do in the United States does not mean that it has lost its exchange value. It has lost its price tag. For example, 20-cent cotton in the United States—if it sold in the world market at 10 cents a pound because the world price level is lower—that 10 cents of exchange created by the sale of that cotton will buy approximately as much goods as it would in the United States. So that if you were to take an import in exchange for it——

The CHAIRMAN (interposing). How would it buy as much goods if you are going to maintain tariffs at a very high level so you can't bring it in?

Mr. WILKEN. Because of the relatively low wage level and cost factor in foreign countries.

The CHAIRMAN. Well, plus your tariff—then what becomes of it?

Mr. WILKEN. Let me give you a concrete example.

The CHAIRMAN. I understand; but let's reason a little bit about it. If you are going to maintain an extremely high tariff wall, something that is practically prohibitive, against foreign imports, the cotton producer could only bring in something that is on the free list, and that is what he is not in the market to buy.

Mr. WILKEN. The tariff at the American price level is never a prohibitive tariff. I would like to give you a concrete example of your cotton situation.

For example, I have a copy here of a pamphlet put out by the National Planning Association, and in their postwar plans they are talking of importing a billion pounds of burlap. Now the import price that they expect to bring that in for is 10 cents a pound. That burlap will compete directly with cotton, and a billion pounds of burlap is equivalent to 5,000,000 acres of cotton.

Now then, the burlap may be better to use than cotton for various items. So the burlap can come in, and if you collect a 10-cent duty on it to make it sell at a level with 20-cent cotton, you have collected the duty to take an equivalent amount of cotton, a billion pounds, out into the world market and sell it at 10 cents a pound, having made your monetary correction through the tariff intake.

The CHAIRMAN. Did those gentlemen point out how we were going to get a duty of 10 cents on jute yarn or warp jute?

Mr. WILKEN. Congress has a right to put it there.

The CHAIRMAN. Oh, yes, I understand, but you will never get it.

Mr. WILKEN. Then the people in the South are going to have to suffer that competition, that is all.

The CHAIRMAN. In other words, you just condemn the growers of cotton, under your theory?

Mr. WILKEN. No; I don't. I want to give them full parity, and I want to have a tariff on competitive products that can be used in taking that cotton and selling it in the world market. There is no surplus of cotton in the world if it had a price.

For example, in the United States we are consuming five times the cotton per capita of other nations, and if other nations were brought to our price level, 20-cent cotton, throughout the world, you could increase cotton three times in the next 10 or 15 years, and the world would consume it.

The CHAIRMAN. Certainly, if you could bring them to your price level, but that isn't an easy job, bringing all countries of the world to our price level. Then you wouldn't need any tariffs, would you?

Mr. WILKEN. We wouldn't, but other nations would, and they are going to have them, because South America is not going along on a free-trade policy; they can't, because to develop their industries they must have a tariff.

The CHAIRMAN. Are there any further questions?

Senator BUTLER. Yesterday, when Mr. Clayton was here—I don't know whether you were in the audience or not, Mr. Wilken—I started on this premise, that the reason for having a reciprocal trade arrangement is to increase our exports. That is the reason for it, isn't it, to increase foreign trade?

Mr. WILKEN. That is right.

Senator BUTLER. Well, I asked Mr. Clayton if he had any figures on the percent of our foreign trade during the years previous to the reciprocal trade agreements and the years since, and he didn't give me an answer. I wonder if you have any figures that you could put in the record in answer to that question?

Mr. WILKEN. I think I could give you those, Senator.

This is taken from a 30-year audit of the Nation that we set up from 1910–14, and would it be all right if I compared the percentages in 1925–29 with 1935–39?

Senator BUTLER. I think that would be fair.

Mr. WILKEN. In 1925 our exports were 6.52 percent of our national income. In 1926 they were 6.68; in 1927, 6.26; in 1928, 6.48; and in 1929, 6.38.

In the period 1935 to 1939, our exports in 1935 were 4.08 percent; in 1936, 3.78; in 1937, 4.71; in 1938, 4.87; and in 1939, 4.58 percent.

I think if you will add those up, you will find that the average for the 5-year period 1925–29 was 6.4 percent of our national income, and in 1935–39, if I remember correctly, it is about 4.4 percent. In other words, they failed within 2 percent of bringing our export percentage up to the 1925–29 level, and that is due entirely to the fact that our buying power during that period was approximately that much less than it was in 1925–29.

Now that was brought out in the hearing before the Ways and Means Committee, that we had failed within 20 percent of getting back the same amount of exports; and I made the point at the hearing that our foreign trade will ratio to our percentage of farm parity, and if our farm parity is 80 percent that is the physical buying power we have for goods that our export trade will not exceed it.

Now we have checked that through a long-time period, and that holds quite accurately.

The CHAIRMAN. We thank you, sir. Mr. Jones?

Mr. WILSON. Mr. Chairman, Mr. Jones was unable to get here. He was notified, I notified him on Tuesday, and he is in Salt Lake. I ask that he be given permission to file a statement in the record. He will be here on Monday.

The CHAIRMAN. Thank you, sir, he will be given that permission. Will you proceed with your statement?

Mr. WILSON. Yes, sir.

STATEMENT OF J. BYRON WILSON, McKINLEY, WYO., REPRESENTING WYOMING WOOL GROWERS ASSOCIATION AND NATIONAL WOOL GROWERS ASSOCIATION

Mr. WILSON. I represent the Wyoming Wool Growers Association as well as the National Wool Growers Association. My name is J. Byron Wilson, resident of McKinley, Wyo.

Mr. Chairman and gentlemen of the committee, I am chairman of the legislative committee of the National Wool Growers Association, and am and have been for over 25 years secretary of the Wyoming Wool Growers Association.

I am engaged, in a small way, in the production of sheep; have a few cattle, a few hogs, and conduct, generally, farming operations in Wyoming.

We are somewhat in a similar situation, Mr. Chairman, in the wool-growing industry, only in reverse, to that you find yourself in in the cotton industry. I think the economists and statisticians of the Department of Agriculture and other governmental departments will tell you that the wool situation is more serious than it has been in many years in this country.

You cannot separate wool from lambs; you can't produce wool for wool alone in this country. So that whatever I say about wool applies equally to lambs.

The domestic manufacturer is our only market for our wool. So that when you consider the wool question you must also consider the manufacturers of wool.

The Tariff Commission has recently found that the costs of production of wool are higher than our income from wool. I read from a report of the Tariff Commission entitled, "Estimated Costs of Production of Wool, Sheep, and Lambs in 1944 Compared With Costs in 1940–43," issued in January 1945.

This report shows that the loss per head of sheep in the range livestock industry—and that is the industry I represent—amounted to $1.22 per head in 1944. The loss per pound on wool was 10.8 cents per pound.

It is interesting to note in this report that the decrease in income from 1942 to 1944 amounted to 12 percent, and the increase in costs during the same period amounted to $1.53 per head of sheep, or 29.5 percent.

This report is available to you gentlemen, so it will not be necessary to place it in the record.

Now this 10.8 cents per pound loss, which the Tariff Commission shows in this study, doesn't represent the difference between our costs and foreign costs. Foreign wools are being sold in this country today at approximately 7 cents grease per pound less than ceiling prices.

The Commodity Credit Corporation has purchased our domestic wool clip; they purchased part of it in 1943, all of it in 1944, all of it in 1945—and the purchase program expires on June 30, 1946—at ceiling prices. So that if the report of the Tariff Commission is correct—and I am certain from my own investigations that it is correct—foreign wool in this country is selling approximately 18 cents per pound below our cost of production.

We are in an extremely serious squeeze. That we are, and that the business is losing money, is evidenced by the decrease in the sheep population of this country. During the period 1942 through 1944, the sheep population, according to the estimates of the Department of Agriculture, decreased something over 17 percent. In my own State of Wyoming, the decrease was 20.6 percent, according to the same Department's figures, and I am inclined to believe that those figures are rather conservative. In other words, I believe the decrease has been more than the 17 percent.

I have heard here, and on the other side of the Capitol in the hearings before the Ways and Means Committee, that no one has been able to show any damage from the reciprocal trade agreements. Of course, in saying that they fail to take into consideration that a war intervened. In a trade agreement executed with Great Britain in 1938, effective January 1, 1939, the duty on rags was reduced from 18 cents to 9 cents per pound, and the imports of rags prior to the effective date of the trade treaty in 1938 amounted to 794,436 pounds. It is unfair to take that figure because that is the lowest figure, with one exception, in the period from 1932 to 1938. I think it is fair, however, to take the average of the period 1932 to 1938, and the average during that period, of importation of rags, was 2,372,764 pounds. The average during 1939 and 1940 was seven-million-seven-hundred-and-fifty-eight-thousand-odd pounds—which, incidentally, was equivalent to approximately 18 to 20 million pounds of grease wool such as we produce in this country, an increase of 214 percent in the importation of rags——

The CHAIRMAN (interposing). Are you speaking of woolen rags?

Mr. WILSON. Yes. They did have a duty of 18 cents, Mr. Chairman.

The CHAIRMAN. Yes, I recall.

Mr. WILSON. That was changed—I think you were in the Senate when that duty was fixed, as I recall.

The CHAIRMAN. Yes.

Mr. WILSON. In that same treaty with Great Britain, the duty on cloth was variously reduced, usually about 25 percent. We find that taking again the period of 1932 to 1938, the total imports of cloth, woolen and worsted cloth—I am confining my remarks entirely to woolen and worsted—amounted to 43,264,897 square yards, an average of 6,180,699 square yards—which, incidentally, displaced 14,000,000 pounds of domestic wool.

The average from 1939 to 1940, the average for 1939 and 1940, amounted to 11,201,793 square yards, or an increase of 81.2 percent in the 1939 to 1940 period compared with the average from 1932 to 1938, inclusive; and it must be borne in mind, in considering these figures, that Great Britain was at war during 1939 and 1940, and despite that fact the exports of woolens and worsteds and woolen rags to this country increased, and increased enormously.

Now we may be——

Senator WALSH (interposing). Was there a reduction in the tariff rates on woolen cloth in the Britain agreement?

Mr. WILSON. Yes; about 25 percent, I think. There was some reduction—I have those figures, but they will be easily available to you gentlemen—I think it was about 25 percent plus some reduction in the compensatory duty, which would make it more than a 25-percent reduction.

I was very much interested yesterday in Senator Bailey's questioning of Mr. Clayton, particularly with reference to the amendment Senator Bailey indicated that he expected to introduce, providing for the protection of strategic and critical minerals.

I would like to add to that wool, because wool is a strategic and critical material, and is so defined by both the War and Navy Departments.

What makes our situation worse is that we have in this country the largest stocks of wool we have ever had. That same situation applies throughout the world——

Senator TAFT (interposing). What is the limiting factor, then, what is it; the manufacture of cloth or what is it?

Mr. WILSON. At the moment the limiting factor is labor, I should say.

Senator TAFT. I had a call last week from the largest men's clothing manufacturer, I guess, in the country, who told me they would not be able to make a single suit of men's clothing for the next 12 months unless the Army changed their present policy. I refer to Richman Bros.

Mr. WILSON. I think that is not entirely due to the mills or the Army, Senator Taft. You will have to go to the WPB and the OPA——

Senator TAFT (interposing). No; he said they cannot get wool cloth; he says there is no wool cloth available for them to buy.

Mr. WILSON. That is true to a certain extent, but it is due not entirely to the Army requirements, but rather to the restrictions of WPB under order M-388, and perhaps MAP-388 of the OPA, but they couldn't get, of course, their usual proportion——

Senator TAFT (interposing). No; he said they were absolutely closing down, they would be unable to manufacture any suits, and they make the ordinary type of cheap men's suits.

Mr. WILSON. I should say they are the best value of any men's suit made in this country. Richman Bros. put in better woolen per dollar of retail sales than any other outfit I know of.

Senator TAFT. What is consistent with the idea that there is more wool in the country than we have ever had before, and less suits?

Mr. WILSON. You will have to ask the WPB about that. If I started on that I would take entirely too much time, and I am sure that you couldn't understand it, because they don't understand it. [Laughter.]

But let me say in that respect that the Army is taking a considerable quantity of goods. But there would still be some, not enough for Richman Bros.' full production.

Senator TAFT. They didn't expect that.

Mr. WILSON. But there would be some goods for them if you could get the War Production Board to use a little sense in connection with M-388.

Senator BUTLER. Are there heavy stocks of that material in the Army warehouses?

Mr. WILSON. That I could not say. I can recall that last fall, when everybody was anticipating a rather quick victory in Europe, the Army started to cut back, or rather defer deliveries on some of their orders, and when the tide turned they got in an awful hurry and not only reinstated those orders, but put in other orders.

I think you can tell Richman Bros., Senator Taft, that I am advised that the Army requirements will fall off materially in October, and then if they can convince the WPB, they should be able to get some cloth.

Senator TAFT. I advised them that that was my guess, but I have no real basis for that.

Mr. WILSON. I have a real basis for saying that.

Naturally we would support the amendment offered by the able and distinguished senior Senator from Wyoming, my own State, to require the approval of Congress of any trade agreements entered into. It is rather difficult for me to understand the criticism in Congress of having given away so much power to the executive agencies, and then when you see a chance to recapture it, to refuse to recapture it. I can see no reason why the Congress should not approve any reciprocal trade agreements entered into. Perhaps if they did not want to go that far, they might do as has been suggested previously, ask that the trade agreements be submitted to Congress, and unless disapproved within 60 days they should become effective.

I heard Mr. Clayton's answer to someone's question on that yesterday, but to me it was netiher satisfactory nor conclusive, because the other countries do require, or many of the other countries do require affirmative action by their legislative body, and certainly there seems to me to be a chance where you could recapture some of this power that Congress is trying to recapture, and without in any way hurting the reciprocal trade-agreement program.

Senator BUTLER. Maybe the people in the State Department think they are better traders than the Members of Congress.

Mr. WILSON. My experience, Senator Butler, with Members of Congress is that if they weren't better traders than the fellows in the State Department, they wouldn't be in Congress very long. [Laughter.]

Senator TAFT. Did the Argentine treaty reduce the tariff on wool?

Mr. WILSON. Yes, Senator Taft, on wools grading 44's and below and 40's and below, and it figured out—I have the exact figures here—it figured out 45 percent, I think, in the case of 40's and below, and about 40 or 41 percent in the case of 44's and below. It is only fair, however, to state in that connection that we don't, in this country, produce a large quantity of those wools. However, the danger comes from the fact that those wools can be substituted, and are substituted, for the higher count wools; that is, if the fashions turn to tweeds, for example, they can use carpet wools in tweeds and can readily use 40's and 44's, and will.

Senator TAFT. What is the situation on the type of wool we produce here? There is a tariff on it?

Mr. WILSON. Thirty-four cents a pound, clean.

Senator TAFT. But that has not been reduced?

Mr. WILSON. Not yet. That prompts an explanation. It was on the way to being reduced, gentlemen, with Australia, which is the principal country of production of that type of wool, when we got into some trade difficulties with Australia and put them on the black list, and for that reason it wasn't executed. But it was on the way, and it was practically signed. So I can't tell now—Australia is not on the black list now—and we may expect it most any time.

That, however, in itself, is not any greater danger, Senator Taft, than the reduction already made in the duty on manufactured goods. The domestic manufacturer is our only market, our cost of production is entirely too high to sell anywhere else in the world, and the domestic manufacturer in this country, I think, will be partially put out of business by the treaty already in effect during peacetime, the treaty with the United Kingdom. So whether they reduce the duty on wool or not, if they made a further reduction in the duty on wool with the United Kingdom, on manufactured wool, I should say, we would be put out of business. We are rapidly going out of business anyhow. It may be that it is not necessary to have a wool-growing business in this country. I have been broke twice, and am gradually getting started again, and it wouldn't be any new experience to go broke again. That is usual in our country.

But if anyone thinks for a moment that the wool-growing industry at the present time is profitable, I should like to have the opportunity of talking with them.

Senator TAFT. If you go broke, does that reduce the number of sheep on the meat end? What effect does that have on the meat end?

Mr. WILSON. It is having an effect on the meat end, because the breeding ewes have been going to market. There was a tremendous increase in the kill of breeding ewes in 1944. I don't remember the exact figures, but it was the highest percentage of kill, as compared to lambs, I think since they have been keeping statistics on it. So those ewes did go to slaughter, and a lot of them went to slaughter in your State of Ohio.

I saw good ewes in the Cleveland stockyards selling in the spring, when they should have been kept.

I have been very much interested in the discussion pro and con on import quotas. I have about reached the conclusion that our industry is in such a serious situation that import quotas is about the only thing that will save us. Remember that I have said to you gentlemen—and this can be proven by statistics from the Tariff Commission—that our costs are 18 cents a pound, approximately, grease, above the selling price of Australian wool in this country, duty paid.

Now, we have two courses: We can either ask you gentlemen—and in that I take a good deal the position that the chairman did about cotton a moment ago, it could be done but I would hate to undertake to get that increase in the tariff duty—so that to me the only thing that will save our industry, if it is worth saving—it may not be—but if it is a necessary industry and worth saving, is an import quota on both wool, wool waste, tops, yarn, goods made wholly or in part of wool.

Senator BUTLER. Under the present law, if we get that quota it must originate somewhere in the State Department.

Mr. WILSON. Either there or in Congress, and I haven't much hope of the State Department, because they blow hot and cold on the import quotas. One day they say "no quotas," and the next day they say, "Well, under certain circumstances you might have quotas. We still don't like them very well, but we will give them to you." So I don't know where we are at.

I want to suggest, however, an amendment that will protect our industry.

Incidentally, Senator Walsh, it will protect the industries of your State in which you are interested.

Senator WALSH. And they are very much disturbed, and have reason to be, haven't they?

Mr. WILSON. They have every reason to be, and naturally when anything disturbs you gentlemen we have every reason to be disturbed, because you are our only customer.

I suggest an amendment that would read as follows:

On page 3, after line 8, insert a new section to read as follows:

SEC. 5. In the case of manufactured textiles and raw materials thereof which have been found by the Joint Chiefs of Staff of the Army and Navy to be strategic and critical textiles and raw materials which are essential to our national defense in time of war, no foreign trade agreement under section 350 of the Tariff Act of 1930, as amended by this Act, shall be entered into unless importations of such textiles and raw materials thereof are established on a quota system based on the average imports of such textiles and raw materials of which they are composed, over a 20-year period prior to September 16, 1940. Such quotas shall be prorated among the exporting countries of such raw materials and textiles over the same period and shall be increased from time to time only after investigation by the Tariff Commission reveals that such increased quotas will not reduce production, employment, and wage rates in such a manner to threaten the economic stability of the industries affected, and will not reduce the production of raw materials or manufactured textiles in such a degree as to threaten our self-sufficiency for national defense in time of war.

Senator WALSH. That ought to get me some votes in our woolen textile industry in New England, oughtn't it?

Senator McMAHON. That also proves Senator George's remark earlier about this principle being extended to everything, since everything is used in making war.

Mr. WILSON. I have limited this to the articles certified by the Joint Chiefs of Staff as critical.

Senator TAFT. Why wouldn't it be just as sound to eliminate all tariffs and put everything on a quota basis? That seems to satisfy the sugar people.

Mr. WILSON. I think that would be more satisfactory, frankly, to us.

Senator TAFT. Isn't the fact that it is something new and hasn't got the opprobrium attached to it that tariffs have, the only reason for changing the basis?

Mr. WILSON. As a matter of fact, they are more exclusive than a tariff.

Senator TAFT. But they are not quite as unpopular.

Mr. WILSON. The tariff has never been unpopular with me. We had our greatest prosperity under the Fordney-McCumber Act from 1923 to 1927.

The CHAIRMAN. Schedule K was reasonably satisfactory to you?

Mr. WILSON. Well, I remember schedule K.

Senator WALSH. The mill folks like that better than the wool folks.

Mr. WILSON. Well, we all came to an agreement on schedule K, and when we rewrote it we put the tariff on wool on a clean content basis, which gave us the basis which Congress originally intended us to have.

The CHAIRMAN. The wool is very important to cotton, because we are able to use much more cotton by mixing it in the process of manufacture.

Mr. WILSON. That is true.

Senator JOHNSON. Mr. Chairman, I should say with respect to the remark just now made by Senator Taft, that the sugar people are entirely satisfied with the quota system instead of a tariff, they are satisfied with the quota system because it is coupled with a support price premium.

The CHAIRMAN. You want something outside of the quota?

Senator JOHNSON. We get the support price payments to offset the tariff, and that is why the quota system is acceptable to the sugar people. Without the support price payments, however, the quotas would be absolutely worthless.

Senator TAFT. No doubt Mr. Wilson would just as soon have the support price, too.

Senator WALSH. Mr. Wilson, if we do all these things, how are we going to remake the world and promote peace?

Mr. WILSON. I am not an authority on that, Senator Walsh, and would hesitate to speak on it. I think that is a rather difficult question for anyone to discuss.

Senator WALSH. We will have to refer that to the State Department.

Mr. WILSON. They will have to have a better record than they have had in the past in order to answer that.

Senator TAFT. What is the basic reason for the 18-cent difference in cost, the 18-cent higher cost in that industry?

Mr. WILSON. All of our costs are higher, Senator Taft. One reason is labor. Labor amounts to 20 to 25 percent of our costs in the range sheep industry. We are paying now the average wage of herders in Wyoming, and that applies pretty generally to the western range area, I should say it was $150. They are just now completing lambing, and they were paying $175 and $200, which is far and away above what we have ever paid before. That includes their board and room, so to speak. The other is the land policy in this country as compared to Australia, or the great sheep-producing nations of the world, Australia and Argentina. I don't know any costs in this country that are not at least twice to five times the costs abroad in competing countries. That applies to shearing and nearly everything we use. Our costs have gone up enormously.

When I was a young fellow and first started working with sheep, the only investment we needed in sheep was a sheep wagon, what we called a trap wagon, to haul supplies, and a team, and a couple of horses; we didn't need any land or ranch, we didn't feed. If they died it was too bad, but they weren't worth much anyhow. At that time we ran sheep—I have trailed sheep, Senator Butler, from Prineville, Oreg., to Fremont, Nebr., I quit them in Wyoming, but we used to trail them and feed them. Pete Jensen did that for years.

We at that time didn't have any investment except in our sheep. And now we have an investment, I should say, of about $20 per head in land—that is, land and equipment to run those sheep—and we just can't compete. It is a simple question. Either we need a wool-growing industry or we don't. If we don't, tell us, and some of us will get out of an industry which has had a lot of ups and downs, and at times it has been pretty prosperous.

Senator BUTLER. What would you go into, cattle raising?

Mr. WILSON. Lord, no; not now. You have got too many cattle, as soon as this thing is over. I have got a few cattle, enough so I can have steak when I am at home, which is a little better than you gentlemen can do. [Laughter.]

The CHAIRMAN. Are there any further questions?

(No response.)

The CHAIRMAN. Mr. Wilson, you say you wish to put in a brief?

Mr. WILSON. No; Mr. Jones wishes to put in a brief.

The CHAIRMAN. That will be agreeable.

Thank you very much, Mr. Wilson.

Mr. WILSON. Thank you, Senator.

The CHAIRMAN. Mr. Forstmann, of the Forstmann Woolen Co.

Mr. ROBINSON. Mr. Chairman, Mr. Forstmann is ill and I am his assistant, and if I may, I would like to be permitted to make a brief statement in his stead.

The CHAIRMAN. Yes, you may do so. You are representing the Forstmann Woolen Co.?

Mr. ROBINSON. Yes, sir.

The CHAIRMAN. You may proceed.

STATEMENT OF GILBERT H. ROBINSON, ASSISTANT TO THE PRESIDENT, FORSTMANN WOOLEN CO.

Mr. ROBINSON. My name is Gilbert H. Robinson, and I am assistant to the president of the Forstmann Woolen Co., and executive vice president of the Julius Forstmann Corp., located in Passaic, N. J., and New York City.

The CHAIRMAN. You may proceed as you desire, Mr. Robinson.

Mr. ROBINSON. I appreciate the privilege of being able to say a few words in connection with what we believe to be the effect of the extension of the Reciprocal Trade Act upon the wool manufacturing industry.

The Forstmann Woolen Co., as some of you may know, are makers of fine quality woolen fabrics for men's wear and women's wear, generally recognized as among the finest in the world——

The CHAIRMAN (interposing). Where are you located?

Mr. ROBINSON. The mills are located in Passaic and Garfield, N. J., sir.

In analyzing the effect of the Reciprocal Trade Act, and its contemplated extension, I should like to say at the outset that we are opposed to the extension, and are particularly fearful of the so-called 50-percent clause.

Mr. Wilson just referred to the lowering of the wool-fabric tariff that went into effect in January 1939. The full effect of that lowering of tariff—and incidentally, Senator Walsh, in the case of fabrics over $2 the reduction was from 60 percent ad valorem to 35 percent in the case of worsted, and to 37½ percent in the case of woolens, a very substantial reduction; it was only a little less so in the lower-priced fabrics—the full effect of that reduction was never felt by the industry because shortly after that the war began and England curtailed very substantially—England being the largest exporter and thus importer of goods into this country—sharply curtailed the quantity of goods that were shipped in here, so that the full effect of that lowering of tariff never was felt.

To contemplate a further reduction up to 50 percent of that already reduced tariff, we are quite fearful that it will mean absolute ruin to the woolen manufacturing industry.

I know from experience at having seen some of the fabrics that came in, particularly from England, in the last 2 years, especially in 1941 and 1942, and seeing the prices at which they were able to sell them—and obviously to sell them profitably—I am sure that any further reduction in the tariff would be exceedingly ruinous to the wool manufacturing industry.

Which brings us to the next point: How important is the wool manufacturing industry to the United States? We have available—and I would be glad to put them into the record—some figures of the United States Bureau of the Census on 177 American manufacturers and their rank as to the numbers of people that they employ, and their rank as to the value of their product produced. In that list of 177 manufacturers the woolen manufacturing business is seventh as far as employment of labor is concerned, and fourteenth as far as value of product is concerned.

That is very significant in two respects. In any contemplation of full employment in any postwar plan, the wool manufacturing industry must of necessity be very carefully thought of. Secondly, where labor is such an important factor—actually there are no sound figures but the best figure that we can give is that it must amount to about 35 percent of the value of the product, that is, the labor item in the total cost of the product—where labor is such an important factor in the over-all picture, it of necessity must be protected against the low-costs producers of other countries where there is a lower standard of living.

Specifically, we know that for every 85 cents that is paid out in labor in this country, Great Britain pays only 35 cents. In other words, our cost is almost 3 times as great; against Italy's cost, ours is 5 times as great; and as against Japan's cost, ours is 20 times as great.

Senator TAFT. This morning a witness testified that a British report, I think on cotton, tended to show that the efficiency of labor in England was so much less than here that the result was that our net labor cost per unit was actually less. Does any such condition exist in the woolen industry?

Mr. ROBINSON. Senator, I am very glad you brought that point up.

Senator TAFT. He quoted a report from a British commission which traveled through this country investigating the differences.

Mr. ROBINSON. I can't speak authoritatively on the cotton-textile situation, but the woolen picture is very definitely not that way. The woolen industry is composed of some 460 or 470 units, nearly all of them quite individual in character. It is one of the great large industries which approximates, in many respects, the home industry, the small kind of industry that is carried on with a great deal of individual labor, and individual skill—craftsmanship, so to speak. And as a result, any opportunity to secure lower costs through mass production in the woolen manufacturing industry is almost out of the question.

Senator TAFT. Is their machinery just as good as our machinery?

Mr. ROBINSON. In fact some of the machinery that is used in this country is English machinery, and when it comes to this country it comes in at a duty I believe around 50 percent ad valorem. So that again we operate, from a cost standpoint, at a substantial disadvantage.

As to any American textile machinery which in many lines, particularly in the weaving end, is very good, made up in the State of Massachusetts, the costs are higher in the production of that machinery, and correspondingly the machinery comes to the mill at a higher cost.

Senator TAFT. Is there any evidence that the labor itself is in any way more efficient in this country than in England?

Mr. ROBINSON. I would say that, generally speaking, the labor would be on a par from that standpoint. I can't see any reason for thinking otherwise. In fact, perhaps it is possible that, because of the age-old family situations in some of those English businesses, there may be even greater skill on the over-all picture, when you are comparing the total industry of each country.

Senator TAFT. So if there is no advantage to us in machinery or efficiency of labor, then the result is this difference that you speak of in the cost of labor here because of the higher wage rates?

Mr. ROBINSON. Exactly; and then, of course, there is the additional point, which Mr. Wilson just touched on, and that is that the raw wool itself carries a duty, if brought in from abroad, of 34 cents a pound, and correspondingly your costs of domestic wool are at that same or a somewhat higher level, as he pointed out.

Senator JOHNSON. What percentage of our wool needs are supplied from abroad?

Mr. ROBINSON. Actually—it varies of course from year to year—but on a 25-year average I think you would find the figure around 30 percent. The domestic wool production, as you know, Senator, is entirely absorbed, or entirely used in this country, and in addition to that the facilities—I am talking now really of prior to the war because there has been a tremendous increase in the over-all total woolen production since the war began—the figure is about 30 percent.

Senator GERRY. What percentage of woolen goods comes from England, and what percentage from Italy?

Mr. ROBINSON. On the basis of the Department of Commerce figures—I can't give you the Italian figures offhand—but the Great Britain figures are by far the largest, 85 percent; and then all of the other countries—that is on an average for about 20 or 25 years—all of the other countries contribute the balance of 15 percent.

Senator GERRY. Are the types of goods different?

Mr. ROBINSON. Yes, sir; that is correct. Generally speaking, the British goods tend to run to the tweeds and the fabrics of woolen character, and then the men's wear worsteds; whereas, France and German and Italy, before the war, were delivering the softer woolen wear type of cloths, the broadcloths and things of that character, and some small business in France contributed what we call novelties or fancy-type goods.

Senator WALSH. I have the impression that in woolen mills, different from other textile mills, there is a large percentage of men employed, heads of families, and not so many women. Am I correct in that?

Mr. ROBINSON. I believe you were correct, sir, before the war, but I can only quote you figures of our own business, and I would say that we employed 30 to 35 percent women and 65 to 70 percent men before the war, but that our position now is about reversed.

Senator WALSH. That situation doesn't exist in cotton textile mills, does it—there are more women there?

Mr. ROBINSON. I couldn't say, I don't know, but I think it is generally true that there have always been a substantial number of women in the cotton business.

Senator JOHNSON. Do we export any woolen goods?

Mr. ROBINSON. We do not, sir. I say we do not—I mean practically nothing. There are a few things that go abroad, but the reason for that is that we cannot compete in the world market, and that is particularly emphasized when you recognize that the wool facilities of this country, that is the wool production facilities, normally were never utilized to their full capacity until the war. We had capacity that was never utilized until the war, and any imports that came in here were definitely leaving facilities idle and not utilizing the people and employing labor.

I don't want to leave the impression—I stopped in discussing the 34-cent duty—I don't want to leave the impression that we aren't heartily in accord with the duty on raw wool and heartily in accord with Mr. Wilson's suggestion of some means of protecting the wool-growing industry of this country, and we believe strongly that his quota suggestion and amendment to the contemplated extension of the act is an excellent one.

My memory is only too vivid as to the experience that we in this country went through in the spring of 1942 when we anticipated that the sea lanes from Australia and from South America were going to be shut off. At that time the War Production Board, as you will recall, curtailed the production of woolen fabrics for civilian use in the case of worsteds to 5 percent of the normal production period for civilian use, and curtailed the woolen production to 25 percent because they were fearful at that time that we would be entirely dependent for all the Army and Navy requirements upon the domestic wool for supplying the Army and Navy and essential civilian needs.

On the strength of that there is one other element which I think you should consider, and that is the importance of the wool industry as a strategic industry. That word has been used a number of times today.

I think all you have to do is look at the record of what the wool industry has accomplished in the war period to recognize that. Next to food, I think warm and healthy clothing are very important, and the Army and Navy requirements have been served 100 percent during this particular period, and up until recently, Senator Taft, I believe the essential requirements of civilians have been very adequately supplied by the woolen industry.

Mr. Wilson is perfectly correct, in our opinion, in saying that the situation is, in some part, due to the large emergency purchase on the part of the Army, especially in the last few months, and particularly because of the much heard about M-388, which, as soon as that order is rescinded, we are sure that the normal flow of goods, to the extent that they are available, will continue.

We have, then, we believe, an industry which will be a very important factor, has been in the past, and will after the war be an important factor in the employment of labor; that it is an industry which we believe essential to the national welfare, and an industry which should be protected and maintained.

If an extension of the act is contemplated, our only solution, in such contemplation, seems to lie in a quota which will restrict the quantity of wool fabrics that would come into this country at any given period. A quota system, as we understand it and as we analyze it, must of necessity be all across the board, so to speak. It must be at the raw wool level; it must be in the process level of yarns; it must be in waste that Mr. Wilson spoke about; and it must be in the finished apparel fabric; and it must be in the final apparel, that is, any garments that are brought in here.

Any basis for establishing a quota of course must lie in the historic picture over a period of 20 or 25 years. In studying those figures we are sure that a fair figure could be brought forth as to what the restriction should be for any given year, and we believe that it should be a percentage figure so that it is reasonably flexible in connection with the needs of the country.

Once such a quota is established, we feel sure that the industry could continue in strength, and stability would come in where chaos and threat of chaos exists.

I believe that is all I have to say, gentlemen. If there are any further questions, Mr. Chairman, I will be glad to try to answer them.

The CHAIRMAN. No further questions, except to make the suggestion that if you make a strong case I don't think that you would necessarily be met with any further reductions in duties, would you?

Mr. ROBINSON. Well, that is open to question. If the act is extended, the power is always there.

Senator TAFT. If the act contained a standard of some difference in the cost of production, say 75 percent of the difference in the cost of production, then you wouldn't be so concerned? You figure you could make that case without any trouble?

Mr. ROBINSON. We believe, sir, that if conditions were equalized, that the woolen industry, and our particular part of it in particular, could more than hold its own competitively. Is that what you meant?

Senator TAFT. No. What I mean is that what you are afraid of is the unlimited discretion given in the act?

Mr. ROBINSON. Exactly.

Senator TAFT. And if the Secretary of State were limited to only reducing it to adjust the difference in the cost of production, or some percentage of the difference in the cost of production, then you wouldn't be afraid of what might happen?

Mr. ROBINSON. All we want to know is where we stand and what we may expect. If there is always the threat that there may be a tenfold or a twentyfold or a thirtyfold increase of imports, we as an individual firm, and I think this is undoubtedly true, Senator Walsh, of many of your constituents in Massachusetts, would hesitate to make the investment of millions of dollars that they contemplate making after the war. I know that that is very true in our case. On the other hand, if we know what our competition is going to be, and how much it is going to be from abroad, at perhaps a lower price, then we can plan accordingly.

Senator TAFT. Mr. Clayton suggests, as I understand it, that you ought to be putting that money into automobile factories and not woolen factories.

Mr. ROBINSON. Mr. Clayton isn't in the wool-manufacturing business, sir, although I believe he is in the cotton-brokerage business. I think in that connection it is interesting to note that in relation to the value of the product, the labor cost in the value of that product is much lower in the automobile industry than it is in the wool-textile industry. In other words, if we do away with a million dollars' worth of wool-manufacturing business here, in order that we may export a million dollars' worth of automobiles, we would have substantially less people employed.

Senator TAFT. You suggested that you may be going to expand your plants?

Mr. ROBINSON. Yes, sir.

Senator TAFT. If you are satisfied by the action of the Congress here that it is uncertain or that the general policy is opposed to industries of your type, would you look around for some particular exportable thing to make; would you be inclined to make an investment in any other industry, or are you peculiarly wedded to the woolen industry?

Mr. ROBINSON. Mr. Kurt Forstmann, who is president of our company, is the seventh generation of his family to head the Forstmann

Woolen Co., and I would say that it would be exceedingly hard, an exceedingly hard task, to transfer the lore and the background and the education and the skill that has been passed on through the family for generations into some other type of business, although I am guessing when I make such a statement.

Senator WALSH. Of course you haven't had an opportunity yet to know the effect of the cut that has already been made on woolen fabrics?

Mr. ROBINSON. No, sir; we have not.

Senator WALSH. What, in your personal opinion, leaving aside now the threat of the future, will be the effect of the cut already made on your industry?

Mr. ROBINSON. The effect of the cut, as you point out, thus far has meant nothing because the war situation has come along and glossed it all over. But as I said at the beginning, some of the fabrics—and I have occasion in my part of the work to see quite a number of the fabrics of other mills, and fabrics from abroad, and I know the prices, what they are sold for, how they are used—and I would say, sir, that competitively, on the basis of the tariff as it stands now, they are a very serious threat to even the most efficient operators in this country.

The CHAIRMAN. You don't think they would destroy the business here, do you?

Mr. ROBINSON. I am not prepared to say, because we actually haven't the experience. I would say, especially in men's wear goods from Great Britain, that it is exceedingly difficult, under the present tariff right now, for men's wear to compete satisfactorily from a profit standpoint, sound profit basis.

The CHAIRMAN. Are there any further questions?

Senator MCMAHON. I have just a few questions, if you please.

Mr. ROBINSON. Yes, sir.

Senator MCMAHON. The type of wool that you make is a luxury grade of goods, isn't it?

Mr. ROBINSON. Well, sir——

Senator MCMAHON (interposing). It isn't the 18- or 20-dollar suit?

Mr. ROBINSON. No, sir.

Senator MCMAHON. It is the 70- to 100-dollar suit?

Mr. ROBINSON. The quality fabric.

Senator MCMAHON. How many manufacturers in this country are engaged in the manufacture of the same class of goods? They are not over six, are there?

Mr. ROBINSON. Well, I couldn't name those offhand; there are not very many, that is true. I would say that generally speaking the industry makes lower-priced fabrics than we do.

Senator MCMAHON. And it is a fact that the amount that has come in since the trade agreements went into effect is not materially greater than it was before the trade agreements were in effect; isn't that true?

Mr. ROBINSON. I believe I have the exact figures here.

Senator MCMAHON. Well, so have I. In 1937 they were $2,951,000; in 1938, $1,334,000; in 1939, $1,623,000; and in 1940, $2,270,000. Now that is fine woolens; that is the character of goods that you make?

Mr. ROBINSON. That is right.

Senator McMahon. As I understand it the annual average imports, since the trade agreements went into effect, are no greater than they were before the trade agreements went into effect, isn't that true?

Mr. Robinson. No, sir; that is not quite true. You have just given the figures for the top-priced goods, I believe it is the "over $2" classification.

Senator McMahon. That is right. And that is the kind of material that you use, isn't it?

Mr. Robinson. That we make; yes, sir.

Senator McMahon. And there are about six companies in the country that make these over $2 woolens?

Mr. Robinson. There are more than that, but for the sake of argument let's assume that.

Senator McMahon. In percentage, in 1927 I understand that 4 percent of our consumption was imported, that is of the so-called luxury type of goods; and 1 percent in 1935 and 2 percent in 1939. Do you regard that percentage as restrictive of your business?

Mr. Robinson. May I answer your question in two ways, sir? One, the actual effect of the reciprocal trade agreement which went into effect on January 1, 1939——

Senator Taft (interposing). I wanted to make that clear—you weren't affected by this until January 1, 1939?

Mr. Robinson. That is correct.

Senator Taft. It wasn't reduced until 1939?

Mr. Robinson. Exactly, yes, sir; and even then the full benefit, or rather the full impetus, of what might be expected under the present tariff was never realized because, as you know, Great Britain went to war and shortly thereafter substantially curtailed all of their exports of woolen fabrics.

Senator McMahon. But even before the trade agreements we got this type of goods from abroad, with the exception of that made by these six or seven companies in this country?

Mr. Robinson. Yes, sir.

Senator McMahon. And that amounted, percentagewise, even before the trade agreements, to a very small percentage of the total consumption?

Mr. Robinson. I think I might add this other statement, sir, that the total amount of woolen fabrics brought into this country, low-priced, medium-priced, and high-priced, is a comparatively small percentage, it is around 2½ to 3 percent of the total amount of fabrics produced here.

Senator McMahon. Would you like to cut off that 3 percent?

Mr. Robinson. No, sir. All we would like to do, sir, is to have some restriction, some limit, on that figure, because the theoretical ceiling of that is 100 percent capacity, and this is interesting, that England actually has twice the productive capacity for woolen fabrics that we have in this country, so that theoretically they could more than replace every facility that we have.

Senator McMahon. You are talking about the future rather than the past?

Mr. Robinson. Yes.

Senator McMahon. And you are talking about your fears of what might develop in the future?

Mr. Robinson. Yes; I am not complaining up to this point.

Senator McMAHON. That is all.

Senator TAFT. But you have fears of what the present reduction, already made, may do—they still remain?

Mr. ROBINSON. Exactly, because that is in effect, and as soon as conditions become normal the full impetus of that reduction will take place.

The CHAIRMAN. Thank you very much.

Mr. Charles C. Wood, of the Knox Woolen Co.? [No response.]

Mr. A. H. Wickesberg, of the Appleton Woolen Mills? [No response.]

Mr. N. A. Walbran, of H. Waterbury & Sons Co? [No response.]

Mr. Koeser? [No response.]

Mr. Genmill, of the Prince Consolidated Mining Co? [No response.]

Mr. A. C. Gilbert, of A. C. Gilbert Co?

Mr. FALLON. Mr. Chairman, Mr. Gilbert was unable to be present today so I am taking his place with your permission.

The CHAIRMAN. Very well.

STATEMENT OF KENNETH FALLON, VICE PRESIDENT, A. C. GILBERT CO.

Mr. FALLON. My name is Kenneth Fallon, vice president of the A. C. Gilbert Co., of New Haven, Conn. I haven't prepared any brief, Mr. Chairman——

Senator WALSH (interposing). What do you manufacture?

Mr. FALLON. Gilbert toys, educational toys.

I prepared no brief because I got the announcement on my return from Toronto the day before yesterday, at 4 o'clock, that Mr. Gilbert wanted me to come down here. I haven't been back to the factory to discuss with him this matter, but knowing the story fairly well I feel confident in presenting our picture.

I made a few notes and I am going to work from those notes. The toy industry as a whole is a $110,000,000 business—not a large industry. Nevertheless, we are proud of it and it had 1,000 firms in the prewar. Only 19 of these companies do a business exceeding $1,000,000. Most of the businesses are all small firms. Over 50 percent have less than 100 employees, and they are scattered in every nook and corner from coast to coast.

Mr. Gilbert pioneered, I might say, the toy industry in the United States. He was the organizer and first president of the Toy Manufacturers Association, and the first man to ever nationally advertise toys on a broad and large scale, and the first man to bring service, as we know it today, in the toy industry, to the retailers and wholesalers of America.

He was the inventor of Erector, the structural-steel building toy, which is known as the world's greatest toy; also of chemistry sets for boys, and microscope sets for boys—and a great line of educational toys. In other words, we have believed in bringing science down to the level of the boys.

That has been proved conclusively in the last 3 years during all my trips to Washington, when I have had to contact the War Production Board's various divisions, in reference to materials or supplies to try to continue to make a few of these sets for the upbuilding of the youth of America.

One of the heads of the Chemistry Division of the War Production Board said, "Certainly, Mr. Fallon, we are going to try to help you. If it wasn't for Gilbert chemistry sets I wouldn't be here today. That is where I got my start."

I had a similar statement made by one of the leaders in the optical department of the Lens Instrument Division of WPB—and we have a great many letters from our servicemen all over the country, and particularly from the engineers and the Seabees, as to the education and the start that they got in their life with the construction toy, Erector.

Now that leads me to the difficult job that this industry had, and also our company, to sell and create the American toy business that we have today.

The foreign competition, not too many years back, was a very serious factor. In other words, the buyers of the wholesale and retail stores of America flocked, immediately after Christmas, right after the first of the year, to Nuremburg, Germany, to the Leipsig fair, to buy their toys. The theory in those days was that if the toys didn't bear the mark, "Made in Germany," or "Made in Austria," or "Made in Bavaria," they weren't good toys. That was the education the American people had.

The CHAIRMAN. It will be quite a little while before they go back to Nuremburg for any toys.

Mr. FALLON. That can happen quicker than we think.

The CHAIRMAN. I have seen it recently, and you won't have any competition soon, from that quarter particularly.

Mr. FALLON. Probably you are right as to that quarter.

Now in trying to do business, these American manufacturers in this industry had what was left of the budget, the dollar value that they hadn't spent, that the buyers hadn't spent in the foreign markets, when they returned back to this country usually in the latter part of February.

And it was a very serious thing, so serious that our company opened up a factory in Vienna, Austria, where we employed a little over 200 people and we manufactured our toys in Vienna and sent them into this country, the same as the buyers had been doing in their purchasing of foreign toys.

That was the only way that we at that time could stay in the picture successfully and operate.

The scale of wages over there was very low. A tool maker we paid in those days $1.25 a day. Tool makers in this country get $1.50 an hour, or more. The pay roll was very small in our money.

But immediately after the passage of the Smoot-Hawley Tariff Act we not only closed that plant in Vienna, Austria, but we closed up the offices we had located in Paris and Berlin, came back to New Haven, Conn., expanded our plant, put new machinery in, expanded our personnel, put a lot more people to work, and started to make toys in the American way for American people.

Now what happened? The picture as it is presented over there shows a low standard of wages. We have here the highest standard of wages. Maybe we are a little selfish but we don't want to go down to their standard of living; we want to stay on the plane we are on. They haven't got a wage-and-hour law, or the wage-and-hour control over there for the toy situation or for anything else, as far as that goes—I am dealing with toys.

The result is that if we have to compete again with any of the nations, which we probably are going to have to do shortly, we are going to face that same picture.

In connection with Erector, I have brought a set which I am going to leave in evidence for the committee when you get in executive session to look over. Incidentally I might say to you that there are probably 500,000 boys in America today that would almost give their right arms for that set, but I wanted to bring it here and present it because that is the type of high-grade educational toys that our organization in New Haven builds, and also a great many other organizations in the toy business.

Now the 50-percent cut, as it was inaugurated in the reciprocal trade agreement of 1939, brought the price of toys, not all toys but some toys—but specifically construction sets, and that is why I have brought this set with me—down to one-half, with the deal we made with England, which makes it available to a great many other countries. The result is that we don't know today what the competition is going to be. When England gets back and other foreign countries, wherever they may be, get back into the production of toys, we feel that this type of merchandise will suffer with that cut. To what extent we do not know.

Maybe we are wrong; we are willing to be shown. But to now put another 50-percent cut on top of that would be just financial suicide for the toy industry of the United States.

I might bring out to you almost a concrete example of that. Not so many years ago Japan started to turn out microscope sets, juvenile microscope sets for boys, and the American buyers flocked to Japan and they bought those in tremendous quantities, bought them very cheap, very low, paid the duty, and got them over here and sold them low. But they certainly were not quality merchandise. The lenses were inferior. In fact, you almost would say that a child would pretty nearly ruin his eyesight trying to see an object.

It took 2 years for the American merchants to realize that they couldn't sell that type of merchandise successfully. But that was one example. I could name a lot of others.

Now very recently I returned from Toronto. Last Friday and Saturday, in Toronto, I interviewed a good many of the toy people in some of the toy factories. This year, in the month of March; the annual New York Toy Fair, which is the toy market, was canceled due to ODT regulations and request, although I don't believe it kept the buyers from the New York market—there are more buyers in New York week in and week out now, steady, than there ever have been in history—but the Canadians took advantage of that and inaugurated a toy fair in Canada. They took three floors of the Royal York Hotel in Toronto, and the American buyers went up there in pretty good quantities, and they bought toys, all types of toys.

And I saw last Friday, in a manufacturer's place, a table and chair set, made of wood—a pretty good looking item—and a midwestern department store bought that set from him to the tune of one carload a month from April to the end of the year—720, I think he said, of those sets in a carload. The tariff situation was very low, they were cleared in so that he could take and add his tariff and his sales and whatever his overhead or his cost might be, conform to the OPA regulations if he had to, and sell that profitably.

That condition is going on today.

Now we have several manufacturers in the United States that are being lured to Canada to open Canadian factories. We have been asked to open a Canadian factory——

Senator TAFT (interposing). What is the advantage?

Mr. FALLON. The advantage is, if you can go up there and operate, they can clear the items and make them at a lower cost and sell them for less because their labor is less.

Senator TAFT. In what part of Canada?

Mr. FALLON. All over Canada. Ontario is the big center, although there are quite a few in Quebec. There is very little in the Maritimes and in the far western part of Canada.

So with that picture, I present it to you. I could talk, as you know, for hours on this whole thing. I have tried to condense it because I realize your time is short. I wanted to give you these high lights.

I want to make this closing statement to you. There is nothing in the world so easily influenced as the youth. Hitler influenced the youth of Germany. Instead of teaching them with educational toys he taught them with hate, with greed, with war weapons, but he influenced them.

We think that the toy industry has influenced the youth of America, certainly educational toys. We want to be able to stay in that picture with American-made toys, made in America by American labor, with American materials, protected by the Government of America, for American people.

And, gentlemen, then I would say that would be Americanism, and I ask this committee please to be very careful and consider these boys—who are the fellows who have been winning the war for us, and if we ever have another war they are the ones that will have to go out and win it all over again, as they are growing up today from children—let's teach them with quality toys that we can make at a high standard of living, and if you can just leave the reciprocal trade agreement the way it is until we find out definitely exactly what it is going to do, one way or the other, we believe that our object in coming down here has been served successfully.

That is all, Senator.

The CHAIRMAN. Thank you very much.

Mr. Fichthorn. I believe he is one of the witnesses checked over, and Mr. Brown has testified for him.

Mr. Benninghofen of Shuler & Benninghofen. (No response.)

Mr. Bertram A. Audley. (No response.)

Is Mr. John Draper, Jr., of Draper Bros. Co., present? (No response.)

Is Mr. R. B. Tucker, of Pittsburgh Plate Glass Co., here today? (No response.)

Has any witness been omitted who was on the list for today? I have attempted to call them all.

Is there any other witness in the room who wishes to be heard this afternoon rather than tomorrow? (No response.) If not, we will recess until tomorrow morning at 10 o'clock.

(Whereupon, at 4:30 p. m., the committee recessed until 10 a. m., Friday, June 1, 1945.)

(The following statements were later submitted for the record:)

STATEMENT OF JAMES R. KENDRICK CO., INC., PHILADELPHIA, PA.

We desire to enter our opposition to any further extension of the Trade Agreements Act of 1934, and against further reduction of existing dutiable rates as proposed in H. R. 2652, H. R. 3240, and S. ——.

This company is one of the largest of the many small companies of the United States with plants scattered from Massachusetts to Los Angeles, Calif., engaged solely in the production of elastic fabrics, of which are made both one-way stretch and two-way stretch. Our principal business today, due to the existing scarcity of rubber, is in the surgical field. We manufacture anatomical supports. Before the war we were also producers of knitted elastic fabric (hand loomed) for corsets and similar supporting apparel.

Under the trade agreement with France (T. D. 48316) for reasons unknown to us, the dutiable rates on all imported corset fabric falling into the following category were materially reduced:

Under paragraph 1529 (a) of the Tariff Act of 1930, rates on body-supporting garments and those with wearing-apparel attachments were reduced in the French treaty from 60 to 50 percent ad valorem. The articles mentioned, composed in whole or in part of elastic fabric at 75 percent, were reduced to 55 percent ad valorem.

Attached apparel to body-supporting garments having the same duty as if imported separately but not less than 60 percent, the minimum rate was reduced to 40 percent ad valorem. Corset fabric under the same treaty was also reduced from 60 to 40 percent.

These reductions were made over our filed objections.

OPPOSITION TO H. R. 3240

We are unable to understand how the weakening of small American businesses is going to help postwar employment or sustain American living standards. Nor can we understand how, with high taxes and minimum hours of employment, any industry in this country, small or large, can compete with the low-wage, long-hour nations of the rest of the world.

In this industry, increased imports might help 4 or 5 importers of the fabrics in question, but what it will do to the 25 or so factories in this country is certainly not in line with any plan for employment or helping to keep up the American standards of living of our people.

The real purpose of H. R. 3240 seems to be to open our markets so that other nations can sell us more competitive goods by reason of an additional 50-percent reduction in tariff. Tariff reductions are thus proposed to be made on past reductions now existing. Yet the reasons behind these proposals can be nothing short of the free-trade program similar to that of Great Britain which she gave up a few years ago for a protective tariff after 300 years of trial and error.

Congress, we think, should get back its controls over currency and foreign commerce before any further damage is done and as the Constitution of the United States directs.

When that is done and if there is a general plan to be laid down for a postwar economy, the Congress would have the tools at hand to do a complete comprehensive job. And we believe whatever is done should be done at a time when full opportunity of those who are giving their lives for our America and world freedom can voice their opinions on a matter so vital to the future of everybody.

We further call attention to the fact that this act from its inception is unconstitutional. As was admitted by the proponents of the bill when it was originally enacted in 1934, every means of testing the constitutionality in our courts had been removed. Attempts have been made to review its constitutionality in our Federal courts but so far no court has taken jurisdiction. We believe that the act is unconstitutional for the reasons that the negotiated instruments are in fact treaties which the Constitution requires to be ratified by a two-thirds vote of the Senate. The legislation is a measure which contemplates agreements which affect the revenue of the United States and hence under our Constitution such legislation affecting our revenue should originate in the House of Representatives. And for the further reason that it is an illegal delegation of power to the Executive which is reserved by our Constitution to the Congress of the United States.

Originally, over 11 years ago the trade-agreements program was adopted as an aid to national economic recovery. Since that time it has been renewed for reasons differing from the original purpose.

We respectfully request that the Trade Agreements Act of 1934 be permitted to lapse.

JAMES R. KENDRICK CO., INC.,
By LAMB & LERCH,
Attorneys, Philadelphia, Pa.

STATEMENT OF THE PITTSBURGH PLATE GLASS CO.

CHAIRMAN, COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

SIR: This company manufactures a variety of products including window glass, plate glass, and laminated or safety glass. We operate plants in Ohio, West Virginia, Oklahoma, Pennsylvania, and Missouri. All these products are made in Belgium, Czechoslovakia, Russia, Japan, and elsewhere by the same technology used here. Our disadvantage and need for tariffs, accordingly, rests in the great disparities in costs of labor, materials, taxes, and general cost items here and abroad and the fact that the flat-glass industries in Belgium and Czechoslovakia are cartel controlled and operated.

On window glass our tariff rates were reduced 25 percent by the President under the flexible tariff provisions.

On plate glass our rates were reduced 34 percent and on laminated glass 25 percent in the trade agreement with Belgium.

We recognize it may be necessary to extend the reciprocal tariff law with proper safeguards. We see no sound reason, however, for extending the act for 3 years, and we strongly oppose the proposed power to cut rates by an additional 50 percent as contemplated in section 2 of H. R. 3240.

H. R. 3240 should be amended as follows:

1. Limit to not to exceed 1 year.
2. Strike out proposed section 2 covering power to cut rates an additional 50 percent.
3. Incorporate an adequate remedial procedure for industries injured thereunder.
4. Restore right of court review under section 516 (b).

1. *Limitation to not to exceed 1 year.*—When Belgium and Czechoslovakia resume shipments of glass to this country no one can foretell the quantities which will be allocated here by the European cartel or the prices at which they will be sold. Despite high production for war demands our costs have risen sharply. We are faced with the necessity of maintaining our employee rolls at high wages and absorbing our returning discharged veterans. No basis whatever exists today to evaluate the future economic situation upon which our business must depend. Unless, therefore, it be the considered policy of Congress to authorize a tariff-cutting program without knowledge of any of the competitive factors governing foreign trade, the present law should be continued for an emergency period of 1 year only.

2. *No additional power to reduce rates should be given now.*—The proposed power to reduce duties 50 percent in addition to reductions already made would make possible reductions: On window glass to 37½ percent of rates originally fixed by Congress; on plate glass to 33 percent of such rates; on laminated glass to 37½ percent of such rates.

Indeed under this proposal a rate might be reduced to only 12½ percent of the rate fixed by Congress. Beer, for example, was made dutiable by Congress at $1 per gallon. The rate was reduced to 50 percent under the flexible tariff provisions and to 25 cents per gallon in a trade agreement with Mexico. Twenty-five cents per gallon being the rate in effect on January 1, 1945, could be again reduced under H. R. 3240 to 12½ cents per gallon, a total reduction of 87½ percent. No such unreviewable and unfettered power should be delegated by Congress to any one.

3. *Provision to guard against injury.*—Reference has been made in hearings before Congress to various so-called escape clauses written into trade agreements which, it is said, give protection to American producers against injury. One of such clauses deals with depreciation of currency. The trade agreement with Belgium was concluded in February 1935 and became effective on May 1, 1935. In March 1935 Belgium announced devaluation of its currency by 28 percent. Despite protests to the State Department, no action was taken to "escape" from the agreement or to modify it in any particular.

Another such provision is article XI of the Mexican trade agreement providing for withdrawal or modification of a concession in duty should such action be necessary to prevent serious injury to domestic producers from excessive imports. What is serious injury short of bankruptcy? Or what constitutes excessive imports when the very purpose of the act is to increase imports? Surely some more definite standard is necessary. In view of Assistant Secretary Clayton's statement on May 30 that the State Department did not intend to use such a provision except in exceptional instances, it is strongly urged an adequate provision guaranteeing a definite remedial course to domestic producers must be written into the law and required to be incorporated into each and every trade agreement.

4. *Restoration court review.*—H. R. 3240 would continue in effect the present prohibition against application of section 516 (b) of the Tariff Act of 1930 to any article included in a trade agreement. Section 516 (b) permits American manufacturers to obtain a review by the customs courts established by Congress for that purpose of the classification and rate of duty imposed on any product.

This section applies in full force to rates and classifications established by Congress. It cannot be applied at present to rates and classifications fixed by the State Department and the President. No good reason exists for this distinction.

While it may or may not be good policy to prohibit an American manufacturer from attacking the validity of the reciprocal tariff law or any agreement entered into thereunder, certainly no valid reason exists why such manufacturer should be debarred from questioning the proper construction of any provision included in such trade agreement Unless such right be preserved, it is entirely possible for administrative officers to assess under a provision which is within a trade agreement some product which the parties to the trade agreement did not contemplate or intend be brought therewithin.

For example, a case in which we were directly concerned was recently decided by the Customs Court upon protests of an importer. The commodity was flat glass, assessed by the collector of customs as optical glass under paragraph 227 of the Tariff Act of 1930. The Customs Court sustained the importer's claim that the glass was not in fact optical, but was properly dutiable as ordinary window glass at a lower rate of duty under paragraph 219 of the Tariff Act. The case is reported as Abstract 45423 of February 19, 1941. The decision of the court has established the classification of this particular product at a lower rate of duty. If our company or any American manufacturer or wholesaler of flat glass desired to bring up this question for court review, however, the provision in the reciprocal tariff law referred to would prohibit him from doing so.

Continuation of the present prohibition of application of section 516 to trade-agreement articles would impose an additional and wholly unnecessary hardship on American manufacturers and wholesalers in any case where a provision of such a trade agreement was wrongly construed. Certainly no foreign government could object to the description of an article included within the terms of an agreement being clearly defined by a court decision.

Respectfully submitted.

PITTSBURGH PLATE GLASS CO.,
R. B. TUCKER,
Vice President, Pittsburgh, Pa.

MAY 31, 1945.

1945 EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS ACT

FRIDAY, JUNE 1, 1945

United States Senate,
Committee on Finance,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Barkley, Gerry, Radcliffe, Lucas, McMahon, Taft, Butler, Brewster, and Bushfield.

The Chairman. The committee will come to order, please.

Secretary Clayton.

STATEMENT OF HON. WILLIAM L. CLAYTON, ASSISTANT SECRETARY OF STATE—Resumed

Mr. Clayton. Mr. Chairman, I just want to take a moment to make a correction in my testimony of last Wednesday.

The Chairman. You may proceed.

Mr. Clayton. On last Wednesday, when I appeared before the committee, in response to questions by you, Mr. Chairman, and by Senator Bailey regarding the so-called "escape clause" which was included exceptionally in the Mexican agreement, I said it was not the intention to use that escape clause in all agreements which may be made in the future, but that we would use it exceptionally in those cases where we felt that circumstances justified its use, as, for example, where we feared that as the result of unforeseen developments or because of the possibility of some margin of error as the result of the agreement that imports might flow in of certain commodities in such volume as to endanger an industry, that in those cases, why, we would use that clause.

My attention was called on that same day to a statement that was made in the report of the House Committee on Ways and Means that "It is the intention of the trade agreements organization to recommend to the President the inclusion of broad safeguarding provisions along the lines of article XI of the Mexican agreement in future trade agreements."

I find that this statement was based on assurances which were given the House Ways and Means Committee by Government witnesses. The Ways and Means report contemplates a more general application of this type of safeguard than my testimony indicated.

In order that there be no possible misunderstanding of the position of the State Department in this matter, I just want to make it clear now to this committee that the Ways and Means Committee statement accurately represents the policy which will be followed in the administration of the Trade Agreements Act

That is all I have to say.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Senator Bushfield, do you have any questions?

Senator BUSHFIELD. No questions.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Mr. CLAYTON. Thank you, sir.

The CHAIRMAN. Mr. William Benton.

STATEMENT OF WILLIAM BENTON, VICE CHAIRMAN, BOARD OF TRUSTEES, COMMITTEE FOR ECONOMIC DEVELOPMENT; VICE CHAIRMAN, RESEARCH COMMITTEE OF THE COMMITTEE FOR ECONOMIC DEVELOPMENT

The CHAIRMAN. Mr. Benton, I believe you are the spokesman of the Research Committee of the Committee for Economic Development, and will present a statement.

Mr. BENTON. Yes, Senator.

The CHAIRMAN. You are vice chairman of the Committee, I believe?

Mr. BENTON. Yes, sir.

The CHAIRMAN. All right, you may proceed.

Mr BENTON. I am the vice chairman of the board of trustees of the Committee for Economic Development and also vice chairman of its Research Committee.

CED's Research Committee sponsors studies by leading scholars on subjects related to the achievement of a high level of productive employment. The conclusions in the published monographs are solely the responsibility of the scholars.

The businessmen on the Research Committee then issue so-called policy statements, stemming from the discussions and material underlying the monographs. The recommendations in the policy statements are the sole responsibility of the business group.

I brought, just as an illustration, Senator George, our monograph on Production, Jobs, and Taxes, written by Prof. Harold M. Groves of the University of Wisconsin, and also a statement put out by the business group with which you may be familiar, on a Postwar Federal Tax Plan for High Employment, as an illustration of the way we operate.

The CHAIRMAN. Yes, sir; I have seen both of those.

Mr. BENTON. The Research Committee has recently issued a policy statement titled "International Trade, Foreign Investment, and Domestic Employment." As in the case of all CED policy statements, this statement does not purport to represent the united views of the 2,800 autonomous CED community committees and their 60,000 members. Obviously, it has been impossible for them to participate in the background and discussions leading to the formulation of this report. This statement does represent the unanimous views of the Research Committee with the exception of half a dozen footnotes where specific individual comments are appended.

The members of CED's Research Committee are:

Ralph E. Flanders (chairman), president, Federal Reserve Bank, Boston, Mass.

William Benton (vice chairman), chairman of the board, Encyclopaedia Britannica, Inc., Chicago, Ill.

Chester C. David (vice chairman), president, Federal Reserve Bank, St. Louis, Mo.

William C. Foster, vice president, Pressed and Welded Steel Products Co., Inc., Long Island City, N. Y.

Paul G. Hoffman, president, Studebaker Corp., South Bend, Ind.

Eric A. Johnston, president, Brown-Johnston Co., care of Chamber of Commerce of United States, Washington, D. C.

Gardner Cowles, president and publisher, Des Moines Register & Tribune, Des Moines, Iowa.

Donald David, dean, Graduate School of Business Administration, Harvard University, Cambridge, Mass.

John Fennelly, partner, Glore, Forgan & Co., Chicago, Ill.

Marion B. Folsom, treasurer, Eastman Kodak Co., Rochester, N. Y.

Ernest Kanzler, chairman of the board, Universal Credit Corp., Detroit, Mich.

Raymond Rubicam, New York, N. Y.

Beardsley Ruml, treasurer, R. H. Macy & Co., Inc., New York, N. T.

Harry Scherman, president, Book-of-the-Month Club, New York, N. Y.

R. Gordon Wasson, vice president, J. P. Morgan & Co., Inc., New York, N. Y.

What has been remarkable to all of us on the Research Committee is that our widely divergent opinions, when we started our study of international trade, have come closer and closer together as more and more facts have been brought to light. This process of gathering and interpreting facts has gone on continuously for 18 months. Our conclusions represent the considered judgment of a responsible group of businessmen who have been advised by the country's leading experts.

Copies of our policy statement on international trade have been distributed to you. It only runs 26 pages double spaced, and you can read it in less than 26 minutes.

Before presenting three of our recommendations, I should state an obvious agreement, not only among members of CED's Research Committee, but among all experts in the field: A prerequsite to expanding foreign trade is the maintenance of high levels of productive employment in the United States. Here at home, this is the greatest single contribution the United States can make to international trade. When employment is high, both exports and imports are on a large scale. In serving ourselves by attaining our own prosperity, we serve all other countries as well.

The three recommendations which it seems to me are of principal interest to this committee can be quickly summarized:

1. The channels for postwar trade should be cleared by prompt and final settlement of war debts and other obligations owed to the United States Government at the end of the war; they are a source of uncertainty and a burden on international enterprise. To achieve this end, we recommend:

(1) Repeal of the Johnson Act, which forbids private loans to the governments of nations now in default.

(2) Prompt settlement of all foreign government debt to the United States Government arising from World War I and of all net

obligations to the United States arising under lend-lease or otherwise for goods and services actually used up in World War II. If the cancellation of any of these obligations is the most effective method of settlement, they should be canceled.

(3) Lend-lease goods not used up in the war should be disposed of in ways and on terms which will aid the rehabilitation and reconstruction of the countries involved in the war.

(Mr. Hoffman and I added a comment, in the form of a footnote, to these three proposals: "We do not take exception to these three proposals, if the fact is emphasized that they should form part of a coherent foreign economic policy. Our foreign policy must recognize that our bargaining power, in these areas as well as others, is an important tool which can be used constructively for the world as a whole, and to help resolve the many issues which vitally affect American interests.")

2. Place the international movement of capital, public or private, on an economic basis.

(1) The export of capital, whether debt or equity, should not be stimulated as a device to reduce unemployment in the United States.

(2) We recommend that the Export-Import Bank be used, and its lending power be strengthened, if necessary, to carry out and assist international financial transactions which are in the interest of the United States, but which are either unsuitable or impractical from the standpoint of private funds.

(3) In order that loans may not be used when they are in fact gifts, and in order to speed world recovery and to advance our own interests in world trade, the United States should contribute to the organizations which Congress may designate to help in the relief and rehabilitation of war-torn and devastated countries.

(4) Insofar as feasible, the movement of capital should be carried on by private enterprise, with the Government acting to facilitate private capital movements.

3. Reduce, and eliminate, when practicable, artificial barriers to world trade. The United States should take the lead in its own interest in a program to bring about a great reduction in the artificial barriers to trade among nations, whether they take the form of tariffs, import quotas, restrictive exchange practices, subsidies, or restrictive business agreements. Such a program should include:

(1) The removal of wartime controls over foreign trade at the earliest moment consistent with military necessity and the immediate economic aftereffects of war. The large foreign balances held in the United States and the unsettled conditions created by the war are likely to necessitate trade controls in the transition from the war economy to an orderly peace economy.

(2) The protective tariff of the United States should be lowered. To this end:

(1) The Reciprocal Trade Agreements Act should be renewed and strengthened by making the 50 percent limit to reductions apply to the rates existing in 1945.

(2) Negotiations under the act should be pressed vigorously so as to bring about substantial rate reductions.

We on the committee feel that a reduction in the American tariff barrier is of the utmost importance. Nothing less than the extension of the power under the act to allow a negotiated reduction up to 50 percent from the 1945 rate in exchange for foreign concessions will give sufficient latitude to allow further substantial reduction in this barrier to trade. The advantage in the reciprocal treaty arrangement is that our reductions can serve as a lever for bringing about corresponding reductions elsewhere, to our advantage and the world's. We strongly favor continuing to lodge the authority for negotiating reductions where it now lies, as the only way to avoid objectionable past practices and to achieve results.

Now, it seems to us, is the time for action. By the passage of the Reciprocal Trade Agreements Act, the Congress will give crucial evidence that the American people are prepared to take practical steps needed to heal a devastated world, attain high and profitable employment, promote a higher standard of living both here and abroad, and erase the economic obstacles to political peace.

The CHAIRMAN. Thank you very much, Mr. Benton.

Are there any questions, Senator Taft?

Mr. BENTON. Mr. Hoffman is here with me, Mr. Chairman, to be called on for questions as well as myself.

Senator TAFT. I have no questions.

The CHAIRMAN. Senator Bushfield?

Senator BUSHFIELD. No questions.

The CHAIRMAN. Senator Butler?

Senator BUTLER. No.

The CHAIRMAN. Thank you very much.

Mr. Lewis R. Parker.

Mr. LERCH. Mr. Chairman, yesterday I asked that three names be carried over until today: Dr. J. L. Braman, of F. C. Huyck & Sons, and then the last three on the calendar for today—Mr. Putney, Mr. Morton, and Mr. Draper. We have conferred, and Mr. Parker will make the only appearance for the industry.

The CHAIRMAN. All right, Mr. Parker.

STATEMENT OF LEWIS R. PARKER, ALBANY FELT CO., ALBANY, N. Y.

Mr. PARKER. My name is Lewis R. Parker. I am an official of the Albany Felt Co.

In having the privilege of appearing before your committee, I am representing the papermakers felt manufacturers, producers of woven industrial felt. This is an industry where the maximum tariff cut of 50 percent in the ad valorem duty was made in 1935 under the provisions of the original Reciprocal Tariff Act. The plants represented by this industry are located in the States of Maine, Massachusetts, New Hampshire, Pennsylvania, Ohio, and Wisconsin.

This industry is a specialized branch of the wool textile industry and its products are used as highly essential operating parts of industrial machinery. Without such felts the production of many vital items would be absolutely impossible or seriously curtailed. For example, without these felts not 1 pound of pulp, paper, paperboard, and similar products could be made. Felts are also vitally necessary in the production of such materials as leather, textiles, glass, and chemicals.

In wartime the industry has also adapted itself for the production of explosives, aircraft, fuel tanks, as well as materials entering into the manufacture of rubber, electrical goods, precision instruments, and a long list of other highly critical materials.

The manufacture of these felts is a very specialized and technical proposition, for each felt is made for a particular job on a particular machine. Since very few machines require similar designs and sizes of felts, standardized production or mass production is impossible. There can also be no stock-piling of felts. For example, the industry employs oversize looms and other special equipment capable of weaving pieces of cloth 40 or more feet wide and automatic equipment cannot be adapted to such production. Individual felts may range in size up to as much as five or six hundred pounds in a single piece.

If the importation of felts is encouraged, there are no other products for which such looms can be used, and the skilled labor now employed would be forced to seek lower paid jobs in less specialized divisions of the textile field. Since the nature of the industry does not permit mass production, we have no mechanical superiority over well equipped foreign plants, yet they have a great advantage in low labor rates. For example, at the beginning of the war a highly skilled English worker in the woven felt industry received approximately 36 cents an hour, whereas, the average hourly wage—and I say this for both skilled and unskilled workers—the average hourly wage in our particular plant is 93 cents per hour, and skilled workers average considerably higher.

The CHAIRMAN. Is that at the beginning of the war or now?

Mr. PARKER. That is now, but the rate I think would still be well over double. That is, the rate of a skilled worker. I was told that the average rate over there was $8 to $11 a week for the average worker in 1939.

The CHAIRMAN. You are comparing 1939 with the average wage levels here; is that right?

Mr. PARKER. No, sir. I think that the difference would have been tremendous, and was in 1939 probably two and a half times as much.

The CHAIRMAN. I just wanted to get it clear.

Mr. PARKER. We have no way of finding out exactly what the English rates are. I have been told they have not been increased very much. Whether that is true or not I do not know. That is merely hearsay, sir.

Higher labor costs and the higher cost of American wool have already resulted in a loss of practically all of what was at one time a large export market. The fact that the ad valorem duty on felts was reduced by 50 percent in the Swedish agreement resulted in increased felt imports each year prior to the war. This same cut in duty was continued in the treaty with Great Britain. It is not hard to understand that a continuation of this trend would be ruinous to the industry, to its workers, and in the long run to the American industries which are dependent on it. The full impact of the original cut has not as yet been felt, due to the complexity of the product and due to the war. Naturally, any acceleration of these imports due to further tariff reductions would mean the elimination of woven felt production in the United States, and we therefore hope that this and other branches of the American textile industry will receive the protection which their importance to the Nation justifies.

In this connection, it might be pointed out that due perhaps to a lack of knowledge of the woven felt industry's importance, it received a 50-percent reduction in 1935, whereas, up to now other branches of the wool industry have had reductions of only approximately 20 percent. This is in spite of the fact that there can be less mechanization in making woven felts than is true in the woolen piece goods field.

While this industry employs only a comparatively small percentage of those working in the woolen industry, its loss during the present world conflict would have had a very crippling effect on many industries. In the event that another such deplorable conflict might arise in the future, American plants requiring vital industrial felts might readily be cut off from foreign sources of supply, which would in some cases close these industries entirely, or at least seriously curtail production. Under the circumstances, we feel that anything which would endanger such an industry would also endanger the future well-being of the country.

Senator BARKLEY. Are you advocating the defeat of this bill to extend the trade agreements?

Mr. PARKER. So far as it would hurt American industry.

Senator BARKLEY. That is not quite an answer. Are you here to defeat the extension which the House has passed?

Mr. PARKER. Particularly the part that would allow further reductions, because we do not feel that we have as yet felt the full impact of the original 50 percent, which we thought was a rather hard blow.

The CHAIRMAN. What was the original duty?

Mr. PARKER. The original duty was 50 cents per pound and 50 percent ad valorem, and then there were some slight changes depending on the value of the wool, but essentially that was the correct duty. The 50 cents per pound merely protects us, as it would have to, because that is the duty to protect American wool growers rather than any protection to the manufacturers.

The CHAIRMAN. That was cut by 50 percent?

Mr. PARKER. The ad valorem duty, which is the only thing that would protect the manufacturer and labor rates which we pay, was cut in half.

The CHAIRMAN. The ad valorem?

Mr. PARKER. Yes

Senator TAFT. It is now 25 percent ad valorem?

Mr. PARKER. Yes.

Senator TAFT. How large an industry is it?

Mr. PARKER. It is comparatively a small segment of the woolen industry. It employs in my estimation between 3,000 and 3,500 workers, most of them skilled.

Senator TAFT. But you regard the industry as more or less strategic in character?

Mr. PARKER. Well, sir, I think you cay say the three most acute shortages at the moment in this country are pulp paper, paper board, textiles, and leather, and yet without the felt industry none of those industries could operate.

Senator BARKLEY. Do you recall what the tariff was on this item prior to 1930?

Mr. PARKER. No, sir; I do not.

Senator BARKLEY. You do not know how much the Tariff Act of 1930 increased the tariff on this?

Mr. PARKER. No; I do not, sir.

Senator BARKLEY. Do you know whether the industry was here at that time asking for an increase?

Mr. PARKER. I think at that time the industry asked for a clarification of felts which were allowed at one time to come in under the iron schedule as being parts of a machine which obviously, in view of their nature, was not the proper place to have them.

Senator BARKLEY. That is all.

The CHAIRMAN. Anything further?

Mr. PARKER. Mr. Chairman, I have two briefs here which I would like to leave to be included as part of my remarks.

The CHAIRMAN. Yes, sir; you may do so. You are appearing for the industry?

Mr. PARKER. I am appearing for the industry.

The CHAIRMAN. Yes, sir; you may do so.

(The briefs referred to are as follows:)

STATEMENT OF PAPER MAKERS FELT INDUSTRY

To: Hon. Walter F. George, chairman, Finance Committee, United States Senate, Washington, D. C.
From: Paper makers felt industry.
Subject: H. R. 3240 (formerly H. R. 2652).

Opposition is made against H. R. 3240, a bill further extending the Trade Agreements Act of 1934, and authorizing further reductions in existing dutiable rates on imports.

THE INDUSTRY

The principal product of the industry opposing is woven woolen felts used by mills producing all types of paper, pulp, paperbaord, panel board, and similar products. This felt industry is "essential" if for no other reason than that not a pound of paper nor its allied products can be produced without the use of one or more of these woven felts.

This industry is equally important to such other industries as textiles, leather, synthetic rubber, glass, industrial piping, electrical equipment, etc. In the present war, in addition to producing materials directly for the Army, Navy, and Lend-Lease, the products made by this industry have filled an absolutely vital need as operating equipment in other industries engaged in the manufacture of tanks, aircraft, ships, photographic and scientific instruments, oil, etc. In other words, without these industrial felts, many wartime and peacetime industries would be unable to operate.

In view of the essential nature of this industry as outlined above, anything which would imperil it would have serious repercussions both in peacetime and in the event our country was so unfortunate as to become involved in another world conflict. Since each woven felt is designed for a particular job on a particular machine and since very few machines are exactly alike, there can be no such thing as a stock pile of felts. Any change of products on these machines would require a different design of felt in order for the machines to operate.

Obviously, nothing should be done in the way of tariff reductions that will imperil an industry so important to our national economy. This American industry must be maintained.

The following is a tabulation of the names and locations of the various mills comprising the industry:

Albany Felt Co	Albany, N. Y.
Appleton Woolen Mills	Appleton, Wis.
Draper Bros. Co	Canton, Mass.
F. C. Huyck & Sons	Rensselaer, N. Y.
Knox Woolen Co	Camden, Maine.
Lockport Felt Co	Newfane, N. Y.
Orr Felt & Blanket Co	Piqua, Ohio.
Philadelphia Felt Co	Frankford, Pa.
Shuler & Benninghofen	Hamilton, Ohio.
The Waterbury Felt Co	Skaneateles, N. Y.
H. Waterbury & Sons Co	Oriskany, N. Y.

THE TARIFF RATES INVOLVED

The tariff rates applicable to the products of our manufacture before the Trade Agreements Act of 1934 was enacted, appeared in the Tariff Act of 1930 as follows:

"PAR. 1109. (a) Woven fabrics, weighing more than four ounces per square yard, wholly or in chief value of wool, valued at not more than $1.25 per pound, 50 cents per pound and 50 per centum ad valorem; valued at more than $1.25 but not more than $2 per pound, 50 cents per pound and 55 per centum ad valorem; valued at more than $2 per pound, 50 cents per pound and 60 per centum ad valorem.

"(b) Felts, belts, blankets, jackets, or other articles of machine clothing, for paper making, printing, or other machines, when woven, wholly or in chief value of wool, as units or in the piece, finished or unfinished, shall be dutiable at the rates provided in subparagraph (a)."

Since the time the Trade Agreements Act has been in operation, the following reductions of dutiable rates have been effected by treaties:

	Before agreement	After agreement
Par. 1109 (a):		
Woven green billiard cloths, in the piece, weighing more than 11 ounces, but not more than 15 ounces per square yard, wholly of wool.	50 cents per pound plus 50, 55, or 60 percent ad valorem.	50 cents per pound plus 40 percent ad valorem.
Effective date and basis of change May 1, 1935: Belgium (T. D. 47600).		
Woven fabrics, weighing more than 4 ounces per square yard, wholly or in chief value of wool (except woven green billiard cloths, in the piece weighing more than 11 ounces but not more than 15 ounces per square yard, wholly of wool):		
Valued at not more than 80 cents per pound	50 cents per pound plus 50 percent ad valorem.	40 cents per pound plus 45 percent ad valorem.
Valued at more than 80 cents but not more than $1.25 per pound.	do	50 cents per pound plus 40 percent ad valorem.
Valued at more than $1.25 but not more than $2 per pound.	50 cents per pound plus 55 percent ad valorem.	Do.
Valued at more than $2 per pound	50 cents per pound plus 60 percent ad valorem.	50 cents per pound plus 35 percent ad valorem.
Effective date and basis of change Jan. 1, 1939: United Kingdom (T. D. 49753).		
Par. 1109 (b):		
Felts, belts, blankets, jackets, or other articles of machine clothing, for paper making, printing, or other machines, when woven, wholly or in chief value of wool, as units or in the piece, finished or unfinished:		
Valued at not more than $1.25 per pound	50 cents per pound plus 50 percent ad valorem.	50 cents per pound plus 25 percent ad valorem.
Valued at more than $1.25 but not more than $2 per pound.	50 cents per pound plus 55 percent ad valorem.	50 cents per pound plus 27½ percent ad valorem.
Valued at more than $2 per pound	50 cents per pound plus 60 percent ad valorem.	50 cents per pound plus 30 percent ad valorem.
Effective date and basis of change Aug. 5, 1935; Sweden (T. D. 47785): and Jan. 1, 1939; United Kingdom (T. D. 49753).		

It will be noted from the above that this industry sustained a much more severe tariff cut since 1934 than any other branch of the woolen textile industry and this in spite of the fact that, by reason of the specialized nature of these mechanical felts, there is no room for mass production so necessary if an American industry is to compete with those abroad. In the same manner, this industry, from the nature of its product, is denied the advantages of the automatic loom so valuable to other types of textile mills in meeting foreign competition.

Before the Committee on Reciprocity Information at hearings held while the reciprocal trade agreement with France was being held, June 25, 1935, James L. Braman, representing F. C. Huyck & Sons, Albany, N. Y., testified on behalf of the industry in opposition to reduction of dutiable rates on imports of competing paper maker's felts in part as follows:

"As you know the Swedish trade agreements reduced the ad valorem rate on woven woolen felts by 50 percent.

The purpose here, then, is to point out why the benefit of such reduction should not be extended to any other foreign country.

In the first place, let there be no misunderstanding about European felt manufacturing. Reduced duties will not be offering comfort to some stodgy, old-fashioned, antiquated mills in Europe. France, England, Austria, Germany, and Belgium have been long-established in the manufacturing of woven felts, with thoroughly efficient mills, in strong hands. Those countries offer our industry even more alarming competition than does Sweden, and any extension to such countries of the benefits granted Sweden would work injury to our industry to an extent scarcely appreciated by those responsible for the Swedish concession.

In this connection, it should be pointed out that paper of every kind and quality has long been made in Europe, and the art of manufacturing woven felts, wherever pursued, has, of necessity, grown and developed along with the rapid advancement in papermaking. As a matter of fact, improvement in the finish of paper, and higher speeds at which it is made, almost invariably follow improvements that have first been made in the felt itself. It should here be mentioned that all that has been said regarding European manufacture can likewise be said for the felt makers of Canada, with whom negotiations are now pending.

Paper, as felt makers know it, is not just paper, but tissue, writing, bond, ledger, news, board, and numerous other kinds. All these numerous kinds of paper call for a great variety of paper machines, with no standardization of such machines as to type or size. The felt clothing for such machines, accordingly, is special to the particular kind of machine and particular kind of paper to be made.

The purpose of mentioning these facts is to point out that felt manufacturing does not lend itself to mass production. There can be no such thing in this industry. This industry, then is not one which can solely depend upon American ingenuity and improved machinery and mass production for its protection against foreign competition. Consequently, raw wool prices and American wage scales cannot be offset or overcome in any such manner, nor by any such reasoning.

The woven felt industry, of necessity, is not only highly technical as to its designs and methods of manufacture, but is specialized to the needs of that single industry, namely, papermaking. Ninety percent of its product goes to paper mills, and 90 percent of its equipment is,oversize and unadapted to any ordinary textile purpose. There is no style factor and no general public demand for felts and neither superselling nor advertising can stimulate use of felts beyond the needs of paper mills.

The market for its products is fixed, since exports have all but disappeared, and any business lost to imports cannot be replaced.

Nevertheless, the program of rate cutting continued and once again the legislation proposed makes possible an additional 50 percent cut on rates already drastically cut.

We have for the consideration of your committee whether the exercise of the powers of Congress delegated to the executive branch is not in the direction of placing the United States on a free-trade basis by indirection and without legality to support it.

Due to the intervention of World War II and the fact that the development of this type of specialized market is by its nature a slow one, the full impact of the 1935 reduction in tariff rates has not as yet been fully felt. However, between the years 1934 and 1939 the imports increased 635 percent. We feel certain that the reduction already made will eventually have even more serious implications for the future of the industry. This situation is further aggrvaated by large increases in American labor rates and material costs in the past 10 years. Any further reduction might very well result in the almost entire elimination of the production of these felts in the United States.

REASONS FOR OPPOSITION

1. Basically, the people of the United States never intended grants of power to levy customs duties or to regulate foreign commerce to be reposed in any branch of Government except the National Legislature. The grants were exclusive.

Power, said Woodrow Wilson, follows in the direction of those who have acquired command of the controls of the Government.

Under stress of emergency, Congress relinquished in the Trade Agreements Act most of its taxing and regulatory power to the executive branch for a stated period of 3 years.

Over 11 years have passed and despite economic and political changes foreign to the original purpose of the law and the constitutional mandate, the executive branch retains command over these powers of Congress.

As we come to the close of the war, and approach peacetime economy the people of the United States have a right to expect Congress to be in a position to lay down a comprehensive legislative program to meet any new facts or conditions confronting the Nation in its domestic or foreign economy.

We fail to understand how it can be accomplished unless and until Congress is reinvested with the powers granted to it under the Constitution.

Therefore, we respectfully urge the Congress to permit the Trade Agreements Act of 1934 to expire at its present expiration date.

II. We are unaware of the economic reasons prompting treaty rate reductions. No known formula was adopted. No congressional supervision occurred and judicial review over reductions was suspended.

III. As rate reductions proceeded, wage-and-hour laws raised high production costs higher, and left this Nation open to competition from the low production conditions existing among all the nations of the rest of the world. If the period following the last World War is any criterion, the United States can expect an influx of low cost foreign goods to create American credits.

IV. American credits will not necessarily be used here to purchase exports as many seem to believe. Trade will follow in the direction of the cheapest prices regardless of labor conditions and gold will follow in that direction also. How then can we protect the national economy and American standards of living in a world using labor as a pawn to produce cheap goods? It would seem to us that the course indicated puts America on record as promoting economic stress everywhere.

V. There can be no full postwar employment unless we preserve our home markets and increase our productive capacity and earning power. When other nations follow the same pattern and each nation, like the Thirteen Original States, reaches a high level of employment and standard of living there will be no further need of tariffs. There can be no reciprocity in trade agreements until there is mutuality. We do a disservice to the nations of the world if, in the meantime, we weaken ourselves to encourage our fellow nations to retard progress and maintain low-production standards.

VI. As Carter Glass stated when Secretary of the Treasury, we could not finance all the nations of the world if we would, but even if we could it still would not be possible unless we were permitted to step in and manage their fiscal policies.

VII. Finally, we hope to see the Congress resume command over all the controls exclusively entrusted to it by the people, so that this Nation can help all nations launch on a program designed so at the same time we do not weaken ourselves to the point where we can help none in peace or in time of war.

For the reasons outlined, it is earnestly requested that our opposition to H. R. 3240 be recorded as inimical to the interest of all concerned.

Respectfully submitted.

PAPER MAKERS FELT INDUSTRY,
By JAMES L. BRAMAN,
Albany 1, N. Y.

STATEMENT OF PHILADELPHIA FELT CO.

The FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIRS: Opposition is hereby made to any further extension of the Trade Agreements Act of 1934, bills which have recently been passed by the House of Representatives and known as H. R. 2652, and H. R. 3240. In any event, it is a proposal urged by certain executive agencies to permit, among other things, those halved tariff duties and all other reduced rates to be cut another 50 percent.

Our business falls into the category of the vast number of American enterprises known as small business concerns. We have been operating efficiently and economically for 42 years. The backlog of our business is the manufacture of molleton.

We are not aware of the reasons why the trade agreement with the United Kingdom made substantial reductions downward on imported molleton in paragraph 904 (b) of the Tariff Act of 1930, if the imported merchandise exceeds in value 80 cents a pound and contains yarns, the average number of which exceeds 30.

When the act was passed in 1934, its primary object was to aid national recovery. This, according to the preamble, section 350 (a), was to be accomplished by "expanding foreign markets for the products of the United States," by affording market opportunities for foreign products in the United States through the medium of trade agreements.

None of these objectives has been realized. On the other hand, a downward revision through 30 or more trade agreements involving over 1,200 tariff rates established by Congress in the Tariff Act of 1930 and affecting thousands of items of merchandise will place this and perhaps many other small businesses in jeopardy when the war draws to a close.

Since 1933, international economic conditions have been constantly changing due to unstable currencies, suspension of private trading, preparation for war and war itself. The Trade Agreements Act of 1934, designed and prescribed cures for economic ills found to exist prior to enactment. It is difficult to understand why the same act was permitted to operate upon a state of facts never contemplated or within the legislative will at the time of enactment and impossible to foresee.

The controls vitalizing the trade-agreements program should, in our opinion, be permitted to return to the Congress so that appropriate legislation can be enacted as and when the results of war become known and can be evaluated by the legislative branch of our Government.

Our position has been stated on previous extension anniversaries and remains unchanged.

Respectfully,

PHILADELPHIA FELT CO.,
By LAMB & LERCH,
Attorneys.

MAY 29, 1945.

The CHAIRMAN. Mr. Brown.

STATEMENT OF MILLARD D. BROWN, PRESIDENT, CONTINENTAL MILLS, INC., REPRESENTING PHILADELPHIA TEXTILE MANUFACTURERS' ASSOCIATION

The CHAIRMAN. All right, Mr. Brown, will you give your name and connection here to the reporter?

Mr. BROWN. My name is Millard D. Brown. I am president of the Continental Mills of Philadelphia, and I am representing the Philadelphia Textile Manufacturers' Association, in opposition to the further extension of the Reciprocal Trade Agreements Act.

This association's membership consists of approximately 200 factories in and around the city, employing about 85,000 persons.

Every branch of the textile industry is represented by factories in Philadelphia. Our city is the most diverse textile center in the United States.

The manufacture of textiles is a basic industry; no less essential in peace than in war.

It is my intention to present to your committee a few observations regarding the consequence of the unemployment which threatens our country today under the inadequate tariffs existing at present.

Of the 45,000,000 persons gainfully employed in 1940, 10,000,000 were occupied in manufacturing; 20 percent of these, or 2,000,000 persons, were employed in the various branches of the textile industry. The balance, or 35,000,000, were engaged in agriculture, banking, transportation, public utilities, mining, insurance, and wholesale and retail distribution. It seems safe to estimate that nearly 20 percent of these 35,000,000 nonmanufacturing and service employees are indirectly dependent for their jobs on the prosperity of the textile industry.

Our national economy is so closely integrated that unemployment in any major industry will be seriously reflected in every other industry. The fluctuations of sales of agricultural products, steel, or textiles, or any other grouping is directly in proportion to total national income. Also, a chart of the sales of any large single industrial firm, with a national distribution, will show exactly the same pattern as the national income chart.

As an evidence of how one industry feeds other industries and services, there is appended a classified list of supplies continuously purchased by the Continental Mills. (See appendix A.) These amount to over 3,000 items, over 500 of which are chemicals alone.

My experience of 46 years in the textile industry convinces me that this great industry cannot compete with imports from Europe and Asia at the present rate of duty. As a result of the war, our country will face the most stupendous debt the world has ever seen. This debt must be serviced and retired, if we are to maintain the American way of life. Only production, accompanied by high employment will create the wealth necessary to replace the riches destroyed in the war. High employment cannot be maintained if we impoverish our textile industry, plus the others that need protection.

If we are to admit imports of competitive merchandise from countries with low living standards, we must either lower our standards of living, or resign ourselves to large-scale unemployment, with millions of our citizens living on doles.

When we compare values of exports and imports of merchandise we should not express them in terms of dollars, but in terms of hours of employment gained against hours of employment lost. We would then find that for every extra man employed in making automobiles for export, imports of an equal dollar value of cotton textiles would put four textile workers out of employment.

After a good deal of seaching I have found a study of what happens to disemployed workers. This study, entitled "After the Shut-down," was made by three professors of Yale University.

With 1 month's notice, the United States Rubber Co. closed its New Haven and Hartford plants on April 6, 1929. This closing was the first step in a general program consolidating scattered small plants into a few major factories.

The total was 1,834 employed in both plants.

The company paid dismissal wages or longevity pay to the disemployed in sums ranging from $137 to $2,088, and also maintained an employment service for them. Although the company endeavored to place these workers in their other plants, only 35 were finally transferred.

At the end of 11 months, lost working time was as follows:

	Percent
New Haven	38
Hartford	42

Of those finding employment, only 9 percent received wages equal to their former pay in the Hartford plant and 27 percent in the New Haven plant. Loss of wages in the first 11 months ran from 30 to 60 percent.

At the end of 3 years a resurvey was made from which the following conclusions were drawn:

That employable workers can, in the 3 years after lay-off, receive work on the average of only two-thirds of their time and earn little more than half of their former full-time wages.

The skilled hand on the whole suffered most from the readjustment in time out of work, decline in wages, and actual earnings.

By the third year his average annual earnings were $34 less than those of the unskilled and $98 less than those of the semiskilled.

The workers in the New Haven plant had their wages decline from $353,000 in 1929 to $162,000 in 1932. A loss of over 50 percent.

It is impossible to appraise the loss felt by the community. The loss of initiative and industrial efficiency, the growth of antisocial attitudes, ill health, and influences on family and institutional life are intangible as far as measurement is concerned.

The Brookings Institution published on July 1, 1929, the results of a similar survey just completed by them. Seven hundred and fifty-four disemployed workers in various parts of the country were interviewed by their investigators.

> All were interviewed approximately a year after disemployment. Only 410, or 54.5 percent, had found what appeared to be steady jobs. The largest decline in unemployment occurred among workers engaged in the textile industry. The number employed in the heavy manufacturing group and in wearing apparel also suffered appreciable contraction.

Their conclusions, on the whole, closely duplicated those of the Yale University.

By Congress passing its authority to regulate foreign commerce over to the executive department it jeopardizes the employment of 3 to 4 million factory workers. It is just plain common sense not to put out of business any of our industries that can contribute to the 50 to 60 million gainfully employed, which economists tell us are necessary to postwar prosperity. There can be no security nor prosperity in a nation where millions of its workers subsist on doles.

Our American employees cannot be transferred to, nor be absorbed by other industries overnight, or in a few months, or even a period of years.

No doubt everyone has seen statements claiming that our labor produces two and one-half times that produced abroad. I have tried without success to obtain the basis for this statement.

I would like to submit, for the record, an advertisement entitled "America Wants Competition" appearing in a recent issue of the Textile World, and quote in part as follows:

> A recent War Production Board study shows that in manufacturing industries generally, during the period immediately before the present war, production per man-hour in the United States exceeded that in the United Kingdom, Germany, and Soviet Russia by a ratio of more than 2½ to 1, and that of Japan by more than 4 to 1.

On April 2, 1945, I wrote the McGraw-Hill Publishing Co. asking them to inform me where I could get the details of this study. Below I quote from the answer written on April 6 and signed by Stacy May. He states that this is—

> a War Production Board study and bears a security classification that prevents circulation. It is obvious that the tabulation is a general one, presenting weighted averages for manufacturing industries as a whole. Clearly it cannot be applied with validity to any particular industry.

In spite of his letter to me of April 6, Mr. May appeared before the Ways and Means Committee on April 30 advocating the renewal of the Reciprocal Trade Agreements Act and stated:

> A recent War Production Board study shows that for manufacturing as a whole, man-hour productivity in the United States in the period before the war exceeded that of the United Kingdom, Germany, and Soviet Russia by a ratio of 2½ to 1, and that of Japan by more than 4 to 1.

General statements of this kind can only be made with the idea of misrepresentation. Because of the unique position of those industries surveyed the chances are that they are mass-production industries and not those industries such as textiles. where continuous changes of style and construction are prevalent.

Our labor efficiency has deteriorated during the war. The accompanying chart (marked "Appendix B") by the National Industrial Conference Board indicates that in five out of six industries surveyed, unit labor costs have risen greatly during the war, and in most cases the output per man-hour is lower.

Senator McMAHON. Do you have a management-labor conference in your industry?

Mr. BROWN. Yes, sir.

Senator McMAHON. You have a cooperative attitude with your employees?

Mr. BROWN. Very cooperative.

Senator McMAHON. But in spite of that their efficiency is poorer?

Mr. BROWN. I am not talking about my plant, I am talking about the survey made by the National Industrial Conference Board.

Senator McMAHON. That is not your experience?

Mr. BROWN. Not in my plant, that is the experience in these industries here that were surveyed by the National Industrial Conference Board. In our plant everybody is employed on an incentive wage, and our man-hour output is up. Each one of these industries is in need of tariff protection if it is to exist.

With labor contending for the same take-home pay in the postwar period and a shorter workweek, our industries will be seriously handicapped against foreign competition.

An American apparel manufacturer recently returned from Great Britain told me that their wool fabric manufacturers are bemoaning the fact that the large increase in textile manufacturing in the Dominions—notably Canada, South Africa, Australia, and India—during the war would greatly reduce their exports. They, therefore, were looking forward to increasing their exports to the United States to make up for the losses to the Dominions. Apparently we are expected to sacrifice our textile industry so that the English factories may flourish and the Dominions increase their production.

American industry has the greatest problem of its life on its hands, to regain its freedom and its efficiency.

The manufacture of textiles is the largest segment of our industry which can suffer by competition from low-wage countries. For the next year, or perhaps two, we cannot expect very serious competition from abroad. At the end of that period competition is more than likely to shut down our plants almost overnight, as it did in 1913. Our markets do not have to be flooded with imports before our plants close. Orders for goods are placed 6 months or more in advance. The mere fact that goods can be imported at lower prices will stay the placing of domestic orders and the cancellation of those already placed.

Shortly after the passage of the Tariff Act of 1913 the American Woolen Co. alone received cancellations of over $40,000,000 worth of orders in a few weeks, other firms received like cancellations in proportion to their size.

Our strength is needed to keep the peace in the future, as well as preserve our credit. Let us use our strength for our own good and the peace of the world.

(Appendix A and appendix B submitted by Mr. Brown are as follows:)

APPENDIX A

List of raw materials, supplies, maintenance items, and services needed in the operations of an integrated wool textile factory, other than capital investment in buildings and machinery.

Banks: Deposits, payrolls, discounts, letters of credit (domestic and foreign).

Insurance: (All kinds) fire, use and occupancy, boiler, death, health, accident, liability, unemployment, fidelity.

Agriculture:
- Raw materials: Wool (domestic and foreign), mohair, alpaca, cotton, rayon staple, cotton yarn, rayon yarn.
- Maintenance and supplies:
  - Leather belting, aprons and facings, rawhides.
  - Bags: Burlap, paper, cotton.
  - Brooms and brushes.
  - Bobbins and spools.
  - Containers, all types.
  - Canvas—Materials, baskets.
  - Rope, twine, and thread.
  - Soaps, various kinds.
  - Labels, woven.
  - Lumber, various kinds.
  - Packing, various types.
  - Paper, various kinds.
  - Tapes and banding.
  - Tickets and tags.
  - Paper tubes, various.
  - Shuttles.
  - Picker sticks.
  - Pipe cleaners.

Metals:
- Abrasives, various.
- Bearings—Ball, roller bearings, etc.
- Tools, all kinds.
- Card wire.
- Chains—Transmission, etc.
- Conveyors supplies.
- Electrical equipment and supplies, all kinds.
- Hardware.
- Sheet metals.
- Metals, ferrous and nonferrous.
- Needles, various.
- Mill supplies.
- Iron pipe:
  - Pipe fittings, various.
  - Plumbing supplies and equipment.
  - Ring travelers.
  - Rivets, various.
  - Tacks, various sizes.
  - Tubing—Copper and brass.
  - Welding equipment and supplies.
  - Machine parts, all kinds.

Chemicals:
- Acids and alkalis, various.
- Salt.
- Dyestuffs (250 varieties).
- Miscellaneous chemicals (60).
- Paints and supplies.
- Laboratory equipment and supplies.
- Dispensary equipment and supplies.

Fuel and lubricants:
- Bituminous coal.
- Fuel oil.
- Lubricating oils (10 kinds).
- Wool oils and miscellaneous (14 kinds).

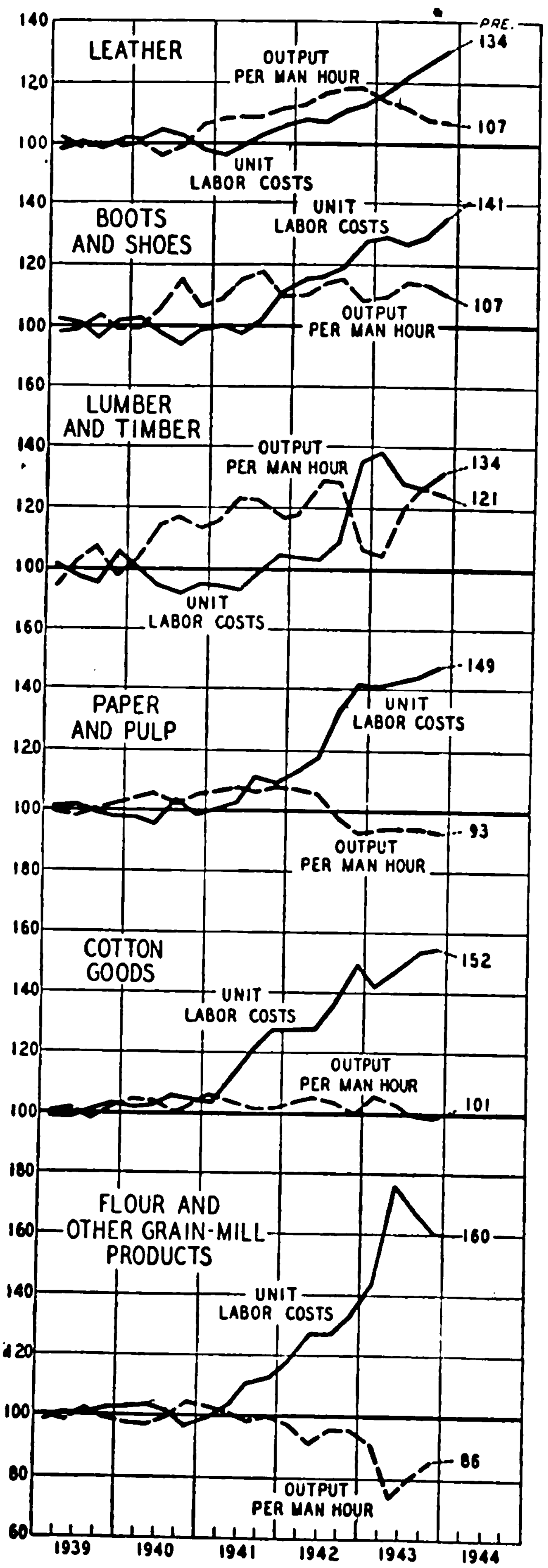
Transportation: Motor, rail, water, and air.
Public service: Electric power and gas.
Office: Supplies and equipment.

APPENDIX B

[National Industrial Conference Board, Inc.]

Chart 1: Productivity and Labor Costs in Selected Manufacturing Industries, 1939-1944

Source: Bureau of Labor Statistics
Index Numbers, 1939 Average = 100



Senator BARKLEY. What happened to the textile industry after the Tariff Act of 1930, which was the highest tariff passed in the United States?

Mr. BROWN. I do not think it had any effect on our industry.

Senator BARKLEY. Most of them were closed, weren't they?

Mr. BROWN. Not due to that, sir.

Senator BARKLEY. Due to what?

Mr. BROWN. Due to the world crash which happened in 1929.

Senator BARKLEY. You make some comparisons in some survey by Harvard professors and Brookings Institution in 1929.

Mr. BROWN. They started in 1929, the Harvard Survey; and the Brookings Institution's was started in 1928.

Senator BARKLEY. When was it terminated?

Mr. BROWN. It was terminated in 1929, January 1, 1929, and the book was published on July 1, 1929.

Senator BARKLEY. Do you dispute the statement made in these surveys that American efficiency is 2½ to 1 and 4 to 1?

Mr. BROWN. It might be in the automobile industry and coal mining but not in our industry; not in the textile industry by a great deal.

Senator BARKLEY. What is it that competes with the American industry, coming in from Japan, outside of textiles?

Mr. BROWN. Well, we had a great increase, as I recall it, in the late thirties, of a lot of crockery of various kinds coming in.

Senator BARKLEY. What?

Mr. BROWN. Crockery.

Senator BARKLEY. That was after the survey that you referred to in your testimony that was made in 1939?

Mr. BROWN. Yes.

Senator BARKLEY. At that time they were only sending in textiles?

Mr. BROWN. Japan was sending very little textiles in 1929.

Senator BARKLEY. They were not sending much of anything else at that time.

Mr. BROWN. Their great imports, Senator, did not come until after 1935, I think. Isn't that true?

Senator BARKLEY. How is that?

Mr. BROWN. The great textile imports from Japan did not come until after 1935.

Senator BARKLEY. There was an increase of the imports from Japan of textiles about that time; but at the time this survey was made, which is about 15 years old now, they did not send in very much.

Mr. BROWN. Conditions have not changed much.

Senator BARKLEY. Referring to Japan, our efficiency is 4 to 1 compared to Japanese labor. Is it your contention that that did not include workers in the textile industry?

Mr. BROWN. I do not believe it did.

Senator BARKLEY. What did it include?

Mr. BROWN. I think it included a lot of the mass-production industries.

Senator BARKLEY. What mass production was there in Japan at that time?

Mr. BROWN. Well, they had plenty of steel, didn't they?

Senator BARKLEY. Well, they had some steel. You are not appearing here in behalf of the steel industry.

Mr. BROWN. Not a bit.

Senator BARKLEY. You are appearing here in behalf of the textile industry.

Mr. BROWN. The textile industry in Japan is of recent growth.

Senator BARKLEY. I am wondering whether it is your contention that this 4 to 1 ratio between our workers and those of Japan applies to everything except textiles?

Mr. BROWN. No; I do not think it does. I think those were selected industries that were particularly studied at that time, to get a large ratio.

Senator BARKLEY. It was to be an over-all study, a cross section of the industry, and the efficiency of labor in both countries.

Mr. BROWN. We have no evidence of that fact, Senator.

Senator BARKLEY. How's that?

Mr. BROWN. With no evidence of that. That is the reason I would like to see that survey.

Senator BARKLEY. You think the Brookings Institution has a good reputation for fairness, don't you?

Mr. BROWN. Yes, sir.

Senator BARKLEY. Now, you are making them your witness, and you quote them. Do you think they just went out to Japan and picked out one or two industries in order to represent the situation as being 4 to 1 in our advantage in regard to their efficiency?

Mr. BROWN. I have never stated, Senator, that the Brookings Institution had anything to do with that survey.

Senator BARKLEY. Well, their report was made about the same time.

Mr. BROWN. Their report was on unemployment in the United States.

Senator BARKLEY. Of course, we all know what happens when unemployment comes. It does not take a survey to show what happens to people if there is mass unemployment. We had the greatest mass unemployment from this very period of 1929 up to about 1935 and on, due to what you call world economic conditions.

Mr. BROWN. That is right.

Senator BARKLEY. I am willing to accept your analysis, at least in part, but the greatest mass of unemployment we ever had was under the highest tariff act that we ever had in the history of this country.

Mr. BROWN. It incidently happened that way.

Senator BARKLEY. Is it your theory that we ought not to tinker with these tariff rates by any sort of negotiation, or is it your theory that Congress ought to spend 18 months and try to write another tariff bill, as it did in the last one, when it started in December 1928 and held hearings and legislated, or attempted to legislate, until June 1930, when industry and labor and everybody else in this country were held up in the air 18 months, not knowing what the tariff would be? Do you think that we ought to go through that whole process again?

Mr. BROWN. Senator, I think the tariff structure ought to be changed entirely. I do not think it is adapted to the times or conditions.

Senator BARKLEY. How are you going to do it?

Mr. BROWN. The Congress should do it, but it should have the advice of a nonpartisan body.

Senator BARKLEY. Well, it was a good body many years ago.

Mr. BROWN. Yes; that is right.

Senator BARKLEY. And I think it is still a good body.

Mr. BROWN. I am afraid it is too partisan today.

Senator BARKLEY. Have they done anything to you?

Mr. BROWN. No; I happen to know some of them. I heard some of their recommendations. That is my feeling about it.

Senator BARKLEY. The law provides absolutely against partisanship; at least, we have got a certain number of Members that represent different viewpoints on the subject.

Mr. BROWN. My opinion is it is not bipartisan today.

Senator BARKLEY. You think, regardless of the political complexion, it leans to much toward adjustments in the tariff?

Mr. BROWN. Leans too much toward free trade.

Senator BARKLEY. Toward free trade, as you call it?

Mr. BROWN. Yes, sir.

Senator BARKLEY. I doubt whether that is an accurate description.

Mr. BROWN. I hope that is not true, but I have that feeling.

Senator BARKLEY. You believe in international trade, I take it?

Mr. BROWN. Absolutely.

Senator BARKLEY. You understand, of course, in normal times we manufacture about 10 times more than we consume in this country?

Mr. BROWN. We can do that very easily.

Senator BARKLEY. Well, we have done that.

Mr. BROWN. Yes.

Senator BARKLEY. In order to sell that we have got to find markets elsewhere in the world.

Mr. BROWN. Yes, sir.

Senator BARKLEY. Do you still think we ought to try to find markets in the rest of the world for our surpluses?

Mr. BROWN. Absolutely.

Senator BARKLEY. What are they going to pay for those surpluses with?

Mr. BROWN. There are a lot of strategic materials, as we might call them, that we have talked about during this war that we do not produce in this country and that we need, such as tin, molybdenum, and a lot of other things that we need today in our great steel industries. We have our rubber, and various other kinds of things, we have sugar that we bring in from the outside. There is a list of the things that I had at one time here. Maybe I have got it now. I think I have—a list of a great many things that we do not produce in this country.

Senator BARKLEY. Now, since you mention sugar, we do not produce and never have produced all the sugar to supply our demand, have we?

Mr. BROWN. That is correct.

Senator BARKLEY. We do not produce half the sugar to supply our demand. We have to import sugar from other countries.

Mr. BROWN. I am not kicking about sugar. I say we import sugar.

Senator BARKLEY. We have to have more sugar than we produce; that is true, isn't it?

Mr. BROWN. Yes, we have to have it; that is true.

Here are some of the agricultural products that we do not have in this country: natural rubber, silk, coffee, tea, newsprint, manila hemp, sisal, copra, palm oil, cocoa, quinine, and a great deal of our sugar; and in the minerals we need and import nearly all of our tin, vanadium, nickel, platinum, manganese, natural nitrates, long-fiber asbestos, high grade mica, quartz crystals, and large quantities of antimony, bauxite, chromite, crystallite, graphite, mercury, and tungsten.

Senator BARKLEY. We ought to permit them to be imported?

Mr. BROWN. Absolutely.

Senator BARKLEY. There are a lot of people in the business of producing some of those things in this country and who take the same position as to those articles that you now take in regard to textiles.

Mr. BROWN. I say if those articles are not produced here we ought to import them.

Senator BARKLEY. Some of them are produced here.

Take tungsten. In working on the tariff bill of 1930 we had a terrific fight over tungsten, and the tariff was increased on tungsten on the ground that although we were not producing much at that time we could produce a lot, and therefore it ought to be protected.

If you permit these other things to be imported that you mention there, if you advocate that, you will have on your shoulders the people who are interested in those various items, who will be here asking us not to extend this tariff bill because it might affect them.

Mr. BROWN. That is probably true, and maybe they have a good foundation for what they say, but I think the raw material must be here, and we ought to encourage it if we have it. If we haven't got it, we should not.

Senator BARKELY. Do you believe it would be possible under present economic and industrial conditions in this country and the world to benefit our economy by long drawn-out tariff fights in Congress, lasting even half as long as the last one lasted, which was more than 18 months before an act was finally passed?

Mr. BROWN. I think it would be very constructive for the future of this country.

Senator BARKLEY. How is that?

Mr. BROWN. I think it would be very constructive for the future of this country. If you do not mind, I will be glad to tell you why I think so.

Senator BARKLEY. Did I understand you to say it would be constructive or destructive?

Mr. BROWN. Constructive. I would like the privilege of telling you about that.

Senator BARKLEY. I would like to get your attitude about that.

Mr. BROWN. In the first place, our tariff rate and our method of assessing duties is not conducive to proper protection. Most of our duties, particularly in the textile industry, are on an ad valorem basis, and the ad valorem assessment is made on the value in the country of shipment. Now, we have a great deal of difference between the cost in, we will say, Great Britain and Japan, so Japan gets a much lower cost in the delivery at their point of shipment and they get a lower dollars-and-cents duty than Great Britain, so we are encouraging a country where they have a very low standard of living to compete not only with ourselves but also against Great Britain, who is another competitor. I think that method of assessing duties is rather old-fashioned and I think it is going to cause us a lot of trouble in the future.

Senator BARKLEY. What would you substitute for the ad valorem?

Mr. BROWN. I would substitute the home value as the basis of assessment of duties rather than the value at the point of shipment.

Senator BARKLEY. In other words, if you have an ad valorem duty on an imported article you want the ad valorem to be based on the American price instead of the price where it comes from?

Mr. BROWN. Yes; and the rate adjusted accordingly.

Senator BARKLEY. If that were done now, how much would that involve in the way of increase in tariffs under the present law?

Mr. BROWN. You could adjust the ad valorem rate according to the conditions that exist at this time. It does not have to be the same rate that we are assessing.

Senator BARKLEY. You would raise the valuation and lower the rate?

Mr. BROWN. That is right.

Senator BARKLEY. If by raising the valuation and lowering the rate you got exactly the same amount of money in your tariff that you get now, what good would that do?

Mr. BROWN. I do not know that that is the point. If we are setting our rates to allow the competition from abroad to come in here on an equal basis with us, we may have to raise or we may have to lower, I don't know.

Senator BARKLEY. Do you think, the next 3 to 5 years, there will be an enormous demand throughout the world, due to the destruction of property, the factories, and the destruction of the men who work in them, that there will be an enormous demand on the United States for all kinds of goods to supply these demands?

Mr. BROWN. Certain kinds; not all kinds, no.

Senator BARKLEY. Well, most kinds.

Mr. BROWN. No; I do not think there will be any demand for textiles from outside of the United States, to amount to anything, and yet that is a large segment of our industry. There will be for automobiles, and probably for electrical apparatus, business machines, such things.

Senator BARKLEY. Farm machinery?

Mr. BROWN. Farm machinery.

Senator BARKLEY. How about the people who need automobiles, and we have got to sell automobiles, we have got to sell farm machinery, electrical appliances, all kinds of things, to pay for those things? They haven't got any money.

Mr. BROWN. They are going to pay for it by shipping us merchandise which we do not have, and which we need.

Senator BARKLEY. Can you always provide for an exchange in kind in every business transaction in international trade with any country; can you always provide that there shall be an exchange of what we need and do not have and what they need and do not have? Can you parallel those things always?

Mr. BROWN. I do not think under any conditions can you always parallel those things; I don't care what the situation is. There are times when you will be out of balance in your balance of trade, and then there is such a thing as a triangular trade.

Senator BARKLEY. That is all I have.

Senator TAFT. Mr. Brown.

Mr. BROWN. Yes, Senator Taft.

Senator TAFT. What kind of textiles do you speak of?

Do you speak of textiles generally?

Mr. BROWN. I speak of textiles generally, because Philadelphia is the diversified textile center. I am representing the Philadelphia Textile Association.

Senator TAFT. They are manufacturers of cloth and not of finished products?

Mr. BROWN. Well, cloth is a finished product, and we are manufacturers of yarns. We have integrated mills and nonintegrated mills. We have rayon, cotton and wool principally.

Senator TAFT. You include rayon, cotton and wool?

Mr. BROWN. Yes; we have rayon manufacturers in Philadelphia, and cotton manufacturers as well as wool manufacturers, and we also have one felt manufacturer, that has just been mentioned.

Senator TAFT. Have you any figures to submit on the cost of production and the reasons for the conclusion that you reach, that even the existing tariff rates will drive the industry out of business? Have those figures been presented to the House committee?

Mr. BROWN. No. It is hard to get those figures, Senator.

Senator TAFT. You have your own cost of production, haven't you?

Mr. BROWN. We have our own cost of production. I have a rough estimate of what it is in the wool trade, where I am situated particularly, as against Great Britain. It is only a rough estimate. We figure on the present rate of exchange they can make a piece of woolen fabric at a little over half what it costs us in the United States. Their cost of labor on the average is about 35 cents an hour against my plant at a dollar and a quarter an hour.

Senator TAFT. You say their cost of labor is 35 cents an hour?

Mr. BROWN. Yes, sir; that is very definitely stated.

Senator TAFT. Is it still that rate?

Mr. BROWN. It was less than that before the war.

Senator TAFT. What is that?

Mr. BROWN. It was less than that before the war.

Senator TAFT. And it is now about 35 cents an hour?

Mr. BROWN. Yes.

Senator TAFT. What did you say was the rate here, for the same kind of work?

Mr. BROWN. In my plant, we pay a dollar and a quarter an hour on an average.

Senator TAFT. What would you say is the difference in efficiency in the woolen business?

Mr. BROWN. We have one advantage of them in one case of machinery only, and that is we have automatic looms and many of the British firms do not have that. That would be about 20 percent difference in efficiency.

Senator TAFT. They are planning to put those automatic looms in?

Mr. BROWN. They are planning to put them in; they are starting to buy them now.

Senator TAFT. Are those looms made here in this country?

Mr. BROWN. Yes, sir; and they are making them now in England also. They were made here first. That is only one process in the manufacture of textiles.

Senator TAFT. Do you know whether they are included in the British lend-lease agreement, whether that kind of machinery is included in lend-lease?

Mr. BROWN. I do not know.

Senator TAFT. You spoke of two studies. I think the purpose of those studies was not to have any direct reference to the tariff, but only to show that when workmen are thrown out of work by the shutting down of an industry it takes them a long, long time before they get equivalent work, or get to work again; is that right?

Mr. BROWN. Exactly.

Senator TAFT. This study of the Brookings Institution was completed before the spring of 1930?

Mr. BROWN. That is right.

Senator TAFT. So it was not affected by the subsequent depression that occurred?

Mr. BROWN. That is correct.

Senator TAFT. Your contention is if these 2,000,000 workers in the textile industry are thrown out of work, that the theory they will be immediately absorbed in export industries is not a sound theroy; that is the purpose of your argument, as I understand it.

Mr. BROWN. That is correct; yes, sir.

Senator TAFT. The theory from 1925 to 1929 was under the Fordney-McCumber tariff, I think, which was the highest tariff except the Smoot-Hawley tariff we ever had, I think; do you know whether there was any serious interference with the textile industry in the United States at that time?

Mr. BROWN. There was no serious interference. I might say in that respect, as a rule the world textile industry is a forerunner of what is going to happen in the United States economically. After 1926 our business began sliding backward, and from 1926 to 1936 the world textile industry lost $100,000,000, in operating here, but it was not due to foreign competition. For some reason or other the people start to economize on their clothes before they do on other things, and we are generally forerunner of what is going to happen.

Senator TAFT. From 1925 to 1929 the imports of this country averaged about four billion a year, which was twice anything it has been since under the reciprocal trade agreements or anything else.

Mr. BROWN. Yes.

Senator TAFT. And yet the size of those imports did not interfere with your business because you had an adequate tariff.

Mr. BROWN. That is correct.

Senator TAFT. On the other hand, the high tariff did not interfere with the high imports into the United States.

Mr. BROWN. No. You will find, if you look over the figures and study the situation, when we are prosperous we import and export more than when we are not prosperous.

It is only the rich nations and the prosperous nations that can afford the luxury of foreign trade.

Senator TAFT. The size of imports resulted from the prosperity in the United States rather than the reverse, did it not?

Mr. BROWN. That is right.

Senator TAFT. Now, on the Japanese importation, I think the testimony yesterday from the rayon people was that a very large increase in textiles from Japan was rayon.

Mr. BROWN. Particularly in the cut staple.

Senator TAFT. Now, this so-called War Production Board study, have you ever seen that study?

Mr. BROWN. No, sir; I have not.

Senator TAFT. It has never been published?

Mr. BROWN. No; it has never been published.

Senator TAFT. It is just referred to by Mr. Stacey May; it is something secret and never has been shown to Congress.

Mr. BROWN. Yes.

Senator McMAHON. Congress has not asked for it; has it?

Senator TAFT. Mr. May was asked in the House to produce it.

Mr. BROWN. No, he was not. I do not think he was, Senator.

Senator McMAHON. No, he was not.

Senator BARKLEY. He told what it showed. It was never a secret in the House or anywhere else.

Mr. BROWN. Well, it is a generalization Unless we know what the basis of that study was it does not mean a darned thing.

Senator BARKLEY. In other words, you do not think he knew whether he was telling the truth, he did not know what the facts were based on?

Senator TAFT. As a matter of fact, the testimony of the rayon people was that the efficiency of the Japanese rayon industry was the same as the efficiency of American labor.

Mr. BROWN. Why should it not be? They have the same machinery.

Senator TAFT. They have the same machinery with which to make the rayon?

Mr. BROWN. Yes.

Senator TAFT. They have to make exactly the same kind of thread and cloth as our rayon people.

Mr. BROWN. Yes, sir.

Senator TAFT. There is no reason why Japanese are not just as good workers as anybody else.

Mr. BROWN. The machine does most of the work.

Senator BARKLEY. These are all American machines?

Mr. BROWN. Yes. You mean the rayon machines?

Senator BARKLEY. The machines that are being used by the foreign countries in making the textiles.

Mr. BROWN. Not all. There are some English machines and some German machines.

Senator BARKLEY. Most of them, though, have been imported into those countries from the United States?

Mr. BROWN. Not all the textile machines; no, sir.

Senator BARKLEY. What proportion would you say?

Mr. BROWN. About 10 percent, perhaps.

Senator BARKLEY. What difference does it make whether there is any lend-lease provision between the United States and England when they only buy 10 percent from this country?

Mr. BROWN. In textile machinery?

Senator BARKLEY. In textile machinery.

Mr. BROWN. I do not understand why they need it.

Senator BARKLEY. I thought Senator Taft asked you a while ago if you knew anything about whether there was any lend-lease arrangement about the purchase of American machinery.

Senator TAFT. You stated, Mr. Brown, they were buying machinery in this country now.

Mr. BROWN. Did I?

Senator TAFT. Yes; in some lines of the wool industry—the automatic looms.

Mr. BROWN. Yes; the automatic looms.

Senator TAFT. You stated they were buying them at this time.

Mr. BROWN. They cannot get delivery on them for a year or two yet. They place the orders. That is a very small part of the equipment of a textile plant, Senator.

The CHAIRMAN. Mr. Brown, you do not anticipate, do you, outside of England, that European countries will be on an export basis in textiles within the next 3 years?

Mr. BROWN. I would think that Belgium and France would. I do not know about Germany and Italy.

The CHAIRMAN. Would be on an export basis?

Mr. BROWN. Would be in an export basis in about 2 years.

The CHAIRMAN. About 2 years for England?

Mr. BROWN. England in about a year.

The CHAIRMAN. You do not anticipate Japan will be on an export basis, do you?

Mr. BROWN. That all depends on when VJ-day comes, sir, and how much destruction we do there.

The CHAIRMAN. It depends on a great many other things, too, doesn't it?

Mr. BROWN. Oh, yes, sir.

The CHAIRMAN. It depends on whether we allow them to come back into the world market with their production.

Mr. BROWN. I think it does. In that connection, if we are going to limit their heavy-goods industries, the industries that mean munitions, and so forth, I do not see what else we can do but let them go into the consumer-goods industries, to keep the people employed. We are going to have trouble in any of those countries if their people are unemployed and dissatisfied, and not fed, and so forth.

The CHAIRMAN. Yes; but it will be quite a little while before they supply their own needs. It seems to me they could not hope to be on an export basis in textiles in any quantities within the next 2 or 3 years in Europe, outside of England.

Mr. BROWN. My "dope" from Belgium and France has been that their textile industries have been very little destroyed. I have seen very little destruction. What they need today is raw materials and fuel to run them.

The CHAIRMAN. And transportation.

Mr. BROWN. Yes; and transportation. That is the reason they do not get the fuel, I think—is lack of transportation.

The CHAIRMAN. That is not the only reason that they do not get the fuel, because the coal mines in France and Germany, although they are producing only a relatively small percentage and cannot produce at all until they get lumber to reprop the mines and rebuild the mines—you cannot very well do that until you get transportation. France's big problem, perhaps, in this coming winter is going to be fuel.

Mr. BROWN. I think it is.

The CHAIRMAN. Because the British are using their fuel, they are still in war, and they will still have to use their fuel for war and for their domestic uses. France got her fuel from Germany and from England largely, outside of her own mines, which produced about 40,000,000 tons out of the 70,000,000-ton consumption in her own mines when they were running full, and they will be running full this winter. They have got a very serious problem there. They are not going to be very strong competitors, possibly, in the textile field, it seems to me, for 3 years.

You spoke of the wool duty—that the cost of producing wool in England was about 50 percent of the cost of producing comparable grades in the United States. I believe you said that.

Mr. BROWN. I was talking about wool fabrication.

The CHAIRMAN. Yes; wool fabrication.

Mr. BROWN. A little over 50 percent.

The CHAIRMAN. A little over 50 percent?

Mr. BROWN. Yes; from 50 to 55.

The CHAIRMAN. What is your duty?

Mr. BROWN. Our duty varies. It ranges from 30 to 40 percent on their valuation.

The CHAIRMAN. On their valuation?

Mr. BROWN. Yes, sir.

The CHAIRMAN. So you do not have a duty now on the woolen fabrics that would prevent terrific competition?

Mr. BROWN. No, sir. If their valuation was, for instance, half of ours, our 35-percent duty means 17½ percent on our price, and that is not enough.

The CHAIRMAN. They never do give our consumers all that they could give them and still compete with you, do they? In other words, they sell just under, do they not?

Mr. BROWN. They generally do.

The CHAIRMAN. So they do not really give the American consumer all the break that they could?

Mr. BROWN. No; they just throw enough to him to get the business. In other words, they could do better.

The CHAIRMAN. To get some of the business?

Mr. BROWN. Yes, sir.

Senator TAFT. Mr. Brown, there was a suggestion that we are not going to have Japanese competition or German competition, perhaps, because we are not going to permit them to make anything.

The CHAIRMAN. No; I never made that suggestion.

Senator TAFT. No; but that runs through the hearings here.

Mr. BROWN. Yes.

Senator TAFT. As a matter of fact, the whole purpose of this program, as I take it, is to build up a great American export trade. Of course, if we do not permit the Japanese and the Germans to sell here, then we eliminate a large part of the world market for our own goods. It is impossible for us to sell goods to Germany and Japan if we do not permit them to sell something to us.

Mr. BROWN. That is absolutely true.

Senator TAFT. Not only that, but isn't it true that the restrictions that will be placed, perhaps, on heavy goods industries will so reduce the standard of living in those countries that their competition is going to be more severe in the things that they are permitted to make?

Mr. BROWN. Yes, sir. The point I wanted to make a while ago when I was asked a similar question was if they are not producing these heavy goods industries, not allowed to produce, they must then go into textiles, or some other consumer goods industries, and we would have worse competition than we have today. We cannot keep the people idle; we have got to give them something to do.

Senator TAFT. So, your general theory is that sooner or later, maybe in 3 years or maybe in 5 years, we are going to face competition from the low-priced labor of Japan and what may then be the low-priced labor of Germany on account of the restraint under which the whole country will be held?

Mr. BROWN. That is right.

The CHAIRMAN. Thank you very much.

Senator MCMAHON. Just one more question, Mr. Chairman, if I may.

The CHAIRMAN. Yes, sir.

Senator MCMAHON. Mr. Brown, you stated the difference between the efficiency of American and British production was about 20 percent.

Mr. BROWN. That is right, sir.

Senator MCMAHON. I note here that 72 percent of our looms in this country are automatic and 10 percent of the British looms are automatic.

Mr. BROWN. That is right.

Senator MCMAHON. That means that one man, one weaver, can attend one or two nonautomatic machines, and he can attend about six automatic machines.

Mr. BROWN. That is right.

Senator MCMAHON. You further stated it would be about a year before they could get any of these automatic looms out of this country. Now, of course, they have been on rations, as far as clothing is concerned, for 5 years; so they have got a big domestic situation to take care of themselves, haven't they?

Mr. BROWN. Yes.

Senator MCMAHON. I notice also that you said when this country was prosperous imports went up.

Mr. BROWN. Yes, sir.

Senator MCMAHON. And, of course, domestic production went up.

Mr. BROWN. Yes, sir.

Senator MCMAHON. Do you know of any period in the last 50 years when the United States was prosperous and the rest of the world was in a depression?

Mr. BROWN. No; I do not know of any.

Senator MCMAHON. Neither do I; thank you.

The CHAIRMAN. Thank you very much, Mr. Brown.

Mr. Comeaux.

STATEMENT OF C. STEWART COMEAUX, SECRETARY, SPORTING ARMS AND AMMUNITION MANUFACTURERS INSTITUTE

Mr. COMEAUX. Mr. Chairman and members of the committee, I appear before you on behalf of the Sporting Arms and Ammunition Manufacturers Institute. With the exception of the pistol and revolver manufacturers, this group represents nearly 100 percent of the American manufacturers of small-arms ammunition.

Incidentally, I have no reason to believe that the one or two nonmember companies would be unwilling to support the Institute's position.

My purpose is to amplify a statement which, with your permission, I now offer for introduction into your committee's records.

The CHAIRMAN. That may be done.
(The matter referred to is as follows:)

SPORTING ARMS AND
AMMUNITION MANUFACTURERS' INSTITUTE,
New York, N. Y., March 31, 1945.

Hon. WALTER F. GEORGE,
Chairman, Senate of the United States, Washington, D. C.

STATEMENT IN OPPOSITION TO H. R. 3240 BY SPORTING ARMS AND AMMUNITION MANUFACTURERS' INSTITUTE

We wish to present, in the name of the Sporting Arms and Ammunition Manufacturers' Institute, the following statement in opposition to H. R. 3240:

The Sporting Arms and Ammunition Manufacturers' Institute is an association of arms and ammunition manufacturers comprising the following companies:

E. I. du Pont de Nemours & Co., Inc.
Federal Cartridge Corp.
Hercules Powder Co., Inc.
Ithaca Gun Co.
The Marlin Firearms Co.
O. F. Mossberg & Sons, Inc.
Remington Arms Co., Inc.
Savage Arms Corp.
Western Cartridge Co.
Winchester Repeating Arms Co.

While the institute is designated as the Sporting Arms and Ammunition Manufacturers' Institute, it should be noted its membership includes practically all of the small-arms and ammunition manufacturers in the United States, with the exception of the pistol manufacturers.

Our membership includes companies which have furnished the nucleus of the skilled help and management that has made it possible to produce the millions of rifles, carbines, and other small arms, as well as the billions of rounds of small-arms ammunition that has been necessary for our armed forces in the current war. Further, this industry has been called upon to supply not only our own troops but has had to meet the enormous demands, under lend-lease, of our allies.

The industry can point with pride to the fact that at no time has there been a shortage of either small arms or small-arms ammunition.

All of our members have in their files letters of commendation from high-ranking Government officials emphasizing the contribution of our industry to the effective prosecution of the war.

This reference to our part in the war effort is not advanced as a plea for some kind of reward—it is put forward solely to emphasize that the continued existence and well-being of our industry is of the greatest importance to the future defense of our Nation.

As hostilities cease, our industry of necessity will return to peacetime proportions. This means a drastic reduction in operations. But no matter how ardently we hope for peace, we dare not neglect the continuance of the nucleus of skilled personnel which could again be expanded should the emergency arise. This can only be done by keeping the industry in a strong and healthy condition, thus enabling it to preserve the largest possible working force.

The United States Government must recognize this situation and should therefore refrain from any acts which would have a contrary effect.

H. R. 3240, if passed in its present form, will very definitely injure the industry and further decrease employment.

Following the reductions in duty on guns made in the trade agreement with Belgium in 1935, importations increased fivefold by 1939.

Your committee knows that wages in the United States have materially increased since 1939, and the indicated trend is still strongly upward. No corresponding wage scales exist in Europe; in fact, it is reasonable to expect that for some extended period, food, clothing, and shelter will be far more important considerations than wage and living standards.

In the gun industry, practically 80 percent of the cost is represented by labor. It is, therefore, readily apparent that differences in wage and living standards play a tremendous role in the cost of our product.

A reduction of tariff on the products of the ammunition industry will have the same injurious effect as that already indicated for guns.

The institute has already protested against the cuts in tariff which are now in effect and which were beginning to seriously affect us when the war started. Obviously the full effects of the present tariff have not as yet been felt, so that the industry is concerned about the present low duties and is entirely opposed to any further reductions on its products.

To summarize, it is our sincere view that (*a*) an ability to turn out substantial amounts of small arms and small-arms ammunition, on comparatively short notice, is vital to this country's future defense; (*b*) such ability cannot be present unless we have in peacetime a sound small-arms and ammunition industry to provide the nucleus of specialized know-how and skilled labor upon which expanded wartime production can be built; (*c*) the existence of such a sound peacetime small-arms and ammunition industry is already in jeopardy by reason of the low tariff duties presently in effect; and (*d*) any further tariff reductions would so weaken this industry as to ruin its ability to play an important part in the country's defense if it should ever again be called upon so to do.

We wish again to register our strong protest against the passage of this bill and ask that it be reported unfavorably.

Respectfully submitted.

SPORTING ARMS AND AMMUNITION MANUFACTURERS' INSTITUTE,
C. STEWART COMEAUX, *Secretary*.

Mr. COMEAUX. On behalf of the members of my association, I wish now to register opposition to section 2 of H. R. 3240.

The arms industry is already laboring under the burden of a 50-percent reduction in tariff, through the adoption of the Belgian reciprocal agreement in 1935, the benefits of which have been extended to all other countries through the most-favored-nation clause and which resulted in a fivefold increase in importations of Belgian firearms.

We now have information which causes us to believe that arms plants in certain formerly enemy occupied countries, Belgium in particular, remain intact; and, in fact one Belgian company, having sufficient component stocks on hand, is now planning for an immediate resumption of deliveries into the United States. This will be while our American industry is precluded from meeting this competition because it is still engaged in all-out production of vital war matériel for our armed forces in the Pacific. To further aggravate this situation by additional tariff reductions would be manifestly unfair.

As I have previously stated, the last 50 percent tariff reduction in 1935 resulted in a fivefold increase in importations from one foreign country by 1939. It is only fair to state that a continuation of this trend, when peacetimes again prevail, could be ruinous to our industry. Under these circumstances we can see no possible justification for any further reduction in tariff rates.

Having presented our view that even the present tariff rates place our industry in jeopardy, I would like to remind you that our industry is of vital importance to the Nation, and any threat to the industry places the Nation in jeopardy.

The company members of the institute furnished the nucleus of the skilled labor and management which made possible the production of millions of rifles, carbines, and other small arms and the billions of rounds of ammunition used in the present war by our armed forces and by the Allies under lend-lease provisions.

The importance of the industry just mentioned has frequently been recognized in statements by high ranking Army officials. I would like to quote from two such statements, one made in time of peace and the second made within the past few months.

In a letter dated October 12, 1934, Maj. Gen. W. H. Tschappat, then Chief of Ordnance, said:

The Ordnance Department is very much interested in the enactment of any legislation or governmental action which would operate to effect the potential capacity of the country for the manufacture of small arms in an emergency.

In time of peace, the capacity of our arsenals is sufficient to produce the small quantities of this type of material required. However, in an emergency, such a condition would no longer exist, and dependence would have to be placed upon commercial facilities for approximately 90 percent of our requirements. Such being the case, it is readily apparent that any reduction in commercial capacity reduces not only capacity as such but also the number of trained artisans who would serve as a nucleus for necessary expansion. In other words, the safety of the country in an emergency rests on the potential capacity of industry. This has been our policy, and it is hoped that no action will be taken which will jeopardize this reliance.

Now, Senator, on January 4, 1945, Lt. Gen. Levin H. Campbell, Jr.—then major general—Chief of Ordnance, made a public address in New York in which he said—and I would like to quote from pages 14 to 16 of Army Ordnance Report No. 8, official publication of the Army Ordnance Association, for May 15, 1945:

But it was the old-line industry which knew the gun and cartridge-maker's art. The old industry provided the balance and the seasoned judgment; it provided the indispensable know-how which it had accumulated over the years.

It is not by accident that the old-line small-arms industry is formed of companies whose origin dates far back into the history of this Nation. Only by skill, built over the years, have such companies survived. Their road has been far from smooth. It has not been a bed of roses. At times, there have been commercial reverses. At times, it has seemed that their art would be lost. Along with the Ordance Department's old-line arsenals, this small group of patriots kept for America its priceless knowledge of small arms. The record in peace and war has been one of devotion to duty. And this devotion was carried on in the face of the most intense discouragement.

In the years since the last war the Ordnance Department passed through a period when munitions were regarded with suspicion. To the individual officers there were times when their careers seemed futile. You of the old-line industry suffered from commercial attrition. Worse still, you were held up to public ridicule. Misguided individuals wrote books charging that you were enemies of humanity. Irresponsible voices were raised against you. They said you were the merchants of death. You were held to be capable of the most infamous crimes. It was said that you conspired in some foreign league for the purpose of starting wars. But, in spite of all this unjust abuse, you held firm. You saw to it that when America needed your knowledge it should be ready. You kept your tools sharp and your skills keen. Your country owes you much. In the days of peace ahead this same hue and cry may again arise. We will then, I hope, readily recognize it as not in the interest of America.

Both the Ordnance Department and you were determined that this country would not be lacking in knowledge of the small-arms art. Our common goal was not merely acceptable small arms but that our American boys have the best in small arms and ammunition. This goal has been attained. America's fighting men, alone among all nations, are fully equipped with a self-loading rifle, and the Garand has justly earned its fame. The devastating caliber .50 Browning machine gun was ready when war came. Since the war started, the caliber .30 carbine and the marvelous caliber .50 incendiary ammunition, which has brought so much havoc to our enemies, have been produced. As Chief of Ordnance, I am proud to acknowledge America's debt to the old-line small-arms industry.

He goes on to say:

Your record speaks for itself. But the cold figures cannot tell the whole fabulous story; they do not give all the facts. They say nothing of the toil, the brains, the effort, and the casualties which went into the making of this record. No one realizes the extent of that struggle more than I do. I know that there were many thorny problems. I know that there were many disappointments. But the problems were overcome. You have succeeded magnificently, and all America is proud of your success. Those who would start future wars against us will not forget you; your place in history is assured.

And in his closing remarks, General Campbell said:

I have reviewed your magnificent accomplishments. I have acknowledged the debt owed by this Nation to the faithful old-line small-arms industry and their comrades. We have all seen the war change. The commanders in the field have called for an increased output of certain items. We have never delayed a plan of field action—we never will. The industry-ordnance team has seen to it that every American soldier fights with equipment of the highest quality. I know that you will continue to exert your maximum efforts and even surpass your wonderful record.

In closing, Senator, I want to make two points, sir: First, that the importance of a sound small-arms and ammunition industry cannot be questioned; and second, any further reductions can seriously jeopardize this essential industry; and if the testimony of the Chief of Ordnance is pertinent, such reductions will jeopardize the future defense of our Nation.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Comeaux. I do not feel that any essential industry need fear that it is going to be destroyed by any future reductions of the tariff. It seems to me, with the set-up that is now ready to function, if and when you go back into the reciprocal trade agreements field, it will certainly consider all the pertinent facts affecting industry. It certainly is not my thought that any legitimate, essential industry in the country will be destroyed by drastic reductions that would destroy the business—turn it over to foreign competitors.

Mr. COMEAUX. Sir, is it not a fact that if a further reduction were contemplated it would be discussed with the Army and Navy Departments?

The CHAIRMAN. Oh, yes; they are now made part of the negotiating machinery under the reciprocal trade agreements provision of this bill; they are added to those advisers who really substantially fix the final rate, if they are to enter into negotiations.

Mr. COMEAUX. Of course, we are in the same position that many other industries find themselves in; that is, that we really do not know what the final effect will be. We had not yet had opportunity to feel the full effect of the last reductions.

The CHAIRMAN. I can appreciate that, but I do think we have to trust someone. With the Army and Navy sitting on this board now, in the future, if this bill goes through, they certainly would not want to adopt a schedule of rates in your industry that would be destructive.

Mr. COMEAUX. Well, we are fearful of this mentioned trend; and, as I have stated, this Belgian situation causes some little worry when we realize that they are already in position to start exporting.

The CHAIRMAN. They can. There will be many foreign enterprises that can start if they get the necessary raw materials before we can, assuming that the war with Japan goes on for some time in the future. That is just one of those unavoidable things that grows out of the war.

Senator TAFT. Mr. Comeaux, what was the condition of the industry in 1933 and 1934?

Mr. COMEAUX. You mean with respect to imports?

Senator TAFT. No, no; I mean the condition of general prosperity.

Mr. COMEAUX. At very low ebb.

Senator TAFT. The Winchester people were shut down, weren't they?

Mr. COMEAUX. Well, as a matter of fact they went into bankruptcy at that time.

Senator TAFT. That was just the time when this Belgian treaty was being negotiated?

Mr. COMEAUX. That is correct.

Senator TAFT. What sort of opportunity were you given to be heard on that question?

Mr. COMEAUX. Senator Taft, we filed a brief at that time, but that is all.

Senator TAFT. Did you ever talk with any of these people who negotiated the treaty with Belgium?

Mr. COMEAUX. I think some of our company representatives did, sir.

Senator TAFT. Did you get to talk to the Army and Navy about it at that time?

Mr. COMEAUX. Well, sir, I have just read the letter we received in 1934 from General Tschappat who then was Chief of Ordnance.

Senator TAFT. That did not prevent the reduction of 50 percent in the industry which was probably "broke" at that time.

Have you any reason to believe there will be a further 50 percent reduction?

Mr. COMEAUX. We have only the hope there will be no such reduction.

The CHAIRMAN. The Army and Navy were not then members of the Board and did not have the official status that they have under this bill.

Your industry in 1933, though, was not suffering so much from foreign importations; it was suffering from the general campaign that went on in this country, isn't that right?

Mr. COMEAUX. A general over-all condition, Senator.

The CHAIRMAN. The over-all condition, but specifically also because of the agitation that was carried on, which you probably point out in your statement, I think, where you were called merchants of death, and a lot of restrictive steps were taken.

Mr. COMEAUX. Yes.

The CHAIRMAN. Those things affected your industry necessarily.

Mr. COMEAUX. I think probably they did some, but of course at that time we were in the throes of a depression.

The CHAIRMAN. That is true.

Senator LUCAS. A senatorial committee was investigating those things at that time, too.

Mr. COMEAUX. I think you are correct, Senator.

The CHAIRMAN. If there are no further questions, thank you, Mr. Comeaux.

Mr. COMEAUX. Thank you very much, gentlemen.

The CHAIRMAN. Mr. Wormser.

STATEMENT OF FELIX EDGAR WORMSER, SECRETARY AND TREASURER, LEAD INDUSTRIES ASSOCIATION

Mr. WORMSER. Mr. Chairman and gentlemen, my name is Felix Edgar Wormser. I am a mining engineer and secretary of the Lead Industries Association, which represents practically the entire lead-mining industry in the United States, also the manufacturers of a great many metallic products, lead pigments, and lead chemicals. I have already appeared before the House Ways and Means Committee with reference to the forerunner of this bill, H. R. 2652, and I am pleased to note that an amendment has been adopted in the bill now before the Senate, H. R. 3240, whereby some of our apprehension has been relieved; that is, that temporary rates existing in the Mexican trade agreement may not be used as a basis for further cuts. This point has been cleared up by the language of section 3 (d) (1) making obligatory the use only of postwar or postemergency rates for further reductions in tariffs.

We would, however, like to call the attention of the Finance Committee to the fact that we believe the lead-mining industry has already been injured by the postemergency cut of 20 percent in the lead rates made in the trade agreement with Mexico in 1942. The effect of this cut is obscured because currently the Government is the sole importer of lead and tariffs are of no significance to the domestic lead-mining industry in wartime The extent of this injury will not be apparent until the war with Japan is concluded and normal trade relations are restored. Suffice it to say, however, that the 20-percent cut places the protection granted the lead-mining industry of the United States to within about one-tenth cent that given the industry under the Underwood Act of 1913. The temporary cut of 50 percent made in the Mexican agreement, on a rate of 1 1/16 cents per pound is, of course, substantially below the Underwood rate.

We do not look with favor on the further extension of power to cut tariff rates 50 percent below the rates prevailing on January 1, 1945. The record shows that Congress ever since the Singley Act of 1897 has deemed it advisable to encourage the lead-mining industry of the United States at the rate of 2⅛ cents per pound with the exception of the ad valorem rate of the Underwood Act. The Mexican agreement is the first departure from that policy.

We understand from reading some of the testimony presented before the Ways and Means Committee that many comparisons were made with rates in the Underwood Act. Any further postwar cut in the lead rates will place our protection so far below that of the Underwood Act as to make our future most uncertain, to say the least.

It is a matter of record that the protection granted the lead industry by Congress since Civil War days has been moderate. No increase was requested, nor given the industry in the act of 1930, the Hawley-Smoot Act, which merely continued the Fordney-McCumber rates of 1922, as the following table shows:

Rates of duty on lead, 1897–1945

[Figures in cents apply to the pound; those in percent indicate ad valorem]

	Pigs, bars, and lead bullion	Dross	Lead in ore	Sheet lead, etc.
Dingley Act, July 24, 1897	2.125 cents	2.125 cents	1.50 cents	2.50 cents.
Payne-Aldrich Act, Aug. 5, 1909	2.125 cents	2.125 cents	1.50 cents	2.375 cents.
Underwood Act, Oct. 3, 1913 [1]	25 percent	25 percent	75 cents	25 percent.
Fordney-McCumber Act, 1922	2.125 cents	2.125 cents	1.50 cents	2⅜ cents.
Hawley-Smoot Act, 1930	2.125 cents	2.125 cents	1.50 cents	2⅜ cents.
Mexican trade agreement, 1942 [2]	1.0625 cents	1.0625 cents	75 cents	1.875 cents.

[1] Lead in copper matte admitted free when value of lead content is exceeded by that of copper content.

[2] 30 days after termination of the national emergency proclaimed May 27, 1941, the rates will be 1⅛ cents per pound on ores, matte, and flue dust, and 1 7/10 cents per pound on lead in other forms.

Under the continued protection given our industry by Congress, the lead-mining industry in the United States has grown to be the world's greatest producer of lead. This premier position was priceless to the country during the last war and is equally precious today. Lead is indispensable in wartime and is of the highest strategic importance in ammunition, storage batteries, cable, gasoline, bearings and many other applications. Lead is in the highest classification of the strategic commodity list of the Army and Navy Munitions Board. From the standpoint of military security, it seems to us sound national policy to encourage a constant search for new lead ore supplies in the United States through proper protection.

We cannot agree with the philosophy that the mining industry can no longer be depended upon for a large annual production of lead. The war itself has given illustrations of where additional deposits of lead have been found, too numerous to detail here. The average lead mine never has more than a few years' ore supply in sight, or developed, and must constantly be alert to explore for additional deposits to stay in business. During the war, exploratory or development work has had to be seriously neglected because of manpower shortages.

We will not stress here the many factors that make it necessary for our domestic lead-mining industry to receive adequate protection but it is worth noting that our experience in the war has given us a reliable gage for comparing costs of production in the United States and foreign countries through a comparison of the controlled prices received for lead production by American mines and by foreign producers. The following table gives the comparison:

	Cents
Mexican producers:	
Per pound, early 1944, New York	6
Per pound, late 1944, New York	6½
Canadian and Australian producers, per pound, or less, New York	5
United States producers, per pound	8¼

It will be noted that the price received by American mines has exceeded the price paid to Mexican producers by 2 cents per pound and exceeded the Canadian and Australian price by over 3 cents per pound. In other words, it is apparent that our industry received slight protection from the existing temporary duty of 1¹⁄₁₆ cents per pound. We feel, therefore, that any reduction in the rate of pig lead and reductions in comparable schedules, below the 2⅛ cents is unwise and not warranted by the relative costs of production in the United States compared with North and South American and other lead-producing countries.

Currently our miners are receiving $8.50 to $9 per day or more. The wage schedule in Mexico is equivalent to about $1.50 to $2 per day, that in Bolivia about 75 cents per day, that in Peru and Argentina about $1.50 per day.

As the statistics of the Metal Mining Analysis Office of the Office of Price Administration show, the workings of the premium price plan in 1944 indicate that about 200,000 tons of lead were produced at the ceiling price of 6½ cents per pound last year. It has required an approximate average of 8¼ cents to bring out the production of 400,000 tons of lead in the United States. Incidentally, may I point out that this production could have been substantially increased had adequate manpower been available.

We recognize that this is not an appropriate occasion, nor does time permit going into all the conditions which should be carefully weighed by any Government authority possessing the responsibility of determining an adequate tariff for the lead-mining industry. We do wish, however, to record our feeling that the cut already made in the lead rates may not be in the best interests of the American people and respectfully suggest to the committee that:

(1) It give careful consideration to limiting the act to another year, pending some settlement of the chaotic international situation, particularly as it is affected by variations in foreign exchange rates and the elimination of Germany as a substantial consumer of pig lead.

(2) Furthermore, as we are opposed to the granting of additional power to cut tariff rates 50 percent below the rates prevailing on January 1, 1945, we respectfully suggest to the committee that it give careful consideration to the advisability of including an amendment to H. R. 3240 which would preclude further cuts being made in any of the schedules relating to those metals and mineral products which are in the strategic list of the Army and Navy Munitions Board.

We are appending a brief supplement showing some relevant data about the lead-mining industry.

(The matter referred to is as follows:)

Lead Statistics

Occurrence.—Lead is found in many States and in Alaska. In detail the following States have an important interest in the tariff policy of our Government on lead by possessing commercial mineral deposits furnishing a livelihood to thousands of people and adding constantly to the wealth of the country:

Arizona	California	Colorado
Idaho	Montana	Nevada
New Mexico	Texas	Utah
Washington	Arkansas	Illinois
Kentucky	Kansas	Missouri
Oklahoma	Wisconsin	New York
Tennessee	Virginia	North Carolina

In the aggregate these States produced a total amount of lead as shown in the extreme right-hand column of the table below.

Imports compared with production.—Before the war lead consumption and supply were almost in balance and imports comparatively light, but, as the following table indicates, huge imports of lead have taken place during the war:

Comparative domestic mine production and imports of lead [1]

[In short tons]

Year	Imports				Production, domestic mines
	Lead in ore and matte	Lead in base bullion	Pigs, bars, sheets, and scrap	Total lead content	
1935	20,000	2,700	1,300	24,000	331,000
1936	20,700	300	2,600	23,600	373,000
1937	34,100	1,800	4,900	40,800	465,000
1938	45,400	15,300	3,200	63,900	370,000
1939	30,800	48,900	7,100	86,800	410,000
1940	111,300	19,600	151,600	282,500	457,000
1941	107,000		274,000	381,000	461,000
1942	123,000		369,000	492,000	496,000
1943	70,000		243,000	313,000	446,000
1944	90,000		220,000	310,000	417,000

[1] Department of Commerce and War Production Board.

Lead imports have been most welcome in wartime, but we must remember that they have also enabled foreign countries to keep their lead mines operating. In fact, more lead has been imported in the last 5 years into the United States than entered the United States in the preceding 15 years. These purchases have been most generous to foreign producers.

Comparative wage rates.—The tariff issue narrows down principally to an equalization of competitive wage rates. The wage scale for miners today in countries south of the border is only about one-fifth of what it is in the United States. Although to be sure, productivity of American labor may be higher than elsewhere in the world, *it is obviously not possible for one American miner to out-produce five workers south of the border.* Our labor-saving machinery is readily available to foreign producers.

Character of lead-ore deposits.—Another factor is, of course, the difference in the character of the lead deposits that nature has placed in various parts of the world. The very fact that Canada, for example, can produce lead today profitably at a price which is far bel our own is predicated in large measure upon a richer ore deposit.

World consumption of lead.—As estimated from available statistics covering the 3 years immediately preceding the World War, as shown in the table below, the relative rank of the important lead-consuming nations was as follows: (1) United States, (2) Great Britain, (3) Germany, (4) Japan, (5) France, (6) Russia.

The heavy German consumption of lead is noteworthy, ranging from 225,000 to 275,000 tons yearly. The prospective lower postwar consumption of lead by Germany is expected to increase the pressure of foreign lead on the American market.

Prewar world lead consumption [1]

[In short tons]

	1932	1933	1934	1935	1936	1937	1938
United States	276,000	313,000	333,000	389,000	490,000	540,000	400,000
Canada	14,900	15,600	17,900	20,500	23.000	26,300	23 000
Other America	17,100	14,300	18,700	21,000	22,100	23,400	24,800
Total America	308,000	342,900	369,600	430,500	535,100	589,700	447,800
Austria	5,300	3,600	3,500	5,100	4,500	7,300	17,000
Belgium	37,500	38,600	49,600	44,200	49.500	49,500	38,600
Czechoslavakia	11,700	12,300	10,800	16,500	16,300	20,900	19,600
Denmark	(2)	8,200	8,800	10,600	7,700	9,900	7,400
France	133,800	153,500	127,800	100,300	104,000	118,200	95,000
Germany	135,400	152,500	176,000	190 000	228,000	259,000	275 000
Great Britain	248,000	302,000	368,000	366,500	387,000	382,000	425,500
Hungary	(2)	3,600	6,800	6,700	5,200	6,700	8,400
Italy	44,000	36,700	52,900	73,100	49,900	55,500	57,200
Netherlands	20,600	24,200	26,400	20,900	23,500	25,900	39,600
Poland	(2)	8,800	8,300	9,500	10,700	13,200	15,300
Russia	54,000	33,100	50,600	74,300	88,200	106,900	99,200
Spain	22,000	17,100	19,800	25,800	16,500	16,500	22,100
Sweden	9,800	11,000	15,000	17,900	18,200	21,300	27,800
Switzerland	15,500	14,800	16,300	13,800	8,300	10,200	10.900
Yugoslavia	6,400	2,200	2,200	1,300	2,200	2,200	2,200
Other Europe	27,600	14,300	16,100	17,600	18,200	24,200	27,600
Total Europe	771,600	836,500	958,900	994,100	1,037,900	1,129,400	1,188,400
Japan	68,200	81,000	112,000	107,700	115,000	132,000	110,000
India	(3)	7,900	8,800	9,900	6,600	8,800	8,200
Other Asia	20,900	11,000	11,000	12,100	13,200	13,200	16,000
Total Asia	89,100	99,900	131,800	129,700	134,800	154,000	134,300
Africa	4,400	4,400	4,400	4,400	5,500	6,600	6,600
Australia and New Zealand	14,300	15,700	18,600	23,900	25,200	26,900	28,000
Total excluding United States	911,400	986,400	1,150,300	1,193,600	1,248,500	1,366,600	1,405,200
Grand total	1,187,400	1,299,400	1,483,300	1,582,600	1,738,500	1,906,600	1,805,200

[1] American Bureau of Metal Statistics.
[2] Included in "Other Europe."
[3] Included in "Other Asia."

The CHAIRMAN. Are there any questions?

Senator TAFT. Mr. Wormser, I missed some part of your statement, but what was the effect of the cut on lead?

When was that? Just before the beginning of the war?

Mr. WORMSER. The cut was made in 1942, sir, so it has had no effect as yet, because, as I explained in my statement, wartime cuts have no significance, because the Government is the sole importer.

Senator TAFT. What was the testimony here of a cut that shut down the industry? That was zinc, was it?

Mr. WORMSER. Zinc was cut before the war. We were cut during the war. I think you have reference to the zinc situation.

Senator TAFT. Very often some companies are concerned with both lead and zinc, are they not?

Mr. WORMSER. In the Rocky Mountain area, that is correct, sir, but elsewhere in the country they are different companies.

Senator TAFT. That is all.

The CHAIRMAN. Are there any further questions?

Senator Bushfield?

Senator BUSHFIELD. No.

The CHAIRMAN. If not, thank you very much.

Mr. Potter.

STATEMENT OF T. A. POTTER, PRESIDENT, ELGIN NATIONAL WATCH CO.

Mr. POTTER. Mr. Chairman and gentlemen of the committee. My name is T. Albert Potter, address Elgin, Ill., and I represent eight companies, comprising the American Watch Manufacturing Industry. I have prepared a longer statement which I hope you will permit me to include in the record and which I hope you will read, but my remarks will be limited to the time allotted me.

The CHAIRMAN. You may file the longer brief for the record.

(The longer statement referred to will be found at the end of Mr. Potter's oral statement.)

Mr. POTTER. I was interested this morning hearing Mr. Clayton say something about this escape clause, and I am just in hopes that that will be put into some of these treaties that were already made as well as those that may be made in the future.

We are opposed to H. R. 3240 in its present form and particularly section 2 of the bill. What I want to impress upon you is that this industry is an absolutely essential industry in time of war. Time is a munition of war. Mechanical timekeeping instruments are indispensable to the execution of every maneuver by land, by sea, by air. Your military people will support these statements. During the war our industry was the only industry in the world with the know-how that was available to supply these vital demands of the United Nations, and without this know-how it would have taken 5 or 6 years to develop and build the instruments so necessary to the successful prosecution of this war. A war can be lost in less than 5 years.

The second thing I wish to bring to your attention is that this industry is essential in peacetime. The Swiss industry is a Government-controlled trust. They establish prices; they control the export of machines. At one time they prohibited the migration of workers. A strong competitive American industry is the only thing that can protect the American public against monopoly practices. We have had this experience during the war. Prices of the Swiss product have skyrocketed and the public have paid high prices for nondescript products.

Had it not been for statements made in the report of the Ways and Means Committee I should have avoided appearing before you and let my statement before the Ways and Means Committee tell the entire story. I feel that there are two misleading statements made in their report;

1. On page 45 it is alleged that no injury was done the American jeweled-watch industry by the Swiss trade agreements, since the industry's business was considerably increased. Now I submit that if our business had not increased over what it was in 1930 to 1935, I would not be here today because it is not likely that there would be any American industry left. The significant thing is that the Swiss imports increased to a much greater extent in the corresponding period.

2. On page 47, second paragraph, of the committee's report, they deny our assertion that there will be no postwar backlog demand for watches.

We have been out of civilian production since June of 1942. While our facilities have been wholly devoted to the making of instruments of war, the market in this country has been flooded with Swiss watches. Imports have more than trebled—from an average of slightly more than 2,000,000 watches annually over the 10 years immediately preceding our entry into the war (1932–41) to an all-time high of 8,000,000 in 1943. Data for 1944 is not complete, but during the first 9 months, according to Department of Commerce figures, importations exceeded the 5,000,000 mark.

Senator LUCAS. Are those watches made complete in Switzerland and shipped here, or are the parts made there and assembled in this country?

Mr. POTTER. I would say 95 percent of the watches are made in Switzerland and brought over here as complete movements, and in most instances the cases are bought in this country and the movements are cased in this country.

Senator GERRY. Do you make anything but watches?

Mr. POTTER. Yes, sir; during the war we made airplane clocks, chronometers, all sorts of timing instruments, fuzes, in large quantities.

Senator LUCAS. In fact, you are making everything for the war at the present time?

Mr. POTTER. Yes, sir; we have been, until recently, exclusively on war production. Just to give you an instance, the other day we had a cancellation of 75,000 units for the Army. We tried to go out and buy cases for those watches from the regular American case companies and we found they are booked up until the end of 1945. One particular company was booked up until the end of 1946 to make cases for Swiss imports, and we are denied that one outlet for the obtaining of cases.

Senator GERRY. Do you make chronometers for the Navy?

Mr. POTTER. Yes, sir; we, that is, Elgin, are just getting in production on chronometers for the Navy.

Senator LUCAS, Could the War Production Board, or the Army or some agency of the Government, do something about that?

Mr. POTTER. About what?

Senator LUCAS. About this particular individual company that takes all these cases.

Mr. POTTER. I think it could, Senator, but we have not had a chance to go around to see them yet. It just came up the other day. As a matter of fact the cancellation was on Monday.

This situation poses a serious threat to the future of the American watch industry. There will be no backlog of demand for watches. The retailer will spend his money to replenish his stocks with merchandise which was not available during the war. Likewise, the consumer will spend his money for those things which he could not obtain during the war. The watch is the only manufactured item in the semiluxury category that has been readily available, and the result has been that much forward buying has been done by consumers. For 3 years, since 1942, our foreign competitors have been strengthening their position in this country. The number of importing firms has more than doubled, and all of them have had large wartime profits which have not been touched by renegotiation.

Senator LUCAS. Do you have a list of those concerns in America?

Mr. POTTER. The importing concerns?

Senator LUCAS. Yes.

Mr. POTTER. We can get that for you, sir.

Senator LUCAS. Will you put that in the record?

Mr. POTTER. We will be glad to, sir. They have spent millions on advertising. In short, whenever the American industry gets back into civilian production, it will be infinitely worse off than when the war started. The reconversion will deepen this disadvantage. The Swiss have never been out of substantial civilian production, whereas we haven't even had a chance to plan new products, let alone prepare for their production.

Of all the surveys on postwar consumer wants that have come to my attention, the consumer has not mentioned watches as one of his first 10 desires. In normal times watches have been 1 to 5 on the list. That should convince any economist of the lack of a postwar market for watches. It seems to me, if I may say so, that this situation is likened to the G. I. Joe who has left his wife and his home, given his utmost, and comes back to find his house occupied by another.

What I wish to impress upon you gentlemen is, that despite a warning from the War Department, a treaty was entered into that injured this industry and that gave the Swiss, subsequent to the trade agreement, 61 percent of the market in 1941 as against 47 percent in 1935—and since 1941 they have had the whole hog—and, consequently, we were not in the position to furnish the Government its military requirements with the speed or in the quantities that an adequately protected industry could have provided.

I, however, say that there is no other industry in this country that could have supplied time and timing instruments in any quantities so vital to every phase of modern warfare. The large part that labor represents—and may I say yesterday you heard people telling about the large part that labor played in the manufacture of their goods; that it amounted to 35 percent. Do you realize in the watch industry it is 75 to 90 percent labor? That differential cannot be overcome by mechanical means and American ingenuity. The delicate assembly and adjustments still must be made by hand.

I want you to realize that all during the time the trade agreements program has been in effect, most of the major nations of the world have either been at war or preparing for war. As early as 1934 the Swiss were manufacturing war material for the Germans. I reported that at the hearing before the CRI in 1935. Hence the American watch manufacturing industry has not yet felt the full impact of Swiss competition during normal times under the already reduced tariff rates; and this is true of the whole program.

The Ways and Means Committee, at our suggestion, amended the original Doughton bill so as to include the Army and Navy among the agencies which have to be consulted before concluding future agreements. We feel this does not go far enough. On items vital to the national defense the Army and Navy should have the power to prevent further tariff reductions.

We, the industry, have valuable trade names in this country. We can be importers with no manufacturer's problems. Why should we fight this seemingly uphill battle? Only because we believe we have duties to our community, to our employees, to our Nation. We know the situation. We don't want to see this country jeopardized by persons who can't or won't understand the problem. We are making a fight to assure that my country, your country, has the means to give the armed services their needs in a time of emergency. Otherwise we can readily become importers and the Nation will lose an art that would take years to win back in case the black clouds of war return.

It is your decision; it is your responsibility.

I thank you, Senator.

The CHAIRMAN. Thank you, Mr. Potter.

Are there any questions?

Senator BUSHFIELD. Mr. Potter, approximately what is the number employed in the watch industry in this country?

Mr. POTTER. We have in the clock, nonjeweled and jeweled watch industry approximately 26,000 persons, of which there are 8,000 in the jeweled-watch part. That is exclusively on timepieces.

Senator BUSHFIELD. The percentage of labor in the cost of producing a watch you said went up as high as 90 percent?

Mr. POTTER. Yes; on a chronometer or elapsed-time clock the percentage of labor is approximately 90 percent.

Senator BUSHFIELD. Those are all skilled laborers?

Mr. POTTER. Yes, sir; it is an art.

Senator BUSHFIELD. What is the import duty on watches?

Mr. POTTER. The duty varies very much, from 90 cents to $4—that is, the original rate—less the cuts on different sizes and different jeweling of watches. Now, it is a rather complicated schedule, sir.

Senator BUSHFIELD. Did I understand you to say that the War Department objected to this Swiss trade treaty?

Mr. POTTER. There is in our supplementary statement a letter from Secretary Dern warning the State Department at that time that this industry should not be injured; yes, sir.

Senator BUSHFIELD. What was the amount of the sales of the watch industry in America before the war?

Mr. POTTER. On jeweled watches in 1935, as I remember the figure, which did not include the Bulova Watch Co., at that time there were around 1,000,000, and Elgin, Hamilton, and Waltham sales in 1941, as I remember, were 1,800,000 units.

Senator BUSHFIELD. How many companies are engaged in this industry.?

Mr. POTTER. We have eight companies altogether in the jewel and nonjewel; four in each branch, including Bulova. The Bulova Watch Co., however, is largely an importer and makes but a small quantity of watches at the present time; but he started—under the hopes of getting protection from the original tariff passed in 1930—he started making watches in 1935 in this country, and he is making a small quantity now.

Senator BUSHFIELD. As I understtnd it, the American market has been pretty well flooded in the last 3 or 4 years with Swiss watches, hasn't it?

Mr. POTTER. I should think if imports have increased from 2,000,000 to 8,000,000, that would be the logical thing to conclude.

Senator BUSHFIELD. You have not been making any at all during the war?

Mr. POTTER. Practically none. Last year we, and I am speaking only of Elgin now, made about 3 percent of our total volume; that is, about 3 percent were civilian watches.

Senator BUSHFIELD. That is all, Mr. Chairman.

Senator LUCAS. Let me ask you one question. We hear a good deal about this Bulova watch. Is that a Swiss imported watch?

Mr. POTTER. A large part of his business is importing; yes, sir.

Senator LUCAS. Does he assemble his watches in this country?

Mr. POTTER. He does some manufacturing and some assembling in this country. Most of it is importing the complete movement.

Senator LUCAS. From the Swiss?

Mr. POTTER. Yes.

Senator LUCAS. Where is his industry established, in New York?

Mr. POTTER. In this country?

Senator LUCAS. Yes.

Mr. POTTER. He has a plant at Woodside, N. Y., and he has one at Waltham.

Senator LUCAS. What about the Gruen watch?

Mr. POTTER. The Gruen watch is purchased complete from Switzerland, including the dials and hands, and brought over here to Cincinnati, Ohio. It is not an American watch, although sometimes you might be led to believe so.

Senator LUCAS. Is your machinery all set up for reconversion?

Mr. POTTER. The machinery in our main plant at Elgin is mostly available for making watches the minute the Army and Navy let up, but our other plants must be reconverted.

Senator LUCAS. Do you think your industry can exist under the present tariff rates without reduction?

Mr. POTTER. We have lost a large share of the market since this treaty was passed in 1936.

Senator LUCAS. There is nothing that anyone can do about that at the moment. What is your suggestion as to what you can do?

Mr. POTTER. Our suggestion has been twofold. As a matter of fact, we have been before the Reciprocal Trade Committee; we started 2 years ago, and we haven't gotten any action yet. We asked specifically at the hearing in January of this year that there be arranged in some way or another a quota which would permit us to get back into production and get back into the market.

Senator LUCAS. Is that a committee of the Tariff Commission?

Mr. POTTER. It is the Committee for Reciprocity Information. It is not the Tariff Commission, although they pretty well interchange.

Senator LUCAS. They haven't reached any decision yet?

Mr. POTTER. No, sir.

Senator LUCAS. Why haven't they?

Mr. POTTER. The laws of the Medes and Persians are slow, I guess.

Senator LUCAS. That is one thing I cannot understand, insofar as your problem is concerned before that Committee.

Mr. POTTER. Senators, we came down here in April 1943 and had a long discussion with the State Department, with Mr. Harry Hawkins at that time, quite a brilliant fellow. That is where we started. Later, in December of 1944, we got the other watch companies together and filed a joint brief, and we had a hearing, I think it was January 31, 1945, and we are still in the dog house.

Senator BUSHFIELD. Did I understand Mr. Potter to say this committee was part of the Tariff Commission?

Mr. POTTER. It is not part of the Tariff Commission, but it is the Committee for Reciprocity Information.

The CHAIRMAN. The Tariff Commission is represented on it.

Mr. POTTER. As I understand it, this committee is supposed to guide the State Department.

Senator BUSHFIELD. It is really an interdepartmental committee; isn't it?

Mr. POTTER. That is right.

The CHAIRMAN. Yes.

Senator RADCLIFFE. Mr. Potter, I thought I understood you to say a few minutes ago that you have been making watches for a number of years in any considerable quantity.

Mr. POTTER. We have, for the Government.

Senator RADCLIFFE. When that change was made, did you have any considerable number of watches on hand?

Mr. POTTER. Yes, in June 1942 we had in the making—I think we made over that period of time, by the end of June 1942 when the stuff was permitted to be worked on, around 500,000 or 600,000 pieces. I am not sure of that figure. Again, I am talking about Elgin only.

Senator RADCLIFFE. Yes. Have those been disposed of?

Mr. POTTER. Yes.

Senator RADCLIFFE. So, you have no supply on hand now?

Mr. POTTER. We have some on hand. We may have a few thousand, we may have 10 or 15 thousand.

Senator RADCLIFFE. Well, it has really been necessary to import watches, has it not, in order to take care of the domestic needs, if none were being manufactured here?

Mr. POTTER. Senator, I am not complaining on that score at all. I am saying that we should get some help now.

Senator RADCLIFFE. I understand that; but I was just wondering what had been the situation in regard to the supplies on hand—if they have been exhausted.

Mr. POTTER. No; I think it has been quite a good thing for the trade in this country to have some of those watches.

Senator RADCLIFFE. Of course, the fact that none are being manufactured at this time did not give you any normal opportunity to know just what the basis of foreign competition is.

Mr. POTTER. No; but I do want to impress this upon you—that we have lost our market; we are not on the shelves. We have gotten competitors over here that are spending millions of dollars in advertising and establishing themselves in the market. Now, I do not know whether you are a merchandiser or not, sir; but it is not so easy starting out new after you have been out of the market for 4 or 5 years and get your markets back again.

Senator RADCLIFFE. I can readily realize there are very serious difficulties there.

The CHAIRMAN. Thank you very much, Mr. Potter.

Mr. POTTER. Thank you, sir.

(The brief submitted by Mr. Potter is as follows:)

DETAILED STATEMENT OF T. ALBERT POTTER, PRESIDENT, ELGIN NATIONAL WATCH CO., REPRESENTING THE AMERICAN WATCH MANUFACTURING INDUSTRY, BEFORE THE SENATE FINANCE COMMITTEE ON JUNE 1, 1945, IN OPPOSITION TO H. R. 3240

My name is T. Albert Potter. My address is Elgin, Ill. I am president of the Elgin National Watch Co., and I am here today representing the eight companies comprising the American watch-manufacturing industry. These companies are: Elgin National Watch Co., Elgin, Ill.; Hamilton Watch Co., Lancaster, Pa.; Waltham Watch Co., Waltham, Mass.; Bulova Watch Co., Woodside, Long Island, N. Y., jeweled-watch manufacturers; and General Time Instruments Corp., La Salle, Ill.; the E. Ingraham Co., Bristol, Conn.; the New Haven Clock Co., New Haven, Conn.; United States Time Corp., Waterbury, Conn., nonjeweled watch manufacturers.

We are opposed to H. R. 3240 in its present form, and particularly to section 2 of the bill, under which the executive branch of the Government would be authorized to further lower the already drastically reduced tariff rates of the 1930 act by another 50 percent. Since I testified before the House Ways and Means Committee in opposition to this same bill, and since the record of that committee's hearings is available to you, I shall try to be brief.

As a matter of fact, if the report of the Ways and Means Committee had been accurate with respect to the effect of the reciprocal trade agreements program on this industry, we would have been content to stand on the statement I made before that committee. However, the majority's report not only failed to answer our objections to the bill, it completely ignored the significance of our statement. I do not feel that the observations made in that report about our industry should go unchallenged.

First, as to the statements made in the committee's report: At page 45, under the heading "Criticisms of Specific Concessions," it is said that no injury was done to the American jeweled-watch-manufacturing industry by the Swiss trade agreement reductions, since its business increased during the period complained of (1936–41). Now of course, gentlemen, the preagreement period was 1930 to 1935, and I submit that, if our business had not materially increased over what it was in those years, I would not be testifying before you today, because it isn't likely there would be any American industry left. If you don't think falling behind your competitors in an expanding market is losing anything, then, of course, the trade agreements program never has and never will hurt anybody. The nonjeweled people had the same experience. In the 5-year period between 1936 and 1941, the domestic nonjeweled manufacturers' wrist-watch business increased 25 percent as against a 114 percent increase in Swiss importations.

The other statement of the committee appears on page 47 under the heading "Future injury." In commenting upon our assertion that there will be no postwar backlog of demand for watches, because the Swiss have been allowed to saturate the American market while we have been engaged in war work, the report admits that "record sales of watches have been made" but that they have been "of watches in expensive cases." Of course, the importers put these watches in more expensive cases. It enabled them to establish higher ceiling prices. And the public bought these more expensive watches because money has been plentiful and there have been few other things to buy. The thing that is bothering us is that the sales have been made, and since watches are an item which do not wear out quickly—not even Swiss watches—potential American watch customers have been taken out of the market for years to come without our having had so much as a crack at them.

I am afraid the committee simply did not have the answers to those problems. In any event, it is obvious the committee missed the real significance of my testimony before it.

What I did show was the following: (1) That the reductions in watch tariffs by the Swiss treaty have already resulted in a detriment to the Nation by interfering with this industry's contribution to the war effort; (2) that a strong American industry is needed to protect domestic consumers against monopolistic practices; and (3) that this industry, when it reconverts to peacetime production, cannot contribute to the goal of 60,000,000 peacetime jobs if it is faced with the threat of still further tariff reductions. This is no selfish watch-industry proposition. This is an effort to demonstrate that this program has already worked to the detriment of the country and that it would be unwise to enlarge upon it. I cite our case because I am familiar with the facts concerning it. Obviously, others similarly situated have been and will be similarly affected.

In contemplating an over-all program of this kind, it should be remembered that the effect will not be the same on all industries. I feel that we who already have been adversely affected not only have the right but also the duty to let you men know that detriments to both the defense and the economy of the Nation can and will result from an expansion of this program. It is not a one-way street. Our experience demonstrates this.

There are only two major sources of supply for the products of this industry in the whole world—Switzerland and the United States. This is a significant fact, because it means that a strong American industry is not only vital to the Nation in time of war but also essential to the economy of the country in time of peace.

THE REDUCTIONS IN WATCH TARIFFS BY THE SWISS TREATY HAVE RESULTED IN A DETRIMENT TO THE NATION BY INTERFERING WITH THIS INDUSTRY'S CONTRIBUTION TO THE WAR EFFORT

All branches of the armed services will substantiate the essentiality of the watch industry during a war. Navigation instruments and mechanical timing devices are crucial to all war operations on land, on sea, and in the air. The most factual statement I have ever seen in this connection was released by the Navy Department a few days ago. Copies of it have been laid before you. I hope you will ponder it carefully. I should also like to insert it in the record at this time. As previously indicated, the Swiss trade agreement permitted our competitors to increase their hold on the American market before the war. Likewise, it prevented the industry in this country from expanding. As a result, when France fell in 1940 and Germany prohibited the exportation of military timing devices from Switzerland, our facilities were not ample—nor could they be built up fast enough—to meet immediate war needs. As I said to the Committee on Ways and Means, this is a business which can neither be quickly expanded nor recreated. The English have been trying since 1940 to establish a watch industry. It has only been within the last year that they have been getting anything out of it, and in only small quantities. You can lose a war in 4 years. Here is a concrete example of how this program already has worked to the detriment of the national defense.

I was pleased to note that the Ways and Means Committee did accept a suggestion of mine by amending the original Doughton bill to include the Army and Navy in the list of agencies which had to be consulted before concluding a trade agreement. However, I do not believe they have gone far enough. The horrible experiences of this war would seem to dictate that, in the matter of items vital to the defense of the country, the Army and Navy should have veto powers over reductions on such items. Mere consultation is not sufficient.

The reason I say that is this: When the trade agreement with Switzerland was under negotiation, the then Secretary of War, Mr. Dern, in a letter addressed to the State Department under date of June 20, 1935, indicated that, in the event of another war, the American watch-manufacturing industry would be essential to the defense of the Nation. He specifically stated, and here I quote:

"If a tariff agreement is entered into which so seriously affects the watch industry that it cannot be depended on in an emergency, it will be necessary for the War Department to expend a considerable sum of money in time of peace to establish and maintain expensive facilities for the manufacture of mechanical time fuzes in an emergency. This the War Department does not desire to do, as it is not nearly as economical, nor would it be as satisfactory, as placing our dependence on an experienced industry. It is hoped that no tariff agreement will be entered into which will seriously affect the watch industry on which this

Department is depending for the production of mechanical time fuzes in an emergency." End of quotation.

The full text of this letter may be found on page 1032, part 10, of the unrevised report of the hearings on this bill before the House Ways and Means Committee. The Secretary's prediction came true. The industry has been called upon during the war to supply large quantities of the very items he mentioned in his letter. Not only have the jeweled-watch manufacturers been making antiaircraft mechanical time fuzes for both the Army and Navy, but the non-jeweled-watch manufacturers have made an outstanding contribution to the success of this program through the mass production of precision parts for such fuzes, and by the manufacture of sther types of time projectiles. The jeweled-watch manufacturers have also been called upon for stop watches, marine chronometers, elapsed-time aircraft clocks, and many other specialized timing devices which no other industry could supply. However, the hope expressed by the Secretary in this letter was not sufficient in 1935 to prevent the State Department negotiators from creating, by the reciprocal trade agreement with Switzerland, a situation which, as previously stated, stifled the American industry.

It is for this reason that I suggest that it would be wise to permit the Secretaries of the War and Navy Departments to prevent a similar occurrence which next time might prove disastrous.

A STRONG AMERICAN INDUSTRY IS NEEDED TO PROTECT DOMESTIC CONSUMERS AGAINST MONOPOLISTIC PRACTICES

In peace, the industry is equally essential. The Swiss industry is a Government-dominated trust. They establish prices. They control the export of machines. They have even prohibited the migration of workers. A strong competitive American industry, under such circumstances, is the only thing that can protect the American public against monopolistic practices. We have had this experience during the war while the American industry has been out of civilian production. Prices of the Swiss product have skyrocketed. Even under Office of Price Administration control, the public has been victimized through the merchandising of nondescript brands. In view of the fact that Office of Price Administration has no way of controlling the Swiss manufacturer's prices to importers in this country, they have done a pretty fair job.

THIS INDUSTRY, WHEN IT RECONVERTS TO PEACETIME PRODUCTION, CANNOT CONTRIBUTE TO THE GOAL OF 60,000,000 PEACETIME JOBS IF IT IS FACED WITH THE THREAT OF STILL FURTHER TARIFF REDUCTIONS

It is obvious that not all of the job opportunities that will be needed in the postwar era can come from stimulating export activities. Basically, you are going to have to rely on us little fellows who manufacture for the home market. The big exporters aren't going to do so well, either, if there isn't a substantial domestic market for the bulk of their products. Hence, the postwar future of this industry and others, as determined by the tariff structure of the country, is pertinent to this discussion, and I should like to briefly comment on that before concluding.

We have been out of civilian production since June of 1942. While our facilities have been occupied in making instruments of war, the market in this country has been flooded with Swiss watches. Imports have more than trebled—from an average of slightly more than 2,000,000 watches annually over the 10 years immediately preceding our entry into the war (1932–41) to an all-time high of 8,000,000 in 1943. Data for 1944 is not complete, but during the first 9 months, according to Department of Commerce figures, importations exceeded the 5,000,000 mark.

This situation poses a serious threat to the future of the American watch industry. There will be no backlog of demand for watches. The retailer will spend his money to replenish his stocks with merchandise which was not available during the war. Likewise, the consumer will spend his money for those things which he could not obtain during the war. The watch is the only manufactured item in the semiluxury category that has been readily available, and the result has been that much forward buying has been done by consumers. For 3 years, since 1942, our foreign competitors have been strengthening their position in this country. The number of importing firms has more than doubled, and all of them have had large wartime profits which have not been touched by renegotiation. They have spent millions on advertising. In short, whenever the American industry gets back into civilian production, it will be infinitely worse off than when the war started. The reconversion will deepen this disadvantage. The Swiss have never been out of substantial civilian production, whereas we haven't even had a chance to plan new products, let alone prepare for their production.

This is not an unfounded fear on our part. I should like to point out to the committee that under the tariff rates of the Fordney-McCumber Act the Swiss watch industry by 1929 had captured two-thirds of the domestic jeweled-watch market; and that under the Hawley-Smoot Act the Swiss enjoyed approximately half of the domestic jeweled-watch market. Fifty percent is a good share in anybody's market and would not seem to indicate that, at least as far as the watch industry is concerned, the Hawley-Smoot rates were prohibitive, as is frequently alleged. The fact that the American industry did not expand as conditions in this country improved is further evidence that those rates were not as drastic as we would be led to believe by the proponents of this bill. The trade agreement with Switzerland reduced Hawley-Smoot rates by 34 percent, on the average, which left them at about the level of the Fordney-McCumber Act. Immediately importations again increased, and the Swiss again took over more than 60 percent of the American market. Now, of course, they have the whole hog.

Ever since the trade-agreements program has been in effect, the major trading nations of the world—Great Britain, Russia, France, Germany, Italy, and Japan—have been preparing for war or have been at war. Although Switzerland has been a nonbelligerent, the Swiss watch industry during all of these years has been manufacturing various kinds of timing devices for the Nazis. I mentioned, in answer to a question by a member of the House Ways and Means Committee that, if he looked into my testimony before the Committee for Reciprocity Information when the trade agreement with Switzerland was under negotiation, he would find that I told the committee at that time that the Swiss were making instruments of war for the Germans. Hence, it is clear that the American watch-manufacturing industry has not yet felt the full impact of Swiss competition during normal times under the reduced watch tariff rates now in effect. This same situation in my opinion applies to the entire program. The point I want to emphasize is this: If the Swiss were able to substantially increase their share in the American market at a time when international trade was interfered with by preparations for war, what will they be able to do when peace comes to the world and they, along with other nations, return to strictly peacetime production?

In that connection, I think we have a precedent in what happened under the low tariff rates of the Underwood-Simmons Act. That act, as you will recall, was passed in 1913 just prior to the outbreak of the First World War. Then, as now, with the leading nations of the world engaged in war, foreign trade did not pursue its normal course, and the effect of the reductions made by the Underwood-Simmons Act were not felt until after the armistice and the resumption of peacetime production throughout the world. In view of what has already happened to some of our industries under the trade-agreements program, despite the fact that this war and preparations for it limited the full impact of foreign competition upon those industries, it requires no prophet to foresee that a broadening of the program at this time could have even more serious consequences for them.

We have well-known trade names in this country. If Congress makes it possible for the clouds of importations that have been hanging over our heads to get too black, it may be that at least a part of the American industry will have to transplant itself in order to survive.

To say that world economic conditions will be unsettled for the next few years is to put it mildly. I do not know what the conditions of competition will be. However, it seems obvious that, with millions of soldiers laying down their arms, the competition for jobs will drive wages in European countries at least to even lower levels than previously prevailed. This would, of course, increase the difficulties of American industries which face foreign competition, particularly where, as in the case of the watch industry, labor accounts for such a high percentage of the cost. Furthermore, purchasing power in many of the belligerent countries will be at an extremely low ebb, and the sales efforts of foreign industries will necessarily be concentrated upon the more lucrative markets of the world, not the least of which will be the United States of America. Under these circumstances, it would seem not only unwise but dangerous to a substantial part of the domestic economy to authorize the making of further tariff reductions until such time as we know more about the conditions under which that part of our economy will have to compete.

Much reliance has been placed by the proponents of this legislation on the theory that the ability to compete is not determined by wages per man-hour but, rather, by output per man-hour, and for the first time in many years management has been praised for the efficiency with which it gets things done. The justification for this kind of reasoning is based largely upon the situation of such industries as the automobile business which has little, if any, competition in foreign markets and none in the domestic market. To a limited extent this may be true. But I think you will find that as manufacturing becomes mechanized in foreign countries it will be the machine which establishes the efficiency of labor and the output per man-hour, and this myth of American manufacturing efficiency will soon be exploded. And in this connection let's not forget that a large portion of our export activity is in the machine-tool business.

The cost of labor represents between 70 and 90 percent of the cost of watch manufacture. Neither in Switzerland nor in this country have mechanical means replaced hand labor in assembling and adjusting a watch. American watch labor is paid two and one-half to three and one-half times that of foreign watch labor. The American watch industry, like other American industries, has made great advances in engineering and tooling, but the character and extreme fineness of the horological art is such that it is not likely American mechanization can ever be sufficiently substituted for skilled hand work to offset this wide differential in labor rates.

CONCLUSION

I have tried to give you some of the practical problems which this program imposes upon that segment of the domestic economy which faces foreign competition. It is all very well to talk about increasing exports. I grant you that every item that is exported represents a certain amount of work done in this country. That is good. On the other hand, jobs are displaced by the importation of competitive products. It must not be forgotten that this trade-agreements program contains the most-favored-nation principle, and that when we negotiate a treaty with one country we open up the door to competition from all other countries, that can supply the same items, without any concessions in return. In this connection, it may be of interest to note that Japan was beginning to get into the manufacture of watches before the war.

Nor should it be forgotten that these trade treaties run, not for a period of 3 years, but forever, unless terminated by one of the parties thereto. True, they are generally terminable at the end of 3 years, but this requires executive action, and any effort by Congress to enact protective legislation after the negotiation of one of these treaties would constitute a violation of the treaty if the President refused to rescind it. Moreover, by refusing to rescind it and by vetoing the legislation, the President could force Congress into the position of having to muster a two-thirds majority in both Houses to protect American industry. Therefore, the brakes must be applied now before this program is carried to the extent of stifling industry which is vital to the defense of this country; of making it possible for foreign nations to indulge in monopolistic practices at the expense of the American consumer; and before American jobs are lost in substantial quantities.

Based upon the experience of the American watch industry, with which I have been connected since 1932, I say to you that considerable thought should be given to this bill before the power to reduce tariffs another 50 percent is allowed to remain in it. If this is done and the power is exercised to the detriment of the American people, the responsibility will rest squarely upon the shoulders of Congress, and it will be exceedingly difficult for Congress to correct the situation. You know as well as I do that it is intended to exercise this power, for otherwise it would not be sought.

I know that there are businessmen who testified before the House Ways and Means Committee and who will testify before you in favor of this bill. But I ask you to determine in each case whether those men face foreign competition in their own industries.

In my opinion, the power to reduce tariffs another 50 percent, if exercised, will carry us beyond the point at which any increased export activity can compensate for the threat to our national security and economy which will result from this program. I know that this is true of the American watch industry and that it is true of every other industry which faces substantial foreign competition based on low labor costs.

For immediate release.

INCENTIVE DIVISION, NAVY DEPARTMENT,
Washington, D. C.

TIMEPIECES PLAY VITAL ROLE IN WAR

Modern naval war is above all a war of timing. Just as the efficient performance of each individual ship and plane in the fleet is absolutely dependent upon accurate timepieces, so is the success of every large-scale operation, where huge sea and air forces must be coordinated for split-second action.

A vast undertaking like one of our major amphibious operations in the Pacific, involving hundreds of fighting ships, escort vessels, landing craft, transports, supply vessels and auxiliaries, hundreds of carrier-based and land-based aircraft, and many thousands of combined personnel of the Army, Navy, Marines, and Coast Guard, would be utterly unfeasible without the close integration made possible by reliable timekeeping instruments. The very fact that such a tremendous assault on enemy territory can be staged with the utmost precision is in itself a splendid tribute to the men and women engaged in producing fine timepieces for the armed forces. So important is the element of timing in an invasion, in fact, that every member of the Navy's amphibious forces is now provided with a waterproof, radium-dialed wrist watch, so that each man can carry out his combat task at the exact second.

On a warship, the chronometer and stop watch are as vital as guns, for without these timepieces, safe and unerring navigation would be out of the question. The chronometer, used in connection with celestial navigation, is essential in determining the ship's position at any specific moment. The stop watch, one of the most important of the navigation officer's instruments, is indispensable not only in taking sights, but also in identifying lights by timing the intervals between flashes. It is likewise valuable for checking chronometers and ship's watches against radio time signals.

When it is realized that a slight error in timing might prevent an important rendezvous and thus foredoom a naval engagement to failure, it can be easily understood why the men of the Fleet attach so much significance to the accuracy of their timepieces.

To insure maximum efficiency of our big naval guns, it is necessary that the time clocks on various types of fire-control equipment be constantly checked by stop watch. This instrument also times the rapidity of fire and the flight of projectiles, among its other vital functions in naval gunnery.

One of the little known but highly essential uses of a stop watch aboard our fighting ships is to determine how quickly battle stations can be manned when the alarm sounds over the battle-announcing system.

On our submarines, in addition to the navigational aid rendered by various kinds of timers, stop watches are often used as a check on their torpedo fire. By timing the run of a torpedo until the explosion, it is possible to discover which "tin fish" hit which target, even when operating conditions prevent such determination by visual means. The stop watch is also employed in timing submarine dives, as well as in keeping tabs on the length of time the valve is open when firing a torpedo, in order that no excess water enters to upset the delicate "trim" of the craft.

On the other hand, the stop watch is also an invaluable aid to our antisubmarine vessels in tracking down Axis undersea raiders, since it helps them figure the rate of speed of the enemy craft they are pursuing.

Timing devices are equally indispensable to our fighting planes. With the flight of all aircraft strictly limited to fuel capacity, it is imperative that the planes be provided with accurate instruments to register elapsed time. Therefore, the elapsed time clock is standard equipment on our planes to determine the elapsed time on long missions, such as long-range bombings; while an aviation stop watch is used in much the same manner for shorter operations. Besides these standard timing devices, our big bombing planes use master navigation watches for celestial navigation, and in conjunction with them, special stop watches

But these do not represent the full complement of timepieces which our combat planes must have as regular equipment. A usual installation on all aircraft is the standard aircraft clock, and every pilot and crewman wears a wrist watch of proven accuracy.

One of the most common uses of the stop watch is, of course, the timing of many kinds of athletic events. The Navy places great emphasis on building strength and stamina through competitive sports, and stop watches are widely used in the intensive physical fitness program to prepare men for the rigors of combat.

In these and many other ways, the workers manufacturing timepieces for the Navy and the armed forces in general are making an invaluable contribution to the war. Millions of these varied timekeeping instruments are required to regulate our combat effort on the firing line. They are needed not only to help insure victories but to safeguard American lives. Final victory will come sooner if the men and women in the watch and clock factories continue to give unstintingly of their skill and energy in order to meet these critical requirements.

The CHAIRMAN. Mr. Wilson, come around a minute and let us see how long your testimony will be.

Mr. HANSON. Senator George, I am C. C. Hanson. You received a telegram from Mr. Linder, the secretary of the Association of Southern Commissioners of Agriculture, I suppose.

The CHAIRMAN. Yes.

Mr. HANSON. The president of the Southern Association delegated him to present the views of the association, and he has been prevented from getting here, and he asked me to arrange with Mr. Potts, who is familiar with the situation, to do it for him. Mr. Potts is here. I think it will take about 10 or 15 minutes, probably.

The CHAIRMAN. I told Mr. Linder he might put his brief in the record.

Mr. HANSON. The brief he sent is for the State of Georgia. The other commissioners have not seen it; they do not know anything about it, but if it is not read he would like it to go into the record as supplementing the report of the association.

The CHAIRMAN. Yes, sir.

Mr. HANSON. I present Mr. Potts to you. He has prepared a statement in our office, and I helped him with it. I know what it is. I will ask Mr. Potts if he wants to present that.

The CHAIRMAN. Yes, sir.

Senator LUCAS. Mr. Chairman, before this witness proceeds, may I recall the previous witness just for one statement on this watch situation?

The CHAIRMAN. Mr. Potter, will you come forward, please?

Senator LUCAS. Mr. Potter, I would like to ask you one more question. I am sorry, Mr. Chairman.

The CHAIRMAN. That is all right.

Mr. POTTER. I found a man who could not buy a Swiss watch and I wanted to take him to where he could buy one.

Senator LUCAS. What was the total amount in dollars on the production of watches in this country last year?

Mr. POTTER. Last year?

Senator LUCAS. Yes, in 1944. What was produced?

Mr. POTTER. Produced in watches?

Senator LUCAS. What was sold; how many watches were sold and what was the value?

Mr. POTTER. I would have to get that from the Department of Commerce. I haven't got those figures.

Senator LUCAS. Do you know what it was in 1943?

Mr. POTTER. It was none for civilian use.

Senator LUCAS. I am talking about watches for civilian use.

Mr. POTTER. I do not know. I have only got my own figures. My own figures are around 150,000, probably $2,000,000.

Senator LUCAS. Will you get the figures for us? Will you get the figures for 1942, 1943, and 1944?

Mr. POTTER. As I understand it, you want the sales of domestic watches, domestic made watches, 1942, 1943, and 1944?

Senator LUCAS. Yes; and what was imported during those years.

Mr. POTTER. Yes, sir. Now, you remember the imported price, the sales will not reflect the price of the Swiss product as will our sales price.

Senator LUCAS. I understand.

I find in the House report those figures for 1941, and the rest of the years.

Mr. POTTER. The imports until just recently have been delayed for a year and a half to 2 years, and just recently they were opened up.

Senator GERRY. I would like to ask Mr. Potter one question. How long does it take to produce chronometers for the Navy, roughly?

Mr. POTTER. I can say this much, I can only speak for myself; I can only speak for the Elgin Watch Co. The Hamilton Co. made them and got into production first. We think we have made an outstanding record. The chronometer design was started in July 1943, and there have been deliveries made to the Naval Observatory by this time. In other words, it is not quite 2 years, which, for a chronometer, I think is quite unusual. We made our first deliveries, I remember, in February of this year, 1945.

Senator LUCAS. I would like to read this into the record; it may be repetition, but I think it is important. Mr. Ryder testified before the House Ways and Means Committee and said:

> In 1935 domestic production had a value of $35,000,000, and import, $4,000,000. In 1937 domestic production, $62,000,000; and imports of $9,000,000. In 1939 domestic production, $52,000,000; and imports, $8,000,000. In 1941 imports $15,000,000.

Certainly there must be some figure some place that you fellows can get together of what you produced in 1941, 1942, 1943, and 1944.

Mr. POTTER. I will get them for you. The WPB should have them.

Senator LUCAS. It is noticeable that the imports were increasing each year while your production was going down in this country.

Mr. POTTER. Yes.

Senator LUCAS. That is all, sir.

Mr. POTTER. Thank you very much, Senator.

(The above-requested information was later supplied and reads as follows:)

> According to Department of Commerce figures which I have obtained, the value of imported watches in 1942 was $19,207,705; in 1943 it was $34,981,323; and for the first 9 months of 1944 it was $27,110,631. During these same years, and to a large extent in 1941, as I indicated earlier, there was no substantial domestic production of watches for civilian use; particularly during and after the year 1942, by which time the facilities of the domestic producers had been converted to the manufacture of war material.
>
> I might add, however, that dollar value comparisons such as Mr. Ryder made are completely misleading since they cannot be obtained on a comparable basis. Practically all of the imports consist of uncased movements whereas domestic values are based on cased watches and include the costs of distribution. We have tried to develop information on domestic production which would be on a basis comparable to the dollar value of imports, but there are so many factors in

the import values that are unknown to us, and so many differences in the computation of costs among domestic manufacturers that we have been unable to do so.

I should also like to comment briefly on the domestic production figures contained in that portion of Mr. Ryder's testimony which you have just read into the record. In order to obtain the astronomically high values he has attributed to domestic production in the years 1935, 1937, and 1939, he must have included something besides the strictly American manufacturers of jeweled and nonjeweled watches, such as, perhaps, the assemblers of imported movements, and clocks produced in this country. I am sure the value of the watches produced in this country by the eight companies I am representing here never was that high.

In answer to Senator Lucas' question about the list of watch importers, may I say that in the Jewelers Buyers Directory of Manufacturers, Importers, and Wholesalers in the Jewelry and Kindred Lines for 1941–42 published in August of 1941 by the Jewelers' Circular-Keystone, New York City, there were about 150 importers listed. However, as will be noted, this directory was published before the big boom in the ranks of the watch importers occurred and, therefore, does not contain the names of the large number that have come into the field in the last 3 or 4 years. I understand that the current mailing list of the Department of Commerce now contains the names of almost 600 watch importers, including those who import directly for their own retail outlets.

(The following memorandum was later received for inclusion in the record:)

MEMORANDUM SUBMITTED BY THE AMERICAN WATCH MANUFACTURING INDUSTRY IN REPLY TO STATE DEPARTMENT MEMORANDUM ENTITLED "THE TRADE AGREEMENTS PROGRAM AND THE DOMESTIC WATCH INDUSTRY"

The memorandum entitled "The Trade Agreements Program and the Domestic Watch Industry," which appears in the Ways and Means Committee record in connection with the testimony of Hon. Charles P. Taft, of the State Department, presents a wholly distorted and inaccurate picture as to the effect of the reductions in watch tariffs under the Swiss trade agreement. In so doing, it fails to disclose the real facts as to the unit volume of Swiss imports and the high ratio thereof to the domestic production of competitive watches.

In the first place, the memorandum includes in the figures on domestic production not only watches (to which it purports to be confined) but also clocks and clock and watch materials and parts, and thereby builds up a greater dollar volume of alleged domestic production in an attempt to show that the imports of Swiss watches are not large in comparison. This effort to minimize imports is furthered by also including in the domestic production figures nonjeweled pocket watches, which the memorandum itself concedes are not competitive with Swiss imports of jeweled watches and movements. Because the alleged volume of domestic production shown in the memorandum is so large and cannot be reconciled with the domestic watch manufacturing industry's own figures, it is believed that it must also include the value of manufacture added by assemblers of imported Swiss watch movements. If so, it is submitted that the comparison is thereby made all the more unfair.

The Swiss imports are competitive only with domestic jeweled pocket and wrist watches and with domestic nonjeweled wrist watches. By not confining its domestic production figures to these latter items, the memorandum makes an improper and distorted comparison which is utterly valueless and unreliable so far as it purports to disclose the true competitive situation as between domestic and Swiss watches.

In the second place, the memorandum falls into the fundamental error of comparing the dollar value of domestic production with the dollar value of imports, without making any allowance for the fact that the domestic production figures shown therein (which for comparative purposes improperly include clocks and nonjeweled pocket watches) are based on sales of completed timepieces, including the distribution costs, whereas the import figures relate almost exclusively to uncased watch movements. Thus for this reason, also, the memorandum makes an inaccurate and misleading comparison which tends to minimize the ratio of watch imports to domestic production.

Obviously, the foreign value in dollars of an uncased Swiss watch movement will be far less than the dollar value of a completed domestic watch, which includes the case and the cost of distribution, and therefore any comparison of imports with domestic production based on such dollar values does not reveal the real magnitude of the Swiss imports in terms of watches and watch movements. It is the number that are imported, not their dollar value, which is important, since it is with the foreign watch units, not dollar volume, that the domestic watch manufacturer has to compete.

While it may be conceded that the dollar volume of domestic watch production increased above the depression "low" despite the tariff reductions under the Swiss trade agreement, the fact is that imports of Swiss watches increased disproportionately as a consequence of these reductions, thus depriving the domestic watch manufacturing industry of the full volume of recovery enjoyed by business generally in this country. The Swiss watch industry's gain was the domestic watch manufacturing industry's loss.

The memorandum does not show that in 1935, the year prior to the Swiss trade agreement, 47.18 percent of the jeweled watches sold in the United States contained Swiss movements, and that, therefore, under the rates of the 1930 Tariff Act, the Swiss enjoyed virtually half of the domestic market. (Incidentally, this proves that the tariff rates on jeweled watches under that act were neither restrictive nor unfair to the Swiss.) As a result of the reductions in watch tariffs in 1936 under the Swiss trade agreement, the Swiss gradually increased their share of the domestic market until in 1941, the last full year before the domestic watch manufacturing industry turned its entire facilities over to war production, 60.14 percent of the jeweled watches sold in this country contained Swiss movements. When domestic nonjeweled wrist watches are included in the comparison, the Swiss share of the domestic market shows an increase from 22.25 percent in the preagreement year of 1935 to 40.08 percent in 1941. Since 1942 the Swiss have had the entire domestic market to themselves.

If this large increase in imports has taken place at a time when the Swiss watch industry was engaged to a large extent in furnishing timing devices for the war machine of the enemy nations, the domestic watch manufacturing industry has real reason for apprehension as to what will happen now that the Swiss will be able to devote their entire facilities to the peacetime production of watches.

It is apparent that the full impact of Swiss competition under the reduced watch tariffs has not as yet been felt. Up to 1942, when the domestic industry ceased civilian production, the reductions served to deny to American watch manufacturers the benefit of their full share of the increased domestic market, but it is not unlikely that these reduced rates will now enable the Swiss to capture most if not all of any further increase, and may even permit them to take from domestic manufacturers part of the volume they were able to hold prior to entering 100 percent into war production.

Still further reductions in the watch tariffs would tend to drive the domestic watch industry out of the manufacturing business and in such event would have the following disastrous consequences: (1) The Nation's military security would be impaired by the lack of facilities for producing timing devices which are absolutely essential in modern warfare; (2) the American people would be left to the mercy of a foreign watch monopoly which would be able to engage in unrestricted price gouging; and (3) the highly skilled and well-paid workers engaged in the domestic production of watches would be thrown out of employment. It is for these reasons that the American watch manufacturing industry opposes section 2 of the bill authorizing a further 50 percent reduction of the already reduced rates. The State Department memorandum overlooks the fact that the burden of our testimony is directed primarily at the granting of this further authority rather than at the program as a whole. Of course, we are also interested in having the State Department take steps to protect the domestic watch manufacturing industry against a flood of foreign importations under the reductions already made.

The memorandum's estimate of the probable postwar demand for watches is fantastic. In any event, if further cuts in the watch tariff are contemplated, or if no steps are taken to preserve the domestic watch manufacturer's fair share of the domestic market under present reductions, any such conjectured demand will probably be of interest only to the Swiss. There is no basis for the statement that Swiss watch imports, during the last few years when the domestic industry has been out of civilian production, have been insufficient to supply the demand. The fact is that the most recent Swiss importations are in far greater volume than the average of the combined domestic production plus imports in the 10 prewar years. Hence the memorandum's estimate that by the end of 1945 there will be an unsatisfied demand for 28,000,000 jeweled watches and nonjeweled wrist watches is nothing short of preposterous.

The necessity for OPA price ceilings on watches would seem to have been dictated, not by any supposed scarcity of watches (which is negatived by the fact that Swiss watches have been readily obtainable at jewelry stores) but because manufacturers and importers of Swiss watches have been taking advantage of war-inflated incomes and the absence of any competition from domestic manufacturers to exact exorbitant prices for their product. Instead of there being a deficit in watches, the market actually has been oversold as a result of the abnormal Swiss importations during the war.

Whatever the postwar demand may be, the American watch manufacturing industry feels that it should be permitted to enjoy its fair share of the home market. It certainly will not be able to obtain such fair share if the Swiss are permitted to continue to absorb an ever increasing portion of the American market.

The CHAIRMAN. All right, Mr. Potts.

STATEMENT OF ROY C. POTTS, MARKETING COUNSELOR, WASHINGTON, D. C.

Mr. POTTS. Mr. Chairman, and gentlemen of the committee, my name is Roy C. Potts. I have resided in Washington, D. C., for 30 years, and for 28 years I was employed by the United States Department of Agriculture as principal marketing specialist, in charge of the marketing of dairy and poultry products. Two years ago I retired from Government service and since then I have devoted my efforts to a study of the problems confronting American agriculture in the postwar years. I have also owned and operated a general crop and dairy farm of 240 acres at Stillwater, Okla. since 1913.

In the 10 minutes allotted to me for this statement, I shall discuss the following features and implications of this bill as they relate directly to the agricultural industry of our Nation.

(*a*) This bill gives authority to the President to reduce the present rates of tariff or duty on agricultural imports by another 50 percent.

(*b*) It gives the President authority to change the pattern of American agriculture.

(*c*) It gives the President authority to subjugate American agriculture to American industry and to imperil our entire economy by the destruction of American agriculture.

(*d*) It puts the administration in the position of making every farmer a ward of the Government with necessity of living, at least in part, on a dole from the Federal Treasury.

(*e*) It can have no other ultimate result than that of increasing the tax burdens of all of our people.

(*f*) It will lower our total national income.

(*g*) It will destroy our balanced national economy.

(*h*) It will destroy all possibility of maintaining a protected national economy for all our people.

(*i*) It will make fewer jobs for American labor and increase unemployment.

(*j*) It will lower our standards of living. And it will tend to lower our entire national economy to the level to which agriculture is driven down to, by the effective operation of this act, for no democratic nation can maintain peace, happiness, and prosperity for all of its people when part of them are impoverished and enslaved and another part is succored by its government and made prosperous and happy.

(*k*) It eventually will mean chaos for our entire Nation.

It is obvious that this bill with all its implications is a very important matter to all the people of our Nation. We should not gloss it over lightly, even though those who are its proponents may have at heart the very highest motives and objectives. It may be a nice toy for the diplomatic service to play with, but our national economy is too precious to every one of us to have it wrecked by an effort to maintain a good neighbor policy that is not good either for our Nation or for the nations that we seek to help. Rather, we should substitute for the good neighbor policy of the diplomatic service, the sound business policy of a nation composed of good businessmen. For, in the end, our good neighbors around the world will understand us better because of the good business sense we have displayed in all our dealings with them, and in our efforts to maintain and preserve our national economy on the basis which is the envy of the world.

The three important segments of our national economy consist of agriculture, industry, and labor. Our major industrial segment is located in the North Central, New England and Middle Atlantic states. Our major agricultural segment is located in the Southern, Southwestern, Midwestern and far Western states. Labor permeates through and into every area where agriculture and industry exist.

This bill has as its primary purpose the promotion of our export trade in industrial goods, with resulting benefits to industry and industrial labor, but with serious and tragic detrimental effect on agriculture and all who are employed in agriculture. This statement is made that the issues with respect to this bill may be clearly drawn, and that the members of the committee who represent the agricultural producing States that were mentioned may take full cognizance of the effect of the passage of this bill, should it be passed, upon agricultural industry and the tens of millions of our people who are engaged in agricultural production, and are dependent upon agriculture for their livelihood.

Labor in our major industrial areas would possibly receive some benefit from this bill, but labor in our vast agricultural areas would, like agriculture, suffer serious and tragic detrimental effects, for such labor is dependent primarily upon the agricultural prosperity and progress of those areas for its employment and welfare. Obviously, then, some of the labor interests are for the passage of this bill and some are against it. Some of the industrial interests are for the bill and some are against it. And, all of our agricultural interests should be against this bill.

The history of our export and import trade, since the Reciprocal Trade Agreements Act was passed by Congress in 1934, shows that from 1931 to 1941—and I want to say including 1941—total industrial exports increased $2,833,270,000, and for this period, the four items, viz, automobiles, industrial machinery, iron and steel semimanufacturers, and steel-mill products, increased in exports $1,771,484,000. These four items, automobiles, industrial machinery, iron and steel semimanufactures, and steel-mill products, enjoyed 62 percent of the total increase in exports, while all the other industrial commodities combined enjoyed only 38 percent of the total increase in industrial exports.

How did agriculture fare during that period, 1931 to 1941, with respect to its export trade in agricultural commodities? The total exports of agricultural products in these 10 years increased from $979,957,000 to $1,177,651,000, or a total of $197,694,000. This is a total increase of 20 percent. In contrast, the total exports increased during this 11-year period from $1,988,914,000 to $5,019,877,000, or 252 percent. Exports of industrial commodities, during these 10 years increased 384 percent, while agricultural exports increased only 20 percent. There can be no question as to who was benefited or who will be benefited by this so-called Reciprocal Trade Agreements Act. It has been and it will be the automobile, industrial machinery, iron and steel industries, and the labor interests employed by those industries. We all know where those industries are located.

Agriculture during those years, 1931–41, suffered not only from a relative decrease in its export trade, but also from the impact of imports of agricultural products. For those same 11 years, 1931 to 1941, here are the facts: Our total imports for those 11 years were $23,943,492,000, of which $18,307,464,000, or more than 75 percent, were imports of agricultural products. And less than 25 percent of the total imports were industrial or nonagricultural goods. This means that the foreign countries that purchased our industrial commodity exports, shipped their agricultural products here in payment for those exports. This meant that our agricultural prices were forced down by those agricultural imports. The demand in our domestic markets for our own agricultural products was decreased by the amount of those imports, and our agricultural producers, and our agricultural industry, suffered. We know it suffered, for you have appropriated billions of dollars from the United States Treasury to alleviate the wants and suffering that agriculture has endured. You are now subsidizing the cotton farmer to the extent of 4 cents per pound on every pound of cotton exported. And our foreign competitive cotton producing nations don't like it. They want fair competition from America, and not the competition of our Government with its subsidies from the United States Treasury of 4 cents per pound on every pound of cotton exported. How can we keep that up under the Reciprocal Trade Agreements Act and have friendly competitor nations throughout the world? We know we can't do it. The Reciprocal Trade Agreements Act, if passed, will only make matters worse for our farmers, and for the trade relations of our Nation with the other agricultural producing countries in the world. Something else is needed in an international trade-agreements program. Such action as this Congress should take may be summarized as follows:

1. Repeal the present Reciprocal Trade Agreements Act. In its place enact a new law which permits this Nation to participate in international conference with representatives of other nations that have as their objective the coordination of the exportable surplus supplies of major agricultural products produced in the countries that export them, with the demands of the world markets for them, with a view to the eventual establishing of export quotas for each exporting country that sells in the world market.

2. Leave in the hands of Congress, wholly and entirely, the determination and the fixing of the tariff rates or schedules for agricultural products so that a domestic parity or cost-of-production price may be maintained in the domestic market on all agricultural products, and whenever any foreign agricultural product is landed and its cost to the importer would be below our domestic parity or cost-of-production price, the President shall cause to be imposed such duty thereon as to bring the cost to the importer to the parity or cost-of-production price or to a price higher than the parity price if the then prevailing wholesale market price of the domestically produced product is above the parity price or cost-of-production price.

3. Reserve, unqualifiedly, the right of Congress to review every proposed international trade agreement with reference to exportable surplus supplies of agricultural products, and to amend, revise, and approve or disapprove every such agreement before it can become effective and have the effect and force of law with respect to the international trade of this country.

4. Entrust to the United States Tariff Commission, the United States Department of Agriculture, the Department of Commerce and the State Department, jointly, the authority and responsibility for all investigatory activities, and the participation of this country in international conferences, that have as their objective the formulation of international trade agreements for the marketing of exportable surplus supplies of agricultural products in the world markets.

5. The right of court review, as provided by section 516 (b) of the Tariff Act of 1930, should be made operative in the new International Trade Agreements Act as herein proposed.

In support of the foregoing statement, and particularly the facts given with respect to the effect of the Reciprocal Trade Agreements Act upon the export and import trade of the United States in agricultural and nonagricultural products, we desire to file with the committee a statement prepared by Hon. Tom Linder, commissioner of agriculture of the State of Georgia, which he presented to the subcommittee of the House Agricultural Committee, Hon. Stephen Pace, chairman, at a conference hearing held on May 14–16, 1945, on the cotton problem.

We also desire to file a statement made by the late Ronald Cartland, a Member of the British Parliament, in his book entitled "The Common Problem," in which he says "The mere lowering of tariffs will insure neither prosperity nor peace," and "Balanced national economy must be their foundation." If the chairman will permit, I should like to read the three short paragraphs that comprise this statement.

Tariffs are the instrument whereby we prevent ourselves becoming over-dependent on other nations, either for the sale of our own goods or the purchase of theirs. The mere lowering of tariffs will insure neither prosperity nor peace. Balanced national economy must be their foundation. As in other spheres, we must aim in our trade policy at continuity and national preservation. It is the natural development of trade which we would foster.

A world-wide free-trade system would bring men and nations down to the lowest standards of living and involve ruthless competition for markets which would lead almost inevitably to war.

Our first concern must always be the preservation of the British race. At the same time the tendency of modern industrial development and our needs and the needs of Empire countries leads irresistably to inter-Empire trade. The component parts of the Empire are bound together by ties of blood, they share common ideals of life and ways of living. But the fact that their prosperity depends in so large a measure upon each other, their security upon each other's aid, and their development as nations upon each other's cooperation strengthens relations. Here exists a natural economic group, buttressed by sentiment and the needs of defense. I believe that in that world reconstruction which industrialism and scientific progress demand, the British race as a unit must play the leading part.

That book, I might say, Mr. Chairman, is in the Congressional Library, if you want to consult the book.

The CHAIRMAN. Yes, sir.

Mr. POTTS. The figures quoted, I might say, are all from the Statistical Abstract of the United States, published by the Department of Commerce, and will be found on pages 514 and 515.

Now, I submit Mr. Linder's statement.

The CHAIRMAN. I will be glad to have it incorporated in the record.

(The matter referred to is as follows:)

STATEMENT BY TOM LINDER, COMMISSIONER OF AGRICULTURE OF GEORGIA, TO THE SENATE FINANCE COMMITTEE IN RE RECIPROCAL TRADE AGREEMENTS

The Reciprocal Trade Agreements Act is an infamous sell-out of the farmers of the United States to J. P. Morgan & Co. and the automobile manufacturers.

Should anyone question this statement, they have but to search official records to prove the correctness of these words.

The Reciprocal Trade Agreements Act is only a part of an over-all scheme of large international interests to plunder and enslave the people of the United States along with those of the balance of the world.

Somebody's money, in unlimited amounts, has been used to propagandize, by radio and newspapers, the people of the United States into a state of coma with regard to this nefarious scheme.

It had to be somebody with unlimited money. Poor folks do not have enough money to do this.

WHAT IS THE PROOF?

More than 2 years ago there was organized in Washington the Committee for Economic Development.

The Committee for Economic Development prepared a little book entitled "handbook for Employers."

The Handbook for Employers is a preliminary draft prepared by the Field Development Division.

The Handbook for Employers shows that this committee is actually a combination of certain administrative officials in Washington with big international business.

Its purpose is to internationalize this country.

According to Handbook for Employers, the proposal for the Committee for Economic Development came from Jesse H. Jones, Secretary of Commerce of the United States; W. L. Clayton, of the Anderson-Clayton Cotton Co., then Assistant Secretary of Commerce, now Assistant Secretary of State, and member of the board of trustees; Chester C. Davis, of the Research Committee; Clarence Francis, president of General Foods Corp., of New York; and others of international leanings.

THE MEAT IN THE COCONUT

Thomas W. Lamont, vice chairman of the board of J. P. Morgan & Co. and director of United States Steel Corp., is a member of the Committee for Economic Development.

Paul G. Hoffman, president of Studebaker Corp., South Bend, Ind., is a member of the Committee for Economic Development.

Charles F. Kettering, vice president of General Motors Corp., Detroit, is a member of the Committee for Economic Development.

Secretary of State Stettinius came to the State Department from J. P. Morgan & Co.

WHAT DOES THIS PROVE?

The Statistical Abstract of the United States of 1943, chart 582, pages 514 and 515, reveal facts as set out in the following tabulation:

TABLE A.—*The 4 main industrial export commodities*

[In thousands of dollars]

	1931–35 average	1936	1937	1938	1939	1940	1941
Automobiles and other vehicles	167, 292	279, 514	409, 930	362, 493	393, 946	641, 313	1, 139, 552
Industrial machinery	94, 702	158, 493	240, 471	269, 908	289, 896	450, 718	475, 757
Iron and steel semimanufactures	37, 961	79, 845	232, 149	132, 471	169, 123	371, 185	327, 354
Steel mill manufactures products	24, 970	32, 014	67, 937	51, 771	66, 552	144, 810	173, 746
Total exports of 4 above commodities	324, 925	549, 866	950, 487	816, 643	919, 517	1, 608, 026	2, 096, 409

From the above table, it is obvious that, under operation of reciprocal trade agreements, exports from the steel and automotive industries increased from $324,925,000 annually to $2,096,409,000 annually.

Exports of the steel and automotive industries increased $1,771,484,000 annually, which was 384 percent.

This increase of 384 percent of exports for the steel and automotive industries was manipulated through the State Department by the making of trade treaties.

WHAT IS THE FURTHER PROOF?

The same chart, No. 582, pages 514 and 515, of Statistical Abstract of the United States of 1943, reveals the following as to total exports of all industrial commodities.

TABLE A.—*Total exports all industrial commodities*

1931–35 average	$1, 008, 956, 000
1936	1, 424, 223, 000
1937	1, 139, 961, 000
1938	1, 938, 285, 000
1939	2, 233, 536, 000
1940	3, 002, 114, 000
1941	3, 842, 226, 000

From the above, it is obvious that total exports of all industrial commodities increased $2,833,270,000 annually.

Of the $2,833,270,000 total increase of industrial exports, the steel and automotive industries "hogged" $1,771,484,000 annually.

This left only slightly more than $1,000,000,000 increase in exports to be divided among all other industries.

Steel and automotives received substantially two-thirds of all increase in exports between the enactment of the so-called Reciprocal Trade Agreements Act and our entrance into the World War.

As between American industries, it is evident that steel and automotives have hogged the business. Steel and automotives could not have hogged two-thirds of the entire increase if it had not been an inside job.

Any labor leader who endorses trade agreements (unless he is in the steel and automotive business), is selling his labor union down the river.

Any labor leader representing textile workers, garment workers, railroad men, farm laborers, or any other laborers, except steel and automotive workers, who endorses trade agreements is selling the members of the union down the river.

No Congressman or Senator has a right to vote for extension of the trade-treaties agreement unless he is representing the steel and automotive industries.

Any Congressman or Senator who represents farmers, businessmen, white-collar workers, textile workers, textile manufacturers, farm laborers, or other American groups, except steel and automotives, has every right to vote against trade agreements and no right to vote for them.

Let us now see how the farmer has fared.

When Congress passed the Reciprocal Trade Agreements Act and delegated constitutional authority to the Secretary of State and when the Senate ratified the nominations of such men as Stettinius of Morgan & Co. and Clayton of Anderson-Clayton Cotton Co. and Rockefeller of Standard Oil, Congress and the Senate put the farmer at the mercy of the international banking houses of the world.

The following tabulation is based on chart No. 582, pages 514 and 515 of Statistical Abstracts of the United States of 1943:

TABLE C.—*4 main agricultural export commodities*

[In thousands of dollars]

	1931-35 average	1936	1937	1938	1939	1940	1941
Cotton, unmanufactured	366, 540	361, 028	368, 660	228, 647	242, 965	213, 400	82, 562
Tobacco and manufactures	111, 601	147, 898	147, 772	170, 028	93, 341	57, 456	82, 393
Fruits and nuts	84, 798	80, 607	82, 164	99, 061	83, 216	35, 508	52, 399
Grain and preparations	55, 392	29, 556	94, 143	223, 499	99, 550	76, 360	81, 299
Total, main 4 agricultural items	618, 331	619, 089	690, 739	721, 235	519, 072	382, 724	298, 653
Total agricultural exports	979, 957	994, 746	1, 158, 968	1, 118, 884	989, 805	932, 067	1, 177, 651

From the above table, it is obvious that total agricultural exports increased only $197,000,000.

But remember that total agricultural exports included processed agricultural commodities.

The totals in line 5 in the above table show that exports of the main agricultural crops actually declined more than 50 percent.

Agricultural crop exports declined more than 50 percent, while steel and automotives increased 384 percent.

WHO IS DRIVING EXTENSION OF RECIPROCAL TRADE AGREEMENTS?

It comes from governmental departments, boards, and bureaus in Washington. It comes from their dupes.

NATIONAL PLANNING ASSOCIATION

The National Planning Association, 800 Twenty-first Street NW., Washington, D. C., has issued a number of pamphlets in line with the over-all plan to divide the United States into two empires. One industrial empire with production and prices controlled by great international interests. A raw-materials empire to be on a price equality with the producers of raw materials in the backward countries of the world. This is strictly in line with the policy that has been followed by the United States Department of Agriculture for the last several years.

America's New Opportunities in World Trade, a pamphlet issued by the committee on international policies of the National Planning Association, shows on page 35 a plan to increase imports of burlap from 441,000,000 pounds in 1939 to 1,000,000,000 pounds in 1950, an increase of approximately 250 percent.

Imports of unmanufactured wool is to be increased from 99,500,000 pounds in 1939 to 400,400,000 pounds in 1950. An increase of approximately 400 percent.

On page 36 a plan to increase imports of fats, oils, and oilseeds from 1,794,000 pounds in 1939 to 2,000,000,000 pounds in 1950.

If this plan is carried out, it will destroy the peanut farmer, the soybean farmer, and add another burden to the cotton farmer.

On page 36, is plan to increase imports of meat and meat products from 489,000,000 pounds in 1939 to 1,000,000,000 pounds in 1950.

An increase in imports of sugar is planned from 5,806,600,000 pounds in 1939 to 7,500,000,000 in 1950.

On page 37 is planned to increase imports of lumber and sawmill products from 718,300,000 feet in 1939 to 3,000,000,000 feet in 1950.

An increase is planned in imports of wood pulp and newsprint from 7,600,000 cords of wood in 1939 to 13,000,000 cords in 1950.

THE RECORD

The record of how trade treaties have been manipulated in the State Department in the interest of one great financial group, it seems to me, would make it impossible for any honest and informed farm leader to endorse the extensions of these trade agreements.

I have traveled around extensively and talked with groups of farmers and businessmen about the record as it now stands with regard to the reciprocal trade agreements and I have yet to find one farmer or one businessman who is in favor of the extension of these trade agreements once he knows this damning record.

THE FATE OF AMERICA IS INVOLVED IN THE POLICY BEHIND THIS TREATY ACT

A study of gold stocks in this country, together with our commitments and obligations of gold to other countries, has induced the Senate of the United States to enact S. 510, reducing the gold reserve to 25 percent, or 25 cents on the dollar.

A casual study of how the banks of this country are loaded with Government bonds, many of which are held in lieu of depositors' money, must convince the Senate that a dive into low prices would be disastrous to our Government and our people.

Behind this Trade Treaties Act lies the policy of low prices. Those who are manipulating this policy of low prices in the face of our economic, fiscal, and monetary situation are, in my opinion, wittingly, or unwittingly pursuing a traitorous course.

The fate of our Nation is in the balance. It rests in the hands of the Senate of the United States.

I urge the abolition of all delegated constitutional authority to all boards and bureaus, and the resumption of the exercise of these constitutional powers by the Congress by the United States.

If a policy of discrimination against the American farmer is to be pursued and perpetuated, let it be done by the constitutional Senate and House of Representatives elected by the people.

In no case can there be any excuse to delegate this power of discrimination to representatives of the steel and automotive industries and the international banking interests represented by their agents in the State Department.

TOM LINDER,
Commissioner of Agriculture.

STATEMENT OF THE SOUTHERN COMMISSIONERS OF AGRICULTURE, MEMPHIS, TENN.

COTTON ON THE CROSS

DID YOU KNOW THAT—

1. From 1931 to 1941 imports of cotton and cotton substitutes into the United States amounted to the equivalent of 33,000,000 bales.
2. If these imports had been 50 percent less we would have been short of our needs of cotton on, August 1, 1941, 4,000,000 bales.
3. Under reciprocal trade agreements four principal industrial exports increased 384 percent—four principal agricultural crops exports decreased 50 percent.
4. Proof of these statements is contained in the attached document. Proof taken from the office records of the governmental departments.

WHAT IS THE REMEDY—

1. Abandon reciprocal trade agreements.
2. Regulate all tariffs by congressional act as required by the Constitution.
3. Debar imports of cotton and cotton substitutes.
4. Construct cotton mills to process cotton for consumption.
5. Maintain domestic farm price in line with domestic industrial prices.

The facts as developed in the attached document, while compiled specially as to cotton, apply proportionately to all other major farm crops. If you are interested in agriculture and its welfare, you are interested in these facts, regardless of the section of the Nation from which you come.

Statement of Tom Linder, commissioner of agriculture of Georgia before the subcommittee, House Agriculture Committee, May 14, 1945, Hon. Stephen Pace, chairman; said statement is supplementary to the one made by Commissioner Linder in December 1944, and concurred in by the association, Southern Commissioners of Agriculture, in meeting duly called for, the Raleigh Hotel, Washington, D. C., December 2, 1944, Commissioner Linder being delegated as said association's spokesman before said committee.

C. C. HANSON, *Secretary.*

COTTON ON THE CROSS

The story of cotton from 1933 to 1941 is without parallel in all the history of economic warfare.

Cotton has been in the hands of its enemies. Apparently it has had no friends.

The story of cotton as told by the official figures of the United States governmental agencies is beyond belief.

When reading the story of cotton in these official figures it is impossible to escape a conclusion that powerful influences have deliberately set about to destroy our cotton industry. They have almost succeeded.

In 1933 Congress passed the Agricultural Adjustment Act. Under this act America's production of cotton has been sharply curtailed.

In 1934 Congress passed the Reciprocal Trade Agreements Act.

The Reciprocal Trade Agreements Act has been administered by two or three powerful corporate interests. Our State Department has been used to bring about a tremendous increase in business for these two or three corporate interests. The American cotton grower and other farmers have been crucified in the interest of internationalism.

Do these statements seem strong? Then listen to the evidence on which these statements are based. The following table A shows the exports of the four principal industrial commodities for the years 1931 to 1941, inclusive.

TABLE A.—*The 4 main industrial export commodities*

[In thousands of dollars]

	1931-35 average	1936	1937	1938	1939	1940	1941
Automobiles and other vehicles	167, 292	279, 514	409, 930	362, 493	393, 946	641, 313	1, 139, 552
Industrial machinery	94, 702	158, 493	240, 471	269, 908	289, 896	450, 718	475, 757
Iron and steel semimanufactures	37, 961	79, 845	232, 149	132, 471	169, 123	371, 185	327, 354
Steel mill manufactures products	24, 970	32, 014	67, 937	51, 771	66, 552	144, 810	173, 746
Total exports of 4 above commodities	324, 925	549, 866	950, 487	816, 643	919, 517	1, 608, 026	2, 096, 409
Total exports, all industrial commodities	1, 008, 956	1, 424, 223	2, 139, 961	1, 938, 285	2, 133, 536	3, 002, 114	3, 842, 226
Total exports of domestic merchandise	1, 988, 914	2, 418, 896	3, 298, 929	3, 057, 169	3, 123, 343	3, 934, 181	5, 019, 877

Chart 582, pp. 514 and 515, statistical abstract of the United States, 1943.

In the last line of the above chart the total exports from 1931 to 1935 averaged $1,988,914,000 per year.

You will note a rapid increase of these exports. In 1941 total exports reached $5,019,877,000.

This was an increase in total exports of $3,030,963,000.

We are told that the reciprocal trade agreements are responsible for this increase of foreign trade.

Maybe reciprocal trade agreements are responsible for this increase in trade. Who, then, was benefited by these trade agreements?

During the period of 1931-35, industrial exports averaged annually $1,008,956,000.

In 1941 total exports of industrial products rose to $3,842,226,000.

This was an increase in industrial products annually of $2,833,270,000.

Total exports of agricultural products increased only $197,694,000, while exports of industrial products increased $2,833,270,000.

Exports of industrial products increased 384 percent. During the same peroid exports of agricultural products increased only 20 percent.

I made the statement that two or three large corporate interests had controlled the State Department and had received all the benefits from this increase in foreign trade.

Let us see if these governmental figures justify that statement.

From 1931 to 1941, total industrial exports increased $2,833,270,000. During the same period the four items of "Automobiles," "industrial machinery," "Iron and steel semimanufactures," and "Steel mill products" increased $1,771,484,000.

These four commodities received 62 percent of all the increase in industrial exports. All other industrial commodities combined enjoyed only 38 percent of the increase in industrial exports.

Let us see how the farmers fared under the administration of these trade treaties by great corporate interests.

The following table will show us how the farmer has been crucified:

TABLE B.—*4 main agricultural export commodities*

[In thousands of dollars]

	1931-35 average	1936	1937	1938	1939	1940	1941
Cotton, unmanufactured	366, 540	361, 028	368, 660	228, 647	242, 965	213, 400	82, 562
Tobacco and manufactures	111, 601	147, 898	147, 772	170, 028	93, 341	57, 456	82, 393
Fruits and nuts	84, 798	80, 607	82, 164	99, 061	83, 216	35, 508	52, 399
Grain and preparations	55, 392	29, 556	94, 143	223, 499	99, 550	76, 360	81, 299
Total main 4 agricultural items	618, 331	619, 089	690, 739	721, 235	519, 072	382, 724	298, 653
Total agricultural exports	979, 957	994, 746	1, 158, 968	1, 118, 884	989, 805	932, 067	1, 177, 651
Total exports of all domestic merchandise	1, 988, 914	2, 418, 896	3, 298, 929	3, 057, 169	3, 123, 343	3, 934, 181	5, 019, 877

Chart 582, pp. 514 and 515, Statistical Abstract of the United States, 1943.

The last line of the above table shows that total exports increased from $1,988,914,000 to $5,019,877,000.

Total exports increased 252 percent.

The last line of the above table shows that total exports of agricultural products increased from $979,957,000 to $1,177,651,000.

This was an increase in agricultural exports of $197,694,000, or 20 percent.

Exports of industrial commodities increased 384 percent, while exports of agricultural products increased only 20 percent.

Exports of industrial products increased 19 times as fast as exports of agricultural products.

I wonder if there is a reasonable man who would say that the officials of the State Department have not been influenced and controlled by a few large corporate interests in their every act in connection with these reciprocal trade agreements.

I say to you that these facts are so plain that "he who runs may read." I say to you that these facts are so convincing that "a wayfaring man though a fool need not err therein."

We have shown that exports of industrial products increased 19 times as fast as products of agriculture.

This, however, is not all the story. It is only half.

Take the basic farm crops.

Take those crops which the Agricultural Adjustment Agency was supposed to stabilize.

Take those crops which represent the sweat and toil of men, women, and children in the fields and see how these crops fared while two or three great corporate interests controlled our State Department. Let us see what happened to the men, women, and children on the farms while they were being deliberately sold down the river by a few great corporate interests and a few selfish politicians who had gained access to the State Department.

Let us see how the laws written by you men of Congress have been used to oppress the very people whom you were trying to help.

Refer back to table B, the last table above in the first line, "Unmanufactured cotton."

During the period 1931 to 1935 our exports of raw cotton averaged $366,540,000 per year. In 1941 this export, notwithstanding increased prices of cotton, had gone down to $82,562,000.

In the second line of table B take "Tobacco manufactures." From 1931 to 1935 our average yearly exports amounted to $111,601,000. In 1941 in spite of increased prices these exports had shrunk to $82,393,000.

On the third line of table B we find "Fruits and nuts." During the period 1931 to 1935 our annual exports averaged $84,798,000. In 1941 this had shrunk to $52,399,000.

On line 4 of table B we find "Grains and preparations." During the period 1931 to 1935 our exports of grains and grain preparations averaged annually $55,392,000. In 1941 this had increased to $81,299,000.

Now let us take these four principal export items of agriculture and total them and compare with the total of the four major industrial export items.

Line 5 of table B shows that during the period 1931–35 our total exports of these four main agricultural items totaled $618,331,000. In 1941 the total of these four main agricultural groups had dropped to $298,653,000.

Exports of these main farm crops had actually fallen off $319,678,000. Our exports of these main crops had actually fallen more than 50 percent.

Remember that exports of the four main industrial items increased 384 percent.

Remember that exports of the farmers' main crops declined more than 50 percent.

Can any sane man doubt that the men who control iron, steel, and automobiles in this country also controlled our State Department in making these trade agreements?

In view of these figures, should sane patriots consider giving more authority to such men as Stettinius of J. P. Morgan & Co., to such men as Will Clayton of Anderson-Clayton Cotton Co., to such men as Rockefeller. It is inconceivable that men elected by the people of the United States to represent them in Congress and the United States Senate should think for one moment of doing this.

The greatest enemies on earth to this Nation could not plan or scheme anything more destructive to our civilization and our democracy than the things which have been going on right here in Washington in this Nation's Capital.

The following table C shows that in the period 1931–35 our exports were almost equally divided between industry and agriculture. Industry and agriculture were about 50–50.

Under the operation of the trade agreements this picture has rapidly changed and in 1941 agricultural exports had fallen from 50 to 24 percent while industrial exports had risen from 50 to 76 percent.

TABLE C.—*Total exports, 1931–41, with division in agricultural and nonagricultural exports*

[In thousands of dollars]

Year	Percent agriculture	Agricultural	Nonagricultural	Percent industry	Total of all exports
1931–35	50	$979,957	$1,008,956	50	$1,988,913
1936	42	994,746	1,424,223	58	2,418,969
1937	37	1,158,968	1,139,961	63	3,298,929
1938	37	1,118,884	1,938,285	63	3,057,169
1939	33	989,805	2,133,536	67	3,123,341
1940	23	932,067	3,002,114	77	3,934,181
1941	24	1,177,651	3,842,226	76	5,019,877
Total 1931–41		11,271,906	19,525,125		30,797,031

Chart 582, pp. 514 and 515, Statistical Abstract of the United States, 1943.

It is generally conceded that exports must be balanced largely with imports. Let us now look at the picture of imports, see what has happened to imports from 1931 to 1941.

The following table D demonstrates that the same influences controlling our exports are also taking care of their own interests when it comes to imports. These great corporate interests working through their hirelings and partners in the State Department are not traveling a one-way street. They are working both ends against the middle. The farmer and his wife and children are paying the freight: Industrial workers, white-collar people, and the general public will be made the victims of this same practice if our Senators and Congressmen do not call a halt to their deadly scheme.

TABLE D.—*Total imports, 1931–41—With divisions into agricultural and nonagricultural imports*

[In thousands of dollars]

Year	Agricultural	Nonagricultural	Total of all imports
1931–35	1,314,345	389,919	1,704,266
1936	1,899,933	524,044	2,423,977
1937	2,346,641	663,209	3,009,852
1938	1,494,502	455,121	1,949,624
1939	1,726,260	549,839	2,276,099
1940	1,896,208	644,449	2,540,656
1941	2,372,180	849,775	3,221,954
Totals, 1931–41	18,307,464	5,636,032	23,943,492

Table 584, pp. 518-519, Statistical Abstract of United States, 1943.

In the last line of the above table D, you will see that total imports from 1931 to 1941 reached the sum of $23,943,492,000.

Of this $23,943,492,000 imports, $18,307,464,000 were agricultural imports.

Total imports of agriculture were $18,307,464,000, while total imports of industry were only $5,636,032,000.

More than 75 percent of total imports was agricultural. Less than 25 percent of total imports was industrial.

We have seen how the farmer has been made the goat as to exports and as to imports.

We have seen how the AAA cut the farmers production in the United States for the purpose of creating a market here for agricultural products from foreign lands.

We have seen how the Reciprocal Trade Agreements Act has been used to flood this country with foreign agricultural products. We have seen how the Reciprodal Trade Agreements Act has been used to destroy the American farmers' foreign market in order to create a foreign market for favored industrial products.

The farmers' crops were out. The farmers' foreign market was destroyed. The State Department was used as the tool of a few great corporate interests to drink the blood from the open wounds of a prostrate agriculture.

These leeches, like all leeches, are no longer satisfied with the amount of blood they are getting. They are now asking that prostrate agriculture be bled anew so there will be more blood on which these leeches may feed.

We have seen how agriculture as a whole has fared as to imports. Let us now take a look and see how cotton has fared as to imports—how much cotton and cotton substitutes have been brought into the United States under the operation of the reciprocal trade agreements.

I refer to a statement entitled "Imports of Merchandise by Commodities, Groups, and Articles: 1931 to 1940" ("General Imports" 1931 and 1932; "Imports for Consumption" thereafter). This is table 619 on pages 634 to 669 of Statistical Abstract of the United States for 1942.

Table 619 is very long and includes numerous items so that it is impossible within the limits of this discussion to undertake to go into the entire table.

For your specific information I have prepared some tables by selecting a number of specific items of imports of cotton, cotton manufactures, and cotton substitutes from said table No. 619.

The following table E shows eight items of imports of cotton and cotton substitutes. I invite your careful study and consideration.

TABLE E.—*Selected groups of imports of cotton, cotton manufactures, and cotton substitutes, 1931–40*

[In thousand pounds]

	1931–35, average	1936	1937	1938	1939	1940	Total
Cotton, unmanufactured	64, 660	105, 688	134, 121	106, 382	103, 578	131, 780	904, 849
Cotton waste	38, 629	99, 109	71, 204	11, 384	17, 002	28, 885	420, 729
Cotton cloth (estimated 2 ounces to square yard)	5, 237	14, 274	18, 415	7, 285	13, 728	10, 543	90, 430
Cotton rugs and floor coverings (estimated 8 ounces to square yard)	5, 320	7, 945	8, 571	4, 509	6, 229	3, 872	57, 726
Cotton belting and rags	17, 618	25, 635	30, 408	18, 693	8, 348	1, 695	172, 869
Jute and manufactures	618, 667	813, 385	1, 045, 127	704, 209	581, 930	668, 983	6, 906, 969
Flax and hemp	20, 426	26, 868	29, 254	6, 908	28, 017	19, 971	213, 148
Manufacture of flax, hemp, and ramie	43, 272	53, 430	52, 445	31, 932	37, 404	17, 246	408, 817
Total pounds	813, 829	1, 146, 334	1, 389, 545	891, 302	796, 236	882, 975	9, 175, 537
Equivalent to thousands of 478-pound bales of cotton	1, 702	2, 398	2, 398	1, 864	1, 665	1, 847	----------

From table 619, pp. 631 to 669, Statistical Abstract of United States, 1942.

EXPLANATION

The figures in column headed "1931–35 average" represent imports averages over a period of 5 years. In arriving at figures headed "totals" in the last column to the right, it is necessary to multiply all figures in column "1931–35 average" by 5. The figures in column "1931–35 average," when multiplied by 5, are added to the figures of the individual years of 1936 to 1940, giving the total figures in the last right-hand column.

Line 1 of table E shows that from 1931 to 1940 we imported a total of 904,849,000 pounds of raw cotton. This is the equivalent of 1,892,880 bales.

According to line 2 we imported a total of 420,729,000 pounds of cotton waste. This cotton waste in weight is equivalent to 880,186 bales.

Line 6 shows that we imported a total of 6,906,969,000 pounds of jute and jute manufactures.

The amount of jute imported from 1931–40 is the equivalent in 478-pound bales of cotton to 14,449,726 balse.

The 8 items covered in table E aggregate 9,175,537,000 pounds. This is the equivalent in 478-pound bales of cotton to 19,195,000 bales.

TABLE F.—*Imports*

[In thousand pounds]

	1931-35 average	1936	1937	1938	1939	1940
Yarns and warps, mainly bleached, dyed, combed, or plied	1,644	2,126	2,019	1,054	1,616	811
Blankets	.076	.029	.068	.031	.009	.006
Tablecloths		883	1,916	1,479	2,479	3,438
Velvet and velveteens	148	1,303	998	258	434	594
Bedspreads and quilts	1,074	1,587	2,796	2,228	2,611	1,807
Gloves and mittens	2,467	1,942	2,237	1,286	804	563
Hosiery	554	2,313	1,649	713	1,061	1,345
Mufflers and handkerchiefs	1,830	5,165	3,247	1,866	2,737	2,544
Mufflers and A embroidery and lace	.034	.005	.009	.036	.035	.038
Manufactures of flax hemp, handkerchiefs	1,254	1,354	1,649	1,540	1,465	1,727
Towels, napkins, and bedclothes	3,234	3,100	3,441	1,997	1,690	1,064
Other vegetable fibers, unmanufactured	405,758	458,626	478,582	245,642	440,437	521,457
Binding twine, cordage, and other	47,145	80,146	68,158	67,446	66,576	41,367
Wool, mohair, etc., unmanufactured	135,824	257,725	326,035	104,274	245,971	360,637
Hair of Angora and cashmere and carbonized wool	1,045	3,738	3,784	1,554	2,903	2,943
Wool, semimanufactures	4,868	21,330	15,463	4,770	19,762	15,596
Wool manufactures	5,401	10,624	12,333	7,683	13,934	11,148
Total weight	572,351	851,996	924,384	443,907	804,524	967,065
Equivalent bales of cotton, 478 pounds	1,197	1,782	1,933	928	1,683	2,203
Equivalent bales of cotton from table E	1,702	2,398	2,907	1,864	1,665	1,847
Total equivalent to 478 pound bales of cotton, table E plus table F	2,899	4,180	4,840	2,792	3,348	4,050

From table 619, pp. 631 to 669, statistical abstract of United States, 1942.

EXPLANATION

The figures in column headed "1931-35 average" represents import averages over a period of 5 years. In arriving at figures headed "Totals" in the last column to the right, it is necessary to multiply all figures in column "1931-35" average by 5. The figures in column "1931-35 average," when multiplied by 5, are added to the figures of the individual years of 1936 to 1940, giving the total figures in the last right-hand column.

Table F shows 17 items of import.

We imported the equivalent of 14,514,000 bales of cotton of these 17 items from 1931 to 1940, inclusive.

When we add the 14,514,000 bales equivalent shown in table F to the 19,195,573 bales equivalent as shown in table E, we find that we imported of the 25 items shown in tables E and F enough poundage of cotton and cotton substitutes to be the equivalent of 33,709,573 bales of cotton.

Remember that only 25 selected items of imports were equal to 33,000,000 bales.

Remember there are a great number of other items of imports of cotton and cotton substitutes which are not incorporated in these figures.

It is, of course, possible that some cotton manufactures included in these figures were produced from raw cotton grown in the United States.

I do not know whether this is true or not.

Should it be true, however, that some of these imports were produced from American cotton, these will be fully offset by the hundreds of other items of imports which are not in any way included in this estimate.

Total production of American cotton for the 10 years of 1931 to 1940 was 132,546,000 bales.

On August 1, 1941, the carry-over of American cotton was 12,166,000 bales.

I have shown you where we have used cotton and cotton substitutes during the same period to the equivalent of over 33,000,000 bales.

Had we used American cotton in place of only 50 percent of these imports instead of carrying over 12,000,000 bales of cotton, on August 1, 1941, we would have been 4,000,000 bales short.

It is crystal clear from the above figures that all cotton's troubles are imported. It is equally clear that all of agriculture's problems are imported. We can almost see with equal certainty that all our troubles are imported.

WHAT SHOULD THIS COMMITTEE AND CONGRESS DO FOR COTTON

First: Repeal Reciprocal Trade Agreements Act. Stop importing cotton and cotton substitutes.

Second: Increase cotton-processing plants. People cannot wear bales of cotton, they cannot sleep on bales of cotton. Build cotton mills to make cotton bagging for cotton bales. Build cotton mills to make sacks for fertilizer, corn, and wheat. Build cotton mills to make every grade of cloth from the coarsest to the finest. Put our cotton in merchantable form and the people of the United States will use it and the world will cry for it.

Third: Give the farmer a price for his cotton. We know from experience and from Government figures that high prices mean high consumption and low prices mean low consumption. We know from Government figures that every dollar the cotton farmer receives turns into $14 in national income.

Fourth: Keep protective tariff high on manufactured cotton goods. It is impossible for the American manufacturer to pay American wages and then sell his product at world prices in competition with foreign pauper labor.

Fifth: Quit trying to control the farmer. Discontinue the imports of things that destroy the farmer.

The CHAIRMAN. The committee will recess until 2 o'clock.

(Whereupon, at 12:30 p. m., the committee recessed until 2 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2 p. m., pursuant to recess.)

The CHAIRMAN. The committee will please come to order. The other Senators will be dropping in as quickly as they can get over here from the floor; some of them, at least.

Mr. Benjamin.

STATEMENT OF EDWARD B. BENJAMIN, NEW ORLEANS, LA., PRESIDENT, MYLES SALT CO., LTD., AND BAY CHEMICAL CO., INC.

Mr. BENJAMIN. Mr. Chairman, and members of the committee, I am Edward B. Benjamin, of New Orleans, president of the Bay Chemical Co., Inc., and the Myles Salt Co., Ltd., of that city. Our companies turn out the equivalent of a solid trainload a day of product that has been of extraordinary importance in the war effort.

I am appearing before you today because I am absolutely appalled by the prospects my companies are facing if you renew this reciprocal trade treaties legislation and surrender your constitutional powers to increase duties, on the one hand, and to legislate duties for products on the free list, on the other hand.

Salt has a very small duty. The chemical products of the Bay Chemical Co. have no duties at all. Our country today produces as much of these commodities as it can consume. We were greatly bothered, and almost ruined, by foreign competition before this war. Based on our greatly increased costs of production emanating from this war, we face very likely ruin unless we can obtain tariff protection.

Our situation, gentlemen, differs not at all from that covering all the other staple commodity production of this country, both agricultural and industrial—our cotton, our wheat, our beef, our peanut oil, our steel, our concrete, our butter, our textiles; all commodities of this nature are produced today in other sections of the world far more cheaply than we can produce them within our own borders.

That is not difficult to understand. It is simply a matter of arithmetic. Wages today obtaining are as low as $1.50 per month in other countries and hemispheres, notably Africa, where that is the going rate of pay—$1.50 per month, gentlemen, in the copper and gold and tin and diamond mines of Africa.

All this is taken into account in the latest writing of Dr. Herbert Feis, called The Sinews of Peace, published just a few months ago. As I am sure you know, from 1930 until 1944, when he resigned along with Mr. Sumner Welles from the State Department, Dr. Feis was the economic adviser to the State Department. In this latest book, although Dr. Feis recommends some further decrease in tariffs, he follows this conclusion with the following statement, on page 167 of his writing:

> We should be prepared to use public funds to compensate those whose livelihood may be destroyed by the adoption of the foregoing policy and to increase the incentive for the development of alternative lines of employment. It will prove imperative that employment be readily available if competitive goods are to be permitted entry in substantial amounts. That is clearly established by American experience.

There, gentlemen, is your 14-year-long adviser to the State Department telling you that you cannot throw open your doors to imports unless you wish to subsidize American industry and American labor.

I want to ask, if you renew this reciprocal-trade treaty with the "green" sign it gives to imports, are you prepared to subsidize American industry such as mine and American labor such as is employed in my plants? And if so, can you bring these subsidies into being quick enough to prevent ruin to industries such as mine, which have spent millions in building their production up to meet the war demands upon them, that they have served to such remarkable advantage?

This Reciprocal Trade Treaty Act renewal would knock completely into a cocked hat and make a travesty of such postwar planning as I am able to do in my own individual industries. These industries keep going, in large part, such vital American production as our tin smelter and our synthetic-rubber output. Are you prepared to legislate duties on finished tin and on synthetic rubber, which are now on the free list? If you are not, how can these products be produced in this country, as absolutely essential as they are to the survival of our American industrial civilization? And if you are not prepared to protect finished tin and synthetic rubber with duties, then how can my plants continue full operation or how can I plan our postwar operation?

Senator BUTLER. Tell me something about how—I don't know what your products are—but how are they related to synthetic rubber, for instance?

Mr. BENJAMIN. Well, most synthetic rubber produced is Buna S, and in its manufacture the emulsion of styrene and butadiene is broken by the use of salt. We shipped 25 percent of the salt used for the whole synthetic-rubber industry.

Would you like to know about tin?

Senator BUTLER. Yes.

Mr. BENJAMIN. We are among the largest shippers of muriatic acid, and Bolivian ore and muriatic acid give you your tin. We supplied about half of the requirements of the tin smelter throughout the war, in the largest movement of that chemical in history.

Gentlemen, I want to say, after having had 30 years of the most diversified business experience in several of the largest industries of their kind in the world, and after having had an unusually thorough grounding as a college man in academic economics, that I consider absolutely fallacious the whole purported justification for the Reciprocal Trade Treaties Act.

To begin with, gentlemen, if you will carefully review history, you will find that wars were never brought about by international trade barriers; that is, the great wars of history, from Alexander on down to Hitler. These wars were projected by paranoiacs, by homicidal maniacs who had the power to inflame whole masses of people for reasons that psychiatrists and doctors have not yet defined——

The CHAIRMAN (interposing). Mainly, may I submit to you, because they were able to point out some, as they said, grave economic injustices.

Mr. BENJAMIN. Well, Alexander wasn't interested in that, and Genghis Khan and Attila.

The CHAIRMAN. Wasn't Hitler?

Mr. BENJAMIN. No.

The CHAIRMAN. He wasn't?

Mr. BENJAMIN. No, sir. I want to say a little more about that. But ask yourself, sir, what Napoleon was doing marching across the north of Europe on foot and on horse to try to conquer Russia? The thing was absolutely, manifestly screw ball on the face of it.

The CHAIRMAN. It might have been; but, then, he wanted to expand for economic reasons.

Mr. BENJAMIN. He wanted to conquer.

The CHAIRMAN. Yes.

Mr. BENJAMIN. I can say from personal experience, having spent long summers in Germany in my formative years before World War I, that Germany was one of the most prosperous nations, in that day, it was possible to imagine. Germans, rich and poor, sat down to five meals daily, besides imbibing huge quantities of beer and wines. German exports flooded the markets of the world. But the Germans stood up and told you, man to man and face to face, that they were going to destroy Britain and France; that their day had come—"Der Tag," as they referred to it.

The other justification for the Reciprocal Trade Agreements Act, that we must expand if we can gain full employment, also, gentlemen, in my opinion, is erroneous. I say that because 85 percent of our present national income goes to those making $5,000 a year and under, and that proportion has a floor under it. It has a floor under it put there by wage-hour legislation, by trade-union gains, and by farm aid. You have built up in this country a staggering purchasing power, here to stay, on the part of the masses of our people, that can consume what we produce. Your national economy is virtually self-contained, except for the necessity of importing a few exotics, such as bananas, coffee, tea, spices, and things like that, that we don't turn out.

Further, in that connection, as regards the justification for the act, I would like to point out that, contrary to popular belief, our country enjoys no comparative advantages today, in the language of the economist, in the production of anything. Any comparative advantage that we may be assumed to enjoy, such as in large-scale production of automobiles, is purely a transient thing. Mr. Citroen and the Bantam people in England were catching up quickly before the war. We have no monopoly on large-scale production methods, on industrial techniques of any kind; and at the absurdly low-wage rates prevailing in other parts of the world, we can be outmanufactured, outmined, and outcropped to an extent that few of us realize.

I urge you, gentlemen, to consider, in place of reciprocal trade treaty legislation, a reconstitution of the United States Tariff Commission as a body to recommend to you, as the need arises, tariffs that don't exist—that is, new tariffs—and changes in the tariff structure——

Senator McMAHON (interposing). How many downward revisions did the Tariff Commission recommend before the Reciprocal Trade Treaty Act?

Mr. BENJAMIN. I really don't know, sir.

Senator McMAHON. You know that there were two reductions made, on bobwhite quail and paint-brush handles.

Mr. BENJAMIN. I am not necessarily convinced that we need tariff reductions, Senator.

Senator McMAHON. That situation suits you, doesn't it?

Mr. BENJAMIN. Not just me; it suits our entire Nation, according to my own knowledge.

Senator McMAHON. It does suit you, though?

Mr. BENJAMIN. Individually, too.

Then in addition, gentlemen, I beg of you that if you must pass this reciprocal trade treaty legislation as window dressing for our peace conference, that you inject into it some devices by which duties may be legislated on commodities on the free list, and some other arrangements whereby duties can be increased in the case of distressed industries.

Now, in conclusion, I want to take the liberty of saying this: I am a registered Democrat; my father was a registered Democrat, and so was my grandfather. I personally feel that the stand of our Democratic Party on the tariff is a complete anachronism. I believe it dates back to the time when our Democratic Party was almost completely agricultural and when, as agriculturalists, we had slave or near slave labor. We don't have cheap labor for agriculture or industry or anything else any more in this country. We simply cannot compete as to the products of the farm, the mine, or the factory, unless we have tariff protection.

I want to offer, gentlemen, for your files, if I may be permitted to do so, Mr. Chairman, Dr. Feis' book from which I quoted; a number of copies of my more complete testimony before the House Ways and Means Committee; and finally a writing, a sequel to my article, Program for Plenty, in August Survey Graphic of 1943, a sequel called the Postwar Promise, which outlines the tremendous national purchasing power that we have built up here, and which gives the facts and figures to show that we can consume what we produce as a Nation, and do not have to depend to any extent upon exports.

I thank you very much.

The CHAIRMAN. I thank you, sir.

We wouldn't want to print the book, or anything like that. You can leave it here, however. Your statement and article may be inserted in the record.

Mr. BENJAMIN. I understand, sir.

(The statement and article referred to are as follows:)

STATEMENT OF EDWARD B. BENJAMIN, PRESIDENT, MYLES SALT CO., LTD., AND BAY CHEMICAL CO., INC., BEFORE HOUSE WAYS AND MEANS COMMITTEE

Mr. Chairman and Other Members of the Committee:

At the outset may I say that I favor cooperation in all military steps necessary to insure peace, and also that I favor outright donation from our surplus to those deserving nations needing rehabilitation as a result of the war; nations without the necessary resources to help themselves.

I now want to go to the extreme of asking you to oppose passage of bill H. R. 2652 and in that way to repeal the Reciprocal Trade Treaty Act.

My stand is based on two grounds: (1) The fostering of international trade per se, is no guaranty of peace. (2) Increased international trade will yield us very little benefit from so-called comparative advantages in production, as we ourselves have no comparative advantages of a permanent nature in the production of anything.

Gentlemen, dealing first with the effect of international trade on international peace, I would like to point out that no one has yet proved peace will be guaranteed through the fostering of international trade and the breaking down of so-called trade barriers.

There has always seemed to me to be a great confusion of ideology on the part of our State Department in its efforts to secure peace by fostering international trade. A careful analysis of the history of great wars and military depredations will show that these debacles came about as the result of definite manias on the part of paranoiac leaders. You might ask yourself what Napoleon was doing in Russia—obviously such a campaign on foot and on horse across the north of Europe was a screwball affair in its very essence. What could France have done with Russia if its Army had been successful in Russia?

I spent long summers in Germany during my own formative years prior to World War I. The country was the most prosperous in appearance I have ever seen. Its people, rich and poor, sat down to five meals daily. Far from being a "have not" nation, Germany was a remarkably good example of a "have" nation, and among the other "haves" of that nation was a fixed mania for war. Germans, rich and poor, told one their country was going to destroy England and France and that was all there was to it. It was a shocking experience to realize that people could take such an attitude toward their fellows, but it was ingrained in the Germans. War was Germany's national sport. Its college fraternity life revolved around dueling and a young gentleman lacked social credentials whose face was free of dueling scars.

In my opinion, the removal of all the trade barriers in the world could not have prevented Germany from warring. We were Japan's best customer but that did not prevent that nation from knifing us in the back when it thought the time was ripe.

Coming to the second of my grounds for asking for defeat of bill H. R. 2652, I want to point out that we produce and consume nothing whatever today that cannot be produced much more cheaply elsewhere, either presently or potentially, notwithstanding the theories of some academic minds and notwithstanding the braggadocio of some American industrialists who will temporarily benefit by reciprocal trade agreements. Everything in this room can be purchased in ordinary times much more reasonably from some foreign nation than we can produce it ourselves. Even human bodies can be brought into being ever so much more cheaply elsewhere, because a young mother can be sheltered and nurtured much more economically in other countries than in the United States.

Everything raised on our farm lands, your own and mine, can be brought into this country at much more reasonable prices than it costs us to produce these same articles.

The very cotton staple on which the economy of the South has depended in the past can be raised many cents a pound more reasonably in China, India, and Brazil. In years past, I myself have spun as much as 10,000 bales per annum of cotton from India that I bought at 4 cents per pound, or $20 per bale, below the American market.

You are told that American automobile production and its production of typewriters, adding machines, and equipment of that nature outstrip the world. I assure you gentlemen that assembly lines can be placed almost anywhere, and can be operated almost anywhere, and if the wage rates existing are but a fraction of those obtaining in the United States, production costs are going to be materially cheaper. Other nations may not have gotten to production lines and large scale production methods, but rest assured it is only a question of time.

I have brought with me a copy of the Sinews of Peace by Dr. Herbert Feis, who recently resigned as economic advisor to the State Department after having served the State Department in that capacity since about 1930. Dr. Feis' book recommends the elimination of high tariffs but in this connection Dr. Feis writes on page 167 as follows:

"We should be prepared to use public funds to compensate those whose livelihood may be destroyed by the adoption of the foregoing policy, and to increase the incentive for the development of alternative lines of employment. It will prove imperative that employment be readily available if competitive goods are to be permitted entry in substantial amounts. That is clearly established by American experience."

The above quotation tells its own story. Dr. Feis contemplates that public funds are going to be necessary to compensate those whose livelihood may be destroyed as the result of reduced tariffs. Do you wish such use made of public funds?

My own interests represent glaring examples of needed tariff protection. The Bay Chemical Co., of which I am president, is a large manufacturer of sodium sulfate, popularly known as salt cake, on which product the kraft paper industry is dependent. In other words the kraft process necessitates the use of sodium sulfate along with wood pulp. By the kraft process are produced fiberboard for containers and chemical pulp for guncotton. Both of these products are of course indispensable to the waging of war. Shells, cartridges, and bullets require containers and the shells require nitrated chemical cotton.

When the Bay Chemical Co. began the production of sodium sulfate, the price prevailing on this commodity was $22 per ton. Gradually the German cartel whittled down this price to about $11 per ton in an effort to destroy our young industry in this country. All through the thirties we had to deal with competition of this type. The Germans controlled a plant in California as well, and between their imports and the production of the California plant, Germany controlled salt cake and accounted for about three-fifths of the tonnage consumed in this country. Had it not been for a fortuitous overnight increase in domestic output at the beginning of this war, one of our most vital industries, the kraft paper industry, would have had to shut down with the cessation of German imports. Unquestionably the effort to cripple salt-cake production in this country was a deliberate one on the part of the Germans, in short an attempt to cripple our ability to carry on this war, just as the German monopoly on coal-tar products threatened our ability to produce explosives for World War I.

Yet all these years American salt-cake production has been without one penny of tariff protection. The situation is well-nigh incredible. We have had to crawl inch by inch in my own business instead of making the strides a progressive enterprise usually takes. Even now at this moment with the salt-cake industry again facing possible devastating competition from the European countries, there is no way that we can obtain relief through tariff protection. A salt-cake manufacturer is frozen in his tracks when it comes to tariff relief. The Reciprocal Trade Act prevents the Department of State from considering any item on the free list, and the general supposition is that your committee will not even tolerate consideration of a duty for a product on the free list.

Gentlemen, I submit that when you adhere to any kind of a tariff arrangement that closes the door in the face of American producers and makes the welfare of American industry a football of international politics, justice is not being done.

As long as the reciprocal trade treaty legislation is adhered to, it seems to me you give up and in effect delegate to the State Department your constitutional right to legislate duties and to protect American industry. I think such a situation should be corrected and corrected at once. I believe that this Nation is going to be confronted sooner or later with intrusion of foreign products of all kinds, because other nations have not stood still and will not stand still. Other countries are advancing their agriculture, witness Brazil on cotton, and they are vastly increasing their manufacturing facilities. From every country of the globe it will be possible to import agricultural products and manufactured commodities of all kinds at prices that will greatly undersell our American markets. There is no rhyme or reason for such a thing. We need to produce what we can produce to give our people employment and to take advantage of a very promising economic potentiality that exists for full employment after the war, provided we do not have our economy wrecked by needless imports.

I have mentioned the instance of sodium sulfate, salt cake, where an import duty is badly needed. With the great advances in production costs that have taken place over recent years in our national economy, it is probable that many commodities on the free list will require tariff protection in the long run, if domestic agriculture and industry are to compete against foreign imports.

I am president also of the Myles Salt Co. of New Orleans. This company owns what is probably the finest deposit of salt known to man and available for mining. Its mining operation is one of the simplest and most efficient—virtually underground quarrying, highly mechanized from start to finish. There is a duty on salt, but salt can be brought in today from points abroad and laid down here more cheaply, with the prevailing rate of duty, than we can afford to sell it. There is nothing difficult to understand about this. Salt is a low-priced commodity that can be carried as ballast on a ship and that often is given a very low shipping rate. Further, labor at the foreign points of production is paid a mere fraction of our wage rates in this country, and that is all there is to it.

You have heard about cheap wages in Japan and in the Far East. I have recently learned to my astonishment that the prevailing wage rate in the mines of Africa is $1.50 per month, and gentlemen, do not make the mistake of thinking that the English and the Dutch, who pay such rates, fail to get a day's work from their labor.

Gentlemen, this war has seen the upbuilding of new industries in this country that are of the most vital and paramount essentiality for the existence of our Nation. I refer to the big tin smelter operation in Texas, United States Government owned and operated by Metals Reserve, and to the United States owned synthetic rubber plants. Are we to permit these critically important production facilities to be shut down after this war simply because tin and rubber may be produced more cheaply elsewhere? By the same reasoning almost any production facility in this country should be shut down because we produce little or nothing that cannot be turned out more cheaply somewhere else.

Gentlemen, it would seem to me an outrage ever again to leave this country without production essential to its survival, represented by such commodities as tin and synthetic rubber. But both tin and rubber are on the free list. To protect this country leave tin ore on the free list and put a duty on manufactured tin.

In one instance coming to my attention in connection with the operation of Bay Chemical Co., Inc., which company I head as previously stated, the operation of the Reciprocal Trade Act has been farcical. Bay Chemical is a very large producer of muriatic acid and has shipped a substantial amount of this product to Cuba in past years. Before the reciprocal trade treaty with Cuba, the Cuban duty on acid was set at $1.91 per net ton. In 1944 Cuba increased this duty to $39.10 per net ton. Think of it, gentlemen, Cuba increased its duty virtually 20 times over, a mere matter of approximately 2,000 percent. What relief did we get from the Department of State? Not the slightest. The most aggressive action on the part of the Department failed to correct little Cuba's complete evasion of the spirit of its reciprocal trade agreement, notwithstanding that Cuba has preferential rates on imports into the United States of America. From the standpoint of the American producer, it was an outrageous instance of the classic "heads I win, tails you lose."

I regard tariff legislation as a more pressing need at this time than any other form of legislation. I think you should junk completely the whole reciprocal trade treaty idea and legislate some form of tariff arrangement that will be completely realistic, that will take constantly into consideration variations in international exchange, variations in foreign wage rates, and variations in supply and demand. I know no reason why American agriculture and industry should be hamstrung by a lack of tariff protection necessary for their survivial and prosperity. It seems to me free-trade ideas have gripped our Department of State in a kind of evangelism that fails to take into account existing realities and our Nation's actual economic needs.

Our Nation is almost self-sufficient, economically speaking. We can maintain full employment, in my own opinion, by learning to schedule our production to meet the demands of our own nationals, keeping in mind at the start the needs of deserving, less-fortunate nations for rehabilitation, to which we should attend as a charity.

Of course, we will always have to import some exotics—that is to say products that we do not turn out ourselves—such as bananas, tea, coffee, Other than such exotics, we are in position to take care of our own needs and should do so. I ask that H. R. 2652 be voted down and that, instead, a tariff act be passed whereunder tariff needs for all commodities can be considered at all times and whereunder steps can be taken for protection wherever needed and to whatever extent needed.

The Postwar Promise

(By Edward B. Benjamin)

All planning for postwar employment hinges on the following:

Can we provide self-sustaining employment for approximately 55,000,000 of our population?

Can self-sustaining production for civilian plenty replace production for war?

In large part, the answer to these questions is to be found in the earning power of our people as presently constituted, adjusted to postwar conditions.

Let us break down our 1943 national income into its components:

The estimated figures are as follows:[1]

		Billions
Total salaries and wages		$101.8
Other employee compensation (primarily social security contributions of employers)		3.3
Income of farmers and small businessmen		24.2
Interest		5.9
Net rents and royalties		3.6
Net income corporate enterprise:		
Dividends	$3.9	
Business savings	5.1	
		9.0
Total		147.8

[1] U. S. Department of Commerce.

These figures reveal an amazing situation. The income going to the mass of our people ran nearly to $140,000,000,000.

Looking at it another way, 65 percent of our national income today goes to that portion of our population earning $3,000 yearly and under. Another 20 percent of the national income filters into the pockets of people earning $3,000 to $5,000 per annum.[1]

Thus 85 percent of our total national purchasing power lies in the hands of those with income of $5,000 yearly and under.

Something else of vast importance, besides war, has been shaping up over the last decade or so. Wage-hour legislation, trade-union gains, farm aid and other benefits to the mass of our people, have been working a quiet revolution in the distribution and growth of our national income. If we can maintain a high level of employment after the war, our Nation's purchasing power will be enormously greater than heretofore.

Right at this point we must consider the bugbear that disturbs so many of us in the postwar outlook. Presently, as a condition of full employment, our annual expenditure for war runs close to $85,000,000,000. How is this huge war production demand to be replaced in peacetime?

Overlooked are the enormous personal savings of our people on their present high-income level—amounting nearly to $40,000,000,000[2] annually after taxes. Add to this figure, or something near it, a postwar saving of $20,000,000,000 to $25,000,000,000 in taxes that now run $45,000,000,000[3] per annum for the Federal Government alone. Add in, too, recurrent business expenditures for plant, equipment, and housing, normal expenditures on the part of Federal, State, and local governments for permanent construction, and you pretty well take up the $85,000,000,000 slack. Particularly is this so, when in place of the present 62,000,000 employment, including our armed forces, we need plan on postwar employment for only 55,000,000,[2] voluntary retirement from work of minors, women, and the aged accounting for the difference.

[1] Office of Economic Stabilization.
[2] U. S. Department of Commerce.
[3] National Association of Manufacturers.

Our present improved earning bases are mostly with us to stay—the result of both legislative and social pressures. Our people will continue to want full pay envelopes and will work overtime in many instances whenever the opportunity offers in the postwar era. Postwar earnings of individuals are not likely to decline materially, therefore, except in the case of employees in temporary war plants. Most of this group, an estimated 4,000,000 to 5,000,000,[3] will have to seek reemployment in normal lines of production in the postwar era, at going rates of pay therein. However, according to present indications, these rates will remain considerably higher than in the prewar era.

Taking all the above into consideration, the solution to the problem of postwar employment seems mainly to lie in lining up the productive activity of our people ahead of time, by now ascertaining as definitely as possible, what will be wanted in the way of commodities and services on a high national income level in peacetimes. If presently we can estimate with some degree of certainty our postwar demands for consumer goods and services, alone, this will enlighten us as to the producer's goods and services needed to supply the former. And our statisticians are quite reassuring as to our ability to make such estimates.

The greatly increased earning power of the mass of our people does not mean inflation per se. Although our national income has jumped 70 percent from the $84,000,000,000 peacetime high in 1929, to the $150,000,000,000 figure for 1943, the average of commodity prices has advanced only 5 percent in the same period—surprising as this may seem.[4]

However, against our 70-percent increase in national income from $84,000,000,000 in 1929 to $150,000,000,000 in 1943, the employment level rose only 29 percent—from 48,000,000 employed in 1929 to 62,000,000 in 1943. The disproportionately large increase in national income in part reflects the gain in our productive efficiency through technological improvement, a gain averaging 2½ percent per annum in our productive capacity as a whole,[3] for the period under discussion.

With national income as widely distributed as is now the case, the benefit of this advance accrues pretty much to all elements of our population.

Also of great significance is the fact that our national income tends always to equal the value of our national output. The two are practically synonymous, although this equivalence is often overlooked through the error of comparing net national income (figures such as given herein) with gross national output.

These additional factors, plus the very wide distribution of national income now established, corroborate the conclusion that our main postwar problem seems to be the matching up of postwar output with postwar demands for consumer and producer goods and services.

In other words, the way to future full employment and prosperity appears to lie in ascertaining now what our people will want to spend their money for in the postwar era, on a high national income basis. If we can achieve such knowledge and plan production accordingly, apparently the income to consume this production should be generated automatically and unemployment avoided.

Fortunately, both business and Government have come to realize that the surveying of postwar demands is of prime importance. Active now in endeavoring to push the development of marketing data are our major employer organizations, our Committee for Economic Development, our Department of Commerce, and other groups. The Department of Commerce hopes shortly to receive an appropriation which will implement its activities enormously in developing postwar marketing data. With the development of sampling and other modern techniques, this appropriation need be only a few millions to yield results of outstanding value.

If the war lasts another year or so, and plans are carried through for the surveying of postwar demands, we should have some considerable knowledge of production capacities needed in the postwar era, and of the best methods for scheduling production to move goods into consumption, thereby simultaneously maintaining high national employment and high national income.

It should be borne in mind that our production for war will not stop all at once. With a good knowledge of postwar demands, and with plans laid in advance to meet them, we should be able to absorb workers gradually released from war industry through increased employment in plants normally engaged in civilian production.

The enormous domestic purchasing power, in prospect, points to a full level of postwar employment. Indeed, we seem to face a promise of postwar prosperity.

[3] National Industrial Conference Board.
[4] U. S. Department of Commerce.

Apparently, we do not require an increase in normal export demand to keep the wheels of our economy turning. Unquestionably, however, possibilities exist for enormously stepped-up postwar export trade, which should stimulate our economy further, temporarily at least, and perhaps permanently.

One angle that disturbs many in considering the postwar outlook is the staggering prospective national debt, requiring substantial taxation for its servicing. Taxation is seen as reducing the purchasing power of our Nation and, consequently, as tending to reduce employment.

Let us appraise carefully this line of reasoning. True, the taxes to service our national debt must come out of our pockets. But when this debt is practically a domestic one in its entirety—owed by our Government to its own citizens—any payment to the Government on such debt must necessarily be returned in one form or another to its people. There is a cycle here, therefore, that precludes any radical reduction of purchasing power.

As a matter of sober fact, even under the grave stress of war production our Nation's financial outlook is not too discouraging. Our national debt ran around $185,000,000,000 at the end of 1943, with our national income estimated at $150,000,000,000. Many a successful corporation has outstanding funded debt amounting to several times its annual income. The Federal Government's situation in this respect, therefore, is not unduly alarming, as much as we may regret an enormous national debt.

As stated above, taxes are netting the Federal Government around $45,000,000,000 for 1943. A tax reduction of $20,000,000,000 to $25,000,000,000 per annum will still leave us in position to retire a prospective national debt of $300,000,000,000, on a proper amortization basis, over 3 or 4 decades, even allowing for ordinary Federal Government expenditures of $5,000,000,000 to $6,000,000,000 yearly.

By every statistical sign, accordingly, we have the right to expect great purchasing power on the part of our people in the postwar era, and high employment, provided we have the sense to assay now what our people desire to purchase on a high national income level, and plan our postwar production accordingly.

In that way, both the high employment and the high national income can be automatically and simultaneously generated, and a brilliant economic promise realized for our Nation.

Of course, for the full realization of this promise, common sense and understanding are required as between Government, business, labor, and agriculture. However, taking these things for granted, we have every reason to expect, postwar, a national economy of high employment and abundance, and to plan to this end through proper marketing surveys, with peacetime production scheduled accordingly.

The CHAIRMAN. Are there any questions? (No response.) Thank you very much, sir.

Mr. BENJAMIN. Thank you, sir.

The CHAIRMAN. Mr. Duffey?

Mr. DUFFEY. Yes, sir.

The CHAIRMAN. Mr. Duffey, you are appearing for the pottery workers union?

Mr. DUFFEY. Yes, sir.

The CHAIRMAN. All right; proceed in your own way Mr. Duffey.

STATEMENT OF JAMES M. DUFFEY, PRESIDENT, NATIONAL BROTHERHOOD OF OPERATIVE POTTERS

Mr. DUFFEY. Mr. Chairman and Members of the Finance Committee, in the short time allotted to me, on behalf of the officers and members of the National Brotherhood of Operative Potters, I will try to present sufficient reasons, from America's industrial workers viewpoint, why the pending legislation, especially that section authorizing further reductions in tariff rates, should be rejected.

I ask permission that I may file a brief later setting forth additional reasons why this authorization should be rejected.

The CHAIRMAN. You may do so; yes, sir.

Mr. DUFFEY. Great emphasis has been laid on the allegation that workers employed in export industries receive higher wages than those workers dependent for their livelihood on allegedly tariff-protected industries.

Workers employed in mechanized and patent-protected industries, where labor costs are low, and where margins between costs and sales prices are ample, and which industries are not forced to compete with low-wage products of foreign countries, have opportunities, through collective bargaining, for better wages than workers in industries such as pottery where the products of our workers have to compete in the American market with products which are delivered into American markets at less than our costs of production.

We believe that an employer, if he is to continue to provide jobs for workers, must secure a reasonable profit on his investment.

The pottery industry has been thoroughly investigated by two Government agencies in the past 10 years. In both cases the reports of these agencies were made public. The Tariff Commission, in 1936, issued a report showing that the employers, without any allowance for depreciation or obsolescence, retained some 7.1 percent. The Office of Price Administration, in 1943, found that the industry had a margin of less than 5 percent.

The workers in the American pottery industry do not receive the wages they are entitled to. Our workers, through their economic strength, representing more than 90 percent of all the workers in the industry, would, I am sure, secure better wages if the products of their labor were not forced to compete in American markets with competitive products of workers in foreign countries which products are delivered into American markets at less than our costs of production.

We do not ask for high tariffs. We are not isolationists nor are we exclusionists.

We appeal to the Congress for tariff rates which will permit the products of our workers to have an equal opportunity of sale in American markets. In so doing are we un-American?

Are we to understand that the Congress of the United States, in enacting maritime legislation in 1936, and again in 1938, years after the first authorization for our entry into trade treaties or trade agreements, which legislation provided, I quote, "that American wage scales and standards of living be maintained," intended that such wage scales and living standards would be maintained only for a certain group of America's wage workers?

It is our understanding that tariff rates, in the past, were supposedly based on the differences in costs of production, American costs and foreign costs. It is our understanding that with the negotiation of trade treaties this principle has been eliminated on the assertion that differences in costs of production cannot be definitely ascertained.

However, one of our largest and most important Government agencies, entrusted with billions of dollars of Government moneys, has, apparently, found no difficulty in ascertaining the differences in the costs of production, American and foreign.

The hearings before the Ways and Means Committee disclose that the Maritime Commission, before the war, definitely ascertained that American costs of construction or production were 100-percent higher than comparable costs in foreign countries.

In so finding the Maritime Commission, paying out hundreds of millions of taxpayers' dollars, had to be certain its findings were correct. The law under which these findings were made, section 502 of the Merchant Marine Act of 1936, revised in 1938, reads:

> The construction differential approved by the Commission shall not exceed 33⅓ per centum (American costs) of the construction cost of the vessel paid by the Commission except that in cases where the Commission possesses convincing evidence that the actual differential is greater than that percentage, the Commission may approve an allowance not to exceed 50 per centum of such cost, upon the affirmative vote of four members.

You will note that the law definitely requires that the Commission must "possess convincing evidence that the actual difference is greater than 33⅓ percent" of American costs. Further, that such difference in costs must be found affirmatively by four of the five members.

Emphasizing such findings Chairman Land, in testimony shown on page 198 of the Ways and Means Committee, cites cases as illustrative one case where a foreign-built vessel which cost $982,000 would cost $2,002,000 if built in American shipyards, and another case where a vessel built in foreign shipyards at a cost of $600,000 would cost $1,000,000 when built in American shipyards.

Yet, despite these definite findings of the Maritime Commission we find Chairman Land, in an address at Mobile, Ala., May 22, 1945, which address was widely publicized, advocating the adoption of the pending legislation, including the presumed reduction of 50 percent in present tariff rates, and stating, "I am a 50–50 guy and certainly believe in reciprocity."

Are we to understand that Chairman Land, presumably one of the leading figures in foreign trade activities in the present administration, advocates that 50 percent of the American market shall be supplied with competitive products of foreign countries? If Chairman Land really believes in reciprocity does he believe that American shipyard workers should reciprocate their protective wage scales and living standards, secured through legislation, with America's industrial workers dependent for their livelihood on the production of articles which must compete with lower-cost competitive products of other countries?

We do not believe that those Members of the Congress representing the great majority of States and congressional districts, where there are no shipbuilding yards, are justified in supporting legislation which, after an official and undisputed finding that American costs of production are 100 percent higher than foreign costs, require the products of ther constituents to compete in American markets with products of other countries on a basis of 25 percent or 30 percent tariff rates or cost differentials.

The Congress has enacted the Fair Labor Standards Act. That legislation requires that in the production of articles which move across State lines that minimum wages of 40 cents per hour must be paid for not more than 40 hours and 60 cents for hours worked in excess of 60 hours.

We contend that inadequate tariff rates which permit of the delivery into American markets of competitive products of workers of foreign countries at less than our costs of production will nullify such beneficial legislation.

Secretary Clayton told the Ways and Means Committee that the productive capacity of England, France, and Belgium, as I recall his testimony, had been reduced some 20 or 25 percent. We are also told that Japan and Germany will not be competitive factors in world markets for many years to come. Having been forced to accept lower wages than we believe we should have received due to the excessive competition, first of Germany, and, in later years of Japan, of course, that is music to our ears. Yet, such statements are not backed, and as yet, cannot be backed by any facts.

We do not know what the facts will be in 1947 or 1948. We do know that under what we believe to be an unwarranted delegation of the constitutional responsibilities accepted by those who sought election to the Congress of the United States that trade treaties or trade agreements entered into by the State Department in 1946 or 1947 will be binding on the United States for a period of 3 years thereafter, or into 1949 or 1950.

Surely, such a gamble is well worth looking into before we enter into it in view of the chaotic world conditions now existent.

Stress has been laid by advocates of the pending legislation on the assumption that our mechanized industries can compete with products of any foreign country, and that low wages result in high labor costs.

We are concerned with the competition of pottery produced in foreign countries and sold in American markets in competition with the products of our workers.

The United States Tariff Commission, in its report to the Senate, 1945, on pages 2–38, states:

> Pottery production is technically more efficient in the United States than in all other countries, although in all countries, such efficiency has increased in recent years. So far as costs are concerned, however, the greater efficiency has continued to be more than offset by the lower wages in the pottery industries in foreign countries.

This report indicates that our industry has been found to be efficient, therefore, we presume, our jobs will not be transferred to workers in other countries as readily as the workers in other industries who are less fortunate in that such a finding has not been officially made.

We also note that this finding indicates that despite the inability, due to war conditions, of foreign countries to secure additional mechanical equipment they have increased their efficiency.

In conclusion, I wish to remind the Congress that the Congress has for a period of years concerned itself with the purpose of helping the small business concerns of this country.

The 1939 census shows that out of 184,230 manufacturing concerns 181,925 employ less than 500 people. Of the balance, 176 provided jobs for more than 2,500; 634 provided jobs for more than 1,000 and less than 2,500; 1,495 provided jobs for more than 500 and less than 1,000.

It is the belief of many who have had to study this matter of international trade insofar as it concerned job opportunities for America's workers that the negotiation of trade agreements is now dominated by or influenced by international bankers and international industrialists. We believe that this request for a further reduction in tariff rates is solely for the purpose of transferring the job opportunities of America's workers to workers in other countries, where many of these international bankers and international industrialists either have or are planning to have production plants. Thus, through lack of job opportunities, to strike down our present wage standards.

An analysis of the list of those supporting this legislation will show, outside of the Government bureaucrat with a lust for additional power and authority, and, those who appeared in the belief that this program will lead to world peace, an idea which Secretary Clayton, in his presentation to the Ways and Means Committee refuted, consisted of—

(1) those representing or influenced by international bankers and industrialists such as the London Chamber of Commerce, Overseas Club; Importers Association; and the CIO.

The record shows those in opposition, in addition to representatives of American Federation of Labor unions, and the recorded historic position of the American Federation of Labor conventions down to November 1944, seeking not high tariffs but tariff rates which will permit the competitive products of America's workers to have an equal opportunity of sale in the American market, and the representatives of American farm organizations such as the National Grange; the National Milk Producers Association and other dairy interests; the National Live Stock Association; the National Association of Woold Growers, supported by a host of witnesses consisting of those who actually operate the small business concerns of our country.

The Congress could do nothing better to help the small business concerns of this country as well as the skilled workers and farmers of our country than to reject this pending legislation.

The CHAIRMAN. Are there any questions?

Senator TAFT. Mr. Duffey, back in the thirties, the pottery industry was in bad shape, wasn't it; for a good many years before the war?

Mr. DUFFEY. Decidedly so.

Senator TAFT. And that was due to what?

Mr. DUFFEY. I would say that it was due to foreign competition, in the main.

Senator TAFT. What about the Japanese competition?

Mr. DUFFEY. Particularly Japanese. That was the major one. The major foreign menace to our industry was the Japanese competition.

Senator TAFT. They covered all cheap tableware——

Mr. DUFFEY. China, semivitreous tableware, novelties, art and novelties.

Senator TAFT. How about the English competition?

Mr. DUFFEY. The English competition wasn't as destructive as the Japanese, but it was something to give us a great deal of concern.

Senator TAFT. Their ware is of rather higher grade, as a rule, is it not; the English ware?

Mr. DUFFEY. It is a higher grade, yes; but the Japanese ware is not at all an inferior grade; I wouldn't say that.

Senator TAFT. What I meant was that the English specialize in the higher-priced ware, do they not?

Mr. DUFFEY. They did, and they had more expensive decorations and so on and so forth.

Senator MCMAHON. Has your industry, since the old Trenton Pottery case in 1911, been the subject of an antitrust investigation or prosecution?

Mr. DUFFEY. No, sir.

Senator McMAHON. Was that the last one, the Trenton Pottery case?

Mr. DUFFEY. That was the only one, to my knowledge.

Senator McMAHON. That was in 1911, I think.

Mr. DUFFEY. That was in the plumbing fixtures division, only.

Senator BUTLER. Mr. Duffey, approximately how many employees are there engaged in the pottery trade over the whole country?

Mr. DUFFEY. Well, in the dinnerware, the vitrified or china and the semivitreous, there are probably 18,000 to 20,000.

Senator McMAHON. How many members do you have in your union?

Mr. DUFFEY. Twenty-five thousand. We have the plumbing fixtures, there is no foreign competition there. We have art and novelty, porcelains and refractories, and so forth. There is a great deal of competition in the porcelain and the small refractories.

Senator McMAHON. From what you have heard, do you think you are going to get much competition from Japan and Germany?

Mr. DUFFEY. If we were able to read the future, I might answer that more intelligently, but God only knows what is before us.

Senator BUTLER. As to the workmen themselves, individually, are they quite interested in this subject?

Mr. DUFFEY. If they were not, I wouldn't be here today, I assure you of that. I have many important matters which I could sell enough have stayed at home on, but they feel that this is something that vitally concerns their future.

Senator BUTLER. Do you think that there are other industries, perhaps, that have not awakened to the possible serious effect as much as the members of your own union?

Mr. DUFFEY. Well, I am inclined to think and believe that, yes, but I have been so busy and so much concerned about my own industry I haven't had a lot of time to examine thoroughly into that.

Senator TAFT. Supposing your industry were wiped out, would these men have difficulty finding places to work? Are they specialized workers?

Mr. DUFFEY. I would say they are, they are definitely specialized. They are artists in the trust sense, and you will find a very high percentage of them well along in years. It is really a craft, to say the least.

Senator TAFT. Are there a good many communities which are dependent on the pottery industry and would be greatly depressed if the industry were disturbed?

Mr. DUFFEY. There are. East Liverpool, Ohio, has only the pottery industry to depend on Sebring, Ohio; Paden City, W. V.—and there are other communities depending practically solely upon their potteries.

Senator TAFT. Cambridge?

Mr. DUFFEY. Cambridge, Ohio, pretty much; Erwin, Tenn.

Senator LUCAS. Mr. Duffey, I came in late you may have answered this question. How have these reciprocal trade agreements directly affected the pottery industry?

Mr. DUFFEY. How?

Senator LUCAS. Yes.

Mr. DUFFEY. Well, we feel that they definitely have affected the industry. Of course, the war came on, as you know, and that saved us——

Senator LUCAS (interposing). Well, they went into effect in 1935. It was passed in 1934 and went into effect in 1935. From 1935 up to the time we got into the war, was your industry affected by these trade agreements?

Mr. DUFFEY. We feel it was affected.

Senator LUCAS. How?

Mr. DUFFEY. We had some unemployment in the industry——

Senator LUCAS (interposing). What trade agreements that were made by the State Department with others, affected directly your industry?

Mr. DUFFEY. I think the ones with the Czechs affected us——

Senator LUCAS (interposing). You think?

Mr. DUFFEY. I think the English agreement affected us.

Senator LUCAS. Those are the things I would like to know about. Is there anything in your statement here, giving us any direct evidence of a trade agreement between England and this country that directly affected your industry?

Mr. DUFFEY. Well, I have asked for permission to present a brief, and I shall gladly go into that in the brief. I will really specialize in that brief in that respect.

Senator LUCAS. That, it seems to me, is your primary worry, as to whether or not what has been done has affected your industry—it has been in effect now since 1935, almost 10 years—and I would like to know how your industry has been affected from the standpoint of detriment during that time, and not generalities. That is what I would like to know.

Mr. DUFFEY. As I say, I will gladly go into that in the brief which I intend to present.

Senator LUCAS. I would like to have you cite for the record the trade agreements that have been made by this country with other countries, on the pottery question, and show in that exactly how the employees and how the financial situation of the pottery industry has been affected over this period of time.

Mr. DUFFEY. I will do that in the brief; but on the other hand, the claim was made definitely that these reciprocal trade agreements would assure us peace, and they haven't done that, we have the war.

Senator LUCAS. Oh——

Mr. DUFFEY (interposing). Sure, that is off the record.

Senator TAFT. My recollection is that in 1938, the industry was very depressed, but it was depressed by the Japanese imports which came in over the tariff wall. There was no reduction in the tariff on pottery until the English agreement of January 1, 1939, just before the war, and there has been no experience from which anybody can judge as to the exact effect. But my recollection is that the tariff was wholly inadequate, at the top, to keep the industry in even a reasonable shape; that the production through the thirties was extremely low.

Mr. DUFFEY. I think the manufacturers covered that in their briefs, and in their presentations to the Ways and Means Committee, and I think there have been one or two who appeared before this committee here in the past week or so, and I think they took care of that very much in detail. That is something we have been inclined to leave to management. We have tried to stay in our own field.

Senator McMAHON. I note your assurance to Senator Lucas that you will prepare in your brief and submit a statement of how you have been hurt. Don't you think it is rather significant that you have come here to testify today and you aren't ready to lay it on the line right here and now?

Mr. DUFFEY. There is an explanation for that. I have been very, very busy, I will have you know. I came in here this morning—I hope to get out of here this evening, and I——

Senator McMAHON (interposing). I appreciate that, but when a fellow is engaged in an industry day by day, as you are, if the hurts are very significant it isn't likely that it is going to be a matter for research for you when you go home; you are going to know about it when you come here, if they exist.

Mr. DUFFEY. Perhaps I am not able to point to it as clearly and as conclusively as I can by saying you promised that these treaties would assure us of peace, but we have war. Now I can easily bring that out, because war is raging all over the world, and everyone is conscious of it.

Senator LUCAS. You are here primarily objecting to treaties because they didn't bring peace, is that it?

Mr. DUFFEY. That isn't what I have said, Mister. I am here first of all, and primarily, in the interests of bread and butter for the people whom I represent. That is my primary purpose. I am interested, in peace, of course. We all are.

Senator LUCAS. That is the point I raised a while ago, that the bread-and-butter question is pretty serious to everyone, and that is what I thought you were going to tell this committee with respect to these 25,000 employees that are engaged in the pottery business. I thought you would tell us how the trade agreements made between this country and England, or any other country have materially affected the wage standard of the people that are making pottery in this country.

Mr. DUFFEY. I will do that in my brief.

Senator LUCAS. I would like to see that.

Mr. DUFFEY. I will be glad to.

Senator LUCAS. It would be a very interesting brief, I am sure.

Senator BUTLER. Mr. Duffey, undoubtedly the threat of a reduction in tariff is just about as disturbing to the members of your union as an actual reduction later on, because it prevents the development of an industry that has been at a standstill, you might say, over a good many years, that would have grown had the owners had the assurance that there wouldn't be a further reduction overnight some night.

Mr. DUFFEY. I think that is a logical conclusion; yes. And we have suffered over the years through foreign competition, and of course it is always something that our people live in holy horror of. But that is one aspect of the question, as I have said before, that we decided we would leave to management. They have a stake in this question as well as we have.

The CHAIRMAN. I thank you very much.

Mr. DUFFEY. Thank you.

The CHAIRMAN. Mr. Woll.

Mr. MICHAEL FLYNN. Mr. Woll is unable to be here, and asked me to ask the privilege of his filing a statement; or if the committee is in session Monday or Tuesday, if he might be privileged to address the committee for a few minutes.

The CHAIRMAN. He may file a statement, and if he comes down we will be glad to hear him.

Mr. Kenneth O. Bates.

Mr. BATES. Yes, sir.

The CHAIRMAN. Mr. Bates, you are here on behalf of the manufacturers of linoleum and felt base?

Mr. BATES. That is right.

The CHAIRMAN. Proceed, Mr. Bates.

STATEMENT OF KENNETH O. BATES, ARMSTRONG CORK CO., LANCASTER, PA., REPRESENTING ALL OF THE 11 MANUFACTURERS OF LINOLEUM AND FELT-BASE FLOOR COVERING

Mr. BATES. Senator George and members of the committee, my name is Kenneth O. Bates. I am appearing before you today as the representative for the 11 American manufacturers of linoleum and felt-base floor covering. In addition to my own company, which is the Armstrong Cork Co. of Lancaster, Pa., I represent Bird & Sons, Inc., East Walpole, Mass.; Bonafide Mills, Inc., New York, N. Y.; Carthage Mills, Inc., Cincinnati, Ohio; Congoleum-Nairn, Inc., Kearny, N. J.; Delaware Floor Products, Inc., Wilmington, Del.; J. C. Dunn & Co., Camden, N. J.; Mannington Mills, Inc., Salem, N. J.; Paraffine Cos., Inc., San Francisco, Calif.; Sandura Co., Inc., Philadelphia, Pa.; and Sloane-Blabon Corporation, New York, N. Y.

As an indication of the size and importance of this industry, figures compiled in 1937 showed for the 11 manufacturers a total investment of more than $90,000,000, sales of approximately $65,000,000, and total employment of 11,000 persons, with a pay roll of more than $18,000,000.

I should like to say first of all that the manufacturers of linoleum and felt-base floor covering are not opposing the extension of the Trade Agreements Act beyond June 12, 1945. What we are opposing in the bill now before you is the new provision which would permit a further reduction of import duties to a level 50 percent below that in effect on January 1, 1945.

In order to conserve the time of this committee, I do not intend to state in any detail the background information which gives rise to our opposition to this proposal, since that information already appears in the record, in the statement made on behalf of this industry before the House Ways and Means Committee on May 1. We do want to present our position briefly, for two reasons: First, because we feel it is our duty as citizens and businessmen to let you know where we stand; and, second, because we feel that our situation is comparable to that of many other industries that may not be represented at these hearings.

On the three classes of product involved in this industry, tariff reductions have already been made under the Trade Agreements Act in connection with the trade agreement with the United Kingdom, which became effective on January 1, 1939. On inlaid linoleum the duty of 42 percent ad valorem, provided in the 1930 act, has been reduced to 32 percent, and could be further reduced to 21 percent under the present act. On "other linoleum," the duty has been reduced from 35 percent to 25 percent, and could be further reduced to 17½ percent.

Senator TAFT. Why is a further reduction possible?

Mr. BATES. Under the present act as written, it could go to half of the original 35-percent rate.

Senator TAFT. Why can't it go to half of the reduced rate?

Mr. BATES. It can if this legislation passes——

Senator TAFT (interposing). Oh, I see. I misunderstood you. Pardon me.

Mr. BATES. On felt-base rugs and floor covering, the duty has been reduced from 40 to 25 percent, and could be cut to 20 percent under the present act. In their total effect, these reductions are the equivalent of a cut of approximately 30 percent in the duties provided in the 1930 act. The resulting rates are the lowest in the history of this industry.

To clarify our position, let me state that we are not claiming that this industry has been injured as the result of increased imports since these duties were reduced on January 1, 1939. But the point that you gentlemen should bear in mind, both in connection with this industry and many others, is the important fact that within less than a year—8 months, as a matter of fact—after the present low duties—the lowest in our history—became effective, the war had broken out in Europe, and the concentration of the European nations on war production has since that time created a virtual embargo on exports to this country.

Senator TAFT. Also, January 1, 1939, was after the Munich meeting. and very obviously all of Europe was arming at a great speed long before the war, so that the year 1939 was in no way a test year?

Mr. BATES. In no sense a normal year; that is our point.

We believe that you will agree that the best measure of the soundness of tariff duties is to be found in the record of what actually happens in a free competitive market to the industries and labor involved. That measure has not been applied to our present rates. In our industry and many others the results of the sharp reductions made in the trade agreement with the United Kingdom cannot be measured up to this time, because foreign manufacturers have not had goods available for shipment to this country.

I should like to point out further that normally Great Britain is the largest producer of linoleum in the world, and that before the war cut off her exports, approximately one-fifth of her total production was shipped abroad. In requesting the legislation now before you, the administration has indicated that it seeks additional bargaining power for dealing with Great Britain. It is obvious, therefore, that in future negotiations of reciprocal trade agreements with Great Britain, as now contemplated, our representatives will be under strong pressure to make still further reductions on the products of this industry, which reductions, under the most-favored-nation clause, would automatically apply to imports from all other countries producing linoleum.

In our statement before the Ways and Means Committee of the House, we listed a number of comparisons in current hourly wage rates in the linoleum and felt-base industry in Great Britain and the United States. That information can be summarized with the statement that the wage rates paid in this country by our industry in April 1945, are from two and four-tenths to more than three times those now paid by our competitors in Great Britain. For linseed oil, the most important single raw material we use, American manufacturers are currently paying one-third more than manufacturers in Great Britain. Similar cost relationships existed before the war and can be expected in the postwar years. In the manufacture of linoleum and felt-base floor covering the processes are mechanized and highly efficient in Great Britain, just as they are here, with similar machinery used in both countries, so that the volume of production per man employed is the same, or approximately the same, in Great Britain as it is here.

With the objective of developing international trade for the benefit of all nations, and to aid in the preservation of world peace, the manufacturers in this industry are in full accord. We do not ask for tariffs at a level that would act as an embargo, shutting out all imports of the products we produce. It is important to bear in mind that the rates in the 1930 act did not act as such an embargo. If, in the postwar years, we can carry on our business and compete successfully with foreign manufacturers under the low rates now in effect, rates 30 percent lower than those in the 1930 act, rates lower than any experienced in our past history, and rates that have not yet been tested, that is what we should do, and as patriotic businessmen that is what we want to do. But that is a question that cannot yet be answered, and our plea to you gentlemen is that we should not be subjected to the hazard of further tariff reductions until the drastic action already taken is given a fair trial.

We also urge that if the Trade Agreements Act is to be extended, two additional safeguards be provided: First, we would recommend that the inclusion in each new trade agreement of an "escape clause," similar to that appearing as article XI in the trade agreement with Mexico, be made mandatory, so that in those cases where damaging excessive concessions in import duties are made, there will be a method available for correcting such mistakes. In making this suggestion, we admit the obvious weakness of a program that calls for correcting mistakes after they are made—from the standpoint of international good will, it is certainly far better to prevent misunderstanding and resentment by avoiding excessive tariff reductions, than to try to apply a cure by abrogating portions of an agreement already in force.

As a second safeguard, we would recommend that some provision be included in the Trade Agreements Act making it mandatory that tariff rates reduced in connection with reciprocal trade agreements be reviewed and adjusted in the event of substantial fluctuations in rates of exchange.

In summary, our position on this legislation is as follows:

(1) We are not opposing the extension of the Trade Agreements Act beyond June 12, but we strongly urge the elimination of the proposed amendment which would permit the reduction of import duties by an additional 50 percent below today's level.

(2) Import duties on linoleum and felt-base floor covering have already been reduced to the lowest level in the history of this industry, and that reduction was made effective only a few months before the outbreak of war in Europe, so that as yet there has been no opportunity to measure its effect on the volume of imports, on prices, on wages, or on the number of jobs that can be provided by this industry.

(3) The need for reasonable tariff protection is evident in the fact that the wages paid in this industry in the United States average over

two and one-half times those paid for comparable jobs in Great Britain, our major foreign competitor.

(4) For these reasons, no authority to make still further reductions in import duties should be enacted until actual experience after the war demonstrates whether the reduced rates already in effect will make it possible for this industry, and other industries to which these same facts apply, to play our part in the national program for the maintenance of a high volume of employment, and to pay wages that will continue to advance the standard of living in this country.

I thank you.

The CHAIRMAN. Are there any questions, gentlemen?

Senator TAFT. Mr. Bates, what was the normal import of linoleum before the war?

Mr. BATES. The last figures we had were for 1937, at which time it represented approximately 5 percent of domestic consumption.

Senator TAFT. The imports?

Mr. BATES. Yes, sir.

Senator TAFT. But you supply practically the entire domestic market?

Mr. BATES. Yes, sir.

Senator BUTLER. You have a total of around 11,000 employees?

Mr. BATES. Yes. Those figures were compiled in 1937 for the Committee on Reciprocity Information, and we haven't any later figures. But at that time we did compile those.

Senator BUTLER. Do you have any way of knowing the attitude of the employees toward this measure?

Mr. BATES. We haven't sought an expression of opinion from the employees, although I know that at the time the reciprocal trade agreement with Great Britain was under discussion, that is, the proposed agreement was under discussion, the employees in our own factory filed a brief with the Committee on Reciprocity Information protesting any lowering of the import duties on linoleum or felt-base floor covering.

Senator TAFT. But you are willing to try it out at the reduced rate to see what happens?

Mr. BATES. We feel we shouldn't protest until we are hurt, and we feel that we have enough hazard ahead of us with the cut that has already been made, and that no further cut should be made.

Senator LUCAS. What is your understanding for the reasons that the Department entered into this trade agreement with England on linoleum, the cutting of the tariff? What is your understanding of the basic intent?

Mr. BATES. To increase trade between the two countries.

Senator LUCAS. I understand that, but why did they pick on inlaid linoleum, for instance?

Mr. BATES. Well, I assume it was one of the commodities manufactured in England on which the British asked a concession in return for some concession that the representatives of our State Department were asking.

Senator LUCAS. Do the British have any specialties in inlaid linoleum that you folks can't make in this country?

Mr. BATES. No, sir.

Senator LUCAS. They are just the same, are they?

Mr. BATES. Yes. There are differences in design in the two countries, but as far as the essential quality of the product and its type, it is made the same and serves the same purpose in both nations.

The CHAIRMAN. If there are no further questions, we thank you, sir.

Mr. BATES. Thank you, Senator.

The CHAIRMAN. Mr. Herres.

Mr. HERRES. Yes, sir.

The CHAIRMAN. Will you give your name and your connection to the reporter?

STATEMENT OF OTTO HERRES, VICE PRESIDENT, COMBINED METALS REDUCTION CO.; DIRECTOR, UTAH METAL MINE OPERATORS ASSOCIATION

Mr. HERRES. My name is Otto Herres. I am a mining engineer. I have had some 30 years' experience in the production and marketing of raw materials in the nature of the nonferrous metals, copper, lead and zinc, coal, iron, and titanium.

I speak for the metal mine operators of Utah in particular, and metal mining in the Rocky Mountain area in general.

We would have had other mining men here from that region, but it is a long trip, and the understanding got out that the time for the hearings would be very limited. Consequently, several men who had planned to come here from Nevada, Idaho, and New Mexico called off their trip. My views are the same as theirs, and what I say will represent, I believe, their opinions.

In speaking for mining in the Rocky Mountains, I speak also for raw materials in general west of the Mississippi River, where I believe their problems are much the same as ours.

I want to tell the committee briefly some of the problems of our mining industry in the Rocky Mountain area, and also reply briefly to some of the contentions of the State Department officials, which I believe probably come from lack of understanding, because I don't believe that they are applicable to the industry that I represent and some of the other industries.

I wish first to say, in that connection, that it has been said that no injury has been done to any industry by the reciprocal trade treaties. That is not true with respect to the zinc industry. The zinc industry was injured by the reciprocal trade treaty with Canada almost immediately after the treaty went into effect, and the consequences of the injury were felt by the country at the outset of the war when zinc became a very critical metal. A shortage existed, which would have been much worse if the tariff injuries had been of longer duration.

I would like to comment briefly on some of the points that I bring out in my statement which I have handed to you.

This proposal goes further than its predecessors, in that it would authorize a further 50-percent cut in rates that already have been reduced by earlier trade agreements without reference to Congress.

I wish to call attention to the fact that the tariffs have been lowered on 1,190 items in the agreements concluded with 27 countries since the law first was enacted in 1934, and, particularly, that of these commodities, 254 were agricultural products, 233 were metals, 208 were textiles, and 126 were chemicals.

The State Department desires authority which will enable it to place the United States in a similar world position to that after the last war under the Underwood tariff, insofar as rates are concerned.

The Western States are affected greatly by the proposed tariff reductions, and much disturbed by implications with respect to their productive resources. What the State Department proposals mean to the people of the West may be shown by the case of the company which I represent.

The Combined Metals Reduction Co. produces and processes lead-zinc ores directly, or through related managements in Utah, Idaho, and Nevada, and purchases ores for treatment in Colorado, Arizona, and California, as well. In producing and processing minerals it furnishes employment and means of livelihood for many families, and indirectly provides employment for many workers in railroad, smelting, refining, coal mining, equipment, and service industries.

The company knows well the problem of meeting pay rolls, the effect of tariff reductions on metal prices, the difficulty of financing private enterprise under the handicaps of high taxation and restrictive legislation, and the struggle to provide employment in western mining communities during periods of depressed metal prices from 30 years' experience in developing five mining properties from prospects to substantial operations. Approximately 60 percent of the lead and over 80 percent of the zinc in Nevada in 1944 was recovered from concentrates produced by the company's Pioche mill. Production from the company's Utah plant at Bauer was double the Nevada tonnage. The Triumph Mining Co., at Hailey, is the largest producer of lead-zinc ore in Idaho outside of the Coeur d'Alene district.

Experience is represented also in the production and marketing of such raw materials as coal, iron, and titanium ores, as well as copper, lead, and zinc.

The effect of earlier reductions: Producers of raw materials have had experience with tariff reductions which gives cause to fear the effects of further cuts. Mining industries as well as wool growers of the Rocky Mountain States were threatened with a disastrous decline by the proposed tariff reductions in the nineties. The advent of war in 1914 protected the country from the Underwood tariff reductions until a flood of imports after the armistice caused an upward revision of rates. The 20-percent reduction in import duty on zinc resulting from the Canadian trade agreement signed November 17, 1938, was a heavy blow to the domestic zinc industry and proved a threat to national self-sufficiency. Under the most-favored-nation policy the duty reductions granted Canada in the reciprocal agreement automatically applied to imports from all zinc-producing countries except Germany. Far more zinc came in from Mexico than Canada. As a direct result of the duty reductions from 1.75 to 1.40 cents a pound on slab zinc and from 1.50 to 1.20 cents a pound on zinc contained in ores, the price of zinc immediately dropped $7 a ton, the amount of the duty cut, to meet the foreign competition offered for future delivery, although the treaty did not become effective until January 1, 1939. The tariff reductions caused a drastic curtailment of the domestic zinc industry. Several mines and smelters were compelled to close, wage cuts were forced in some districts, and the search for new ore reserves became uneconomical because the selling price provided no means of covering depletion of ore bodies, depreciation of equipment, and adequate return on capital investment.

The Mexican agreement, which went into effect January 30, 1943, reduced the duties the full 50 percent. When these duty cuts were proposed in 1938, the United States Bureau of Mines opposed the tariff reductions.

The Director of the Bureau of Mines in April 1938 stated that reduction in the tariff on lead and zinc was not in the public interest if viewed from the standpoint of national defense. Disregarding experienced advice, reductions were made with the usual consequences under such circumstances. A critical shortage of zinc developed and existed throughout 1941 until idle plants could be rehabilitated and new mining operations gotten under way. A more serious condition probably would have prevailed in the zinc industry if the period of low tariffs had been of longer duration.

I refer the committee to the Minerals Yearbook, Bureau of Mines, Department of the Interior, 1939, under the heading "Reduction in tariff," chapter on zinc, pages 149–152, the import of which is to the effect that if the zinc industry is to compete with the low level of foreign prices and—

* * * continue to supply national requirements it must become adjusted to the lower price level, to which has been added a reduction * * * in tariff protection. To do this, costs of production will have to be reduced, chiefly by lowering wages and by selective mining of the higher-grade portions of ore deposits, neither of which is desirable. Reduction of wages is contrary to present Government policies of increasing purchasing power, and the robbing of ore bodies is decidedly anticonservational and detrimental to the long-time welfare of the industry.

The alternative would be loss of part of the domestic zinc market to foreign producers. From the standpoint of public interest this likewise would be undesirable because it would aggravate the unemployment problem * * *.

The State Department proposals and arguments for tariff reduction fall in four main classifications: (1) Convert industries; (2) raise foreign living standards and help competitors industrialize; (3) provide consumers with cheap goods; and (4) wage rates under tariff protection.

I would like to touch briefly on those contentions.

1. Convert industries: Officials of the State Department are telling the productive industries of the country that they can convert in various ways to the things that offer the best opportunities if they see tariff rates coming down and foreign markets opening up. Perhaps this advice might be extended to tell the people to what they should convert the farms of the North and South and the ranches of the West, the mines, forests, fields, railroads, and related activities. Also, what goods they intend to buy one-half so precious as the ones they sell, and what foreign market compares to a prosperous home market. As a reward for feeding the world and providing metals for global warfare the productive industries of the country and the manpower made strong by our great natural resources are told they can close up or meet the competition of cheap foreign labor in the form of imported raw materials. The livestock grower, farmer, miner, and lumber producer are asked to cut prices to low-wage levels or go out of business. This so we can collect loans we propose to make the world. Experience of two world wars is teaching us that it is easier to charge off a bad debt than dislocate our whole industrial system in order to enable the debtor to pay.

2. Raise foreign living standards and help competitors industrialize: Our State Department officials propose to reduce tariffs and import goods that are "too low in price because of sweated labor." This perhaps will raise living standards for cheap foreign labor and help foreign competitors to industrialize. A brave new world will be created, but the catch in the plan is that imported cheap goods will displace American workmen. Unemployment benefits and make-work projects to provide a lower standard of living for the American workman displaced by the importation of cheap foreign labor in the form of lead, copper, zinc, and goods we can produce to advantage ourselves will have to be paid for by high-income taxes and at the expense of a further increase in the Government debt.

Just as emigration is futile as a solution of chronic overpopulation, importation of cheap foreign labor in the form of goods and raw materials by the United States is not going to cure the economic ills of overpopulated or backward countries. The salvation of mankind must be achieved in some other manner than by dislocating the industrial system of this Nation. The surest way to bring on World War III is to impair our capacity for effective self-defense and destroy our self-sufficiency. If we fail to protect our productive resources as a means of preparedness against foreign aggression, in whatever form, the aggressor will find his way into the Western Hemisphere and our World War III will be on.

3. Provide consumers with cheap goods: The Assistant Secretary of State has said that the consumer would like to be flooded with cheap goods, and goods cheap in price are the goods we should import. The legislative representative of the United Automobile Workers, CIO, stated:

> As consumers we get things cheaper—not only goods immediately consumed, but also everything into which imports enter as raw materials.

What do cheap goods and low prices mean to a man without a job? Over 10,000,000 unemployed faced that situation for 10 years before the war. Goods were plentiful and cheap, but prosperity was not the answer.

Senator McMahon. And we had the highest tariff rates we ever had in our history?

Mr. Herres. The tariff rates were just about as high in the twenties under the Fordney-McCumber Act as in the thirties.

Senator McMahon. How did they compare under the Smoot-Hawley bill with the Fordney-McCumber Act?

Mr. Herres. As far as our industry is concerned, they were practically the same until they were cut by the treaty with Canada in 1938.

Reducing the tariffs on zinc under a reciprocal trade agreements act which has been in effect since 1934 put miners out of work in 1938, but did not create more work or bring higher wages to the auto workers.

The American worker finds only distress and struggle for bare existence when industry is depressed by competition with the low prices paid for foreign labor, regardless of what advocates of international cooperation may preach.

4. Wage rates under tariff protection: Spokesmen for the State Department are saying that industries dependent on tariff protection

are less efficient and have the lowest wage rates in the country. Surely this must come from lack of understanding, because it is not a true statement of facts. The commodity rates which the State Department has seen fit to reduce in the greatest numbers are agricultural products, metals, textiles, and chemicals. American agriculture in the Middle West and California will meet any similar area of the world in efficiency and high wages. World competition with low-wage agriculture in backward or undeveloped regions where land and labor are cheap is responsible for low wage rates where they exist in this country, and greater competition brought about by free trade will not solve the problem.

Senator McMAHON. You think that good high tariffs would?

Mr. HERRES. I think that if we follow the State Department proposals to export machinery and mechanical goods to South America, and such countries as that, where there is a market, that they will have to be paid for in imports; and the imports that will come in are raw materials; and when raw materials come into a country where they are already produced in ample supply, there can only be one effect and that is lower prices; and lower prices on raw materials mean lower earnings for workers who are engaged in those industries.

Senator McMAHON. Do you think that high tariff rates necessarily produce prosperity in this country?

Mr. HERRES. I think reasonable tariffs always have, and I think that if you look back through history, that whenever the tariff rates have been cut low there has been a depression, and after the next election the Congress went back to work and made some adjustments in the tariffs. If you will look at 1892, you will find that that happened——

Senator McMAHON (interposing). How do you reconcile the situation of the late twenties and the early thirties with that theory of yours?

Mr. HERRES. There were a great many factors other than the tariff that entered into the depression of the thirties, in my opinion. There was overspeculation, overextension of credit, and there was dislocation of trade in Europe that had a very great bearing on the situation. I think——

Senator McMAHON (interposing). Do you think our Smoot-Hawley rates had anything to do with the dislocation in Europe that in turn caused the trouble in this country?

Mr. HERRES. I think that the situation in Europe was already bad; I think that some of the countries in Europe had started raising tariffs before we did, and I think you will find that industries and even agriculture in Europe during those years were being cartelized. The governments were taking over control. We had a period in this country in the early twenties when the depression started to hit agriculture and raw materials, long before it reached New York City.

Senator McMAHON. That was under the Fordney-Macomber tariff.

Mr. HERRES. Well, that tariff was in effect, although the reason for the depression in agriculture wasn't the tariff——

Senator McMAHON (interposing). No depression has any effect on a high tariff, that is what you are really contending?

Mr. HERRES. I don't quite get your question clearly, but I will answer it this way and say that we had a low tariff in effect after the last war. At the time of the armistice we had the Underwood tariff.

The CHAIRMAN. And we had the emergency tariff immediately, did we not, dealing with agriculture?

Mr. HERRES. Yes, and we then got a lot of imports from Europe and other places, and Congress raised the tariff.

We had, after that, a period of prosperity until everything started to go bad all over the world.

The CHAIRMAN. As long as we were lending money so that they could buy some of our products it didn't, and then when we quit making the loans we had a slump.

Mr. HERRES. We had a war again, only this time instead of taking payment in money they are proposing to take it in raw materials, and we may end up like France did after they started taking reparations and goods from Germany. They soon found out that it was a losing game, and they quit.

The CHAIRMAN. All right, go ahead, because we have several other witnesses.

Mr. HERRES. The efficiency of the mining industry is unsurpassed elsewhere in the world. The war record of the industry speaks for itself. No other country pays higher wages nor are the wages low by comparison woth export industries. United States Department of Labor hours and earnings report for February 1945 shows average weekly earnings for metal mining of $46.78, or $1.028 per hour for a 45.2-hour week. For smelting and refining of nonferrous metals the corresponding earnings were $49.10, or $1.067 for a 45.9-hour week. For all manufacturing industries earnings in comparison were $47.43, or $1.043 for a 45.5-hour week. Work in the nonferrous metals industries is not of seasonal nature but full-time year-round employment. In Utah a miner receives $7.45 per 8-hour shift from portal to portal in addition to fringe wage increases for shift differentials, vacations and similar items. Average monthly earnings in metal mining were approximately $211 in 1943 against $170 for all Utah industries.

Metal mining paid the highest average annual wage of any classification in Utah.

It is doubtful whether anyone unless it is our State Department officials, considers the textile and chemical industries of the Nation inefficient. The remarkable production of nylon, rayon, cotton goods, and clothing during the war did not come from inefficient industry; nor did the great array of remarkable chemical products for war and civilian use. Evidently it has been overlooked that competition with imported low-priced foreign labor in the form of cheap goods may cause a lowering of wage scales in an attempt to survive even when tariff protection is afforded. Wage scales in the textile industry in some parts of the world are notoriously low. When wages constitute 60 percent of the total value added in manufacture American textile mills cannot carry a handicap of wages 100 percent to as much as 2,000 percent greater than European and Far Eastern competitors.

Production costs: In the case of most raw materials, cost of production in the United States is influenced by high wage rates in this country. Domestic mineral producers are at a disadvantage in comparison with foreign producers because of the lower grade of ore found in domestic deposits. Agriculture and livestock grazing are at a similar disadvantage because of lower costs per acre of land in Argentina, Brazil, and Australia, as examples.

We are told by proponents of tariff reductions that the high wages we now have in this country are basically due to high productivity of labor and the fear that the American market will be flooded with cheap foreign goods, is wholly unfounded. Nothing is so highly instructive as experience. Many years of working with men of different races and colors to produce minerals and raw materials have taught me that under favorable conditions no one people has a monopoly on high productivity. Perhaps some credit for bringing about high wages is dué American inventive genius, technical skill, and able management. American practice has been adopted abroad and the State Department proposes to help industrialize foreign countries. What reason is there to believe that British, Russians, Chinese, and the peoples of Brazil, Argentina, Czechoslovakia, France, and elsewhere cannot achieve high productivity if given the same tools, machinery, and management.

The few proponents of tariff reductions among organized labor in time probably will become more protective-minded than industry. Experience of many years in working with organized labor seems to indicate that practical thinking finds different answers in dealing with stubborn facts than importing low-wage competition to create jobs and prosperity. Free trade will be admirable when we have the same living conditions all over the world, but we cannot help the world by bringing about unemployment and poverty in the United States.

Rapidly mounting public debt and heavy taxation are placing our productive industries under severe handicap in meeting foreign competition. When production falls off, as it will at the end of the wars, lessened volume of business will cause higher unit costs. We can legislate ourselves into a continuation of the depression after an interlude of war if tariffs are reduced in "the new world of international cooperation" without thought of the consequences.

In the matter of employment: If our State Department policy is to increase foreign employment at the expense of employment in this country by means of free trade and foreign imports, we may find the war to be just an interlude in the great depression that prevailed at the outbreak of the war. It may be that destruction added to depression equals peace and prosperity, and that free trade, great public debt, and high taxes will give the Secretary of Commerce his 60,000,000 jobs, but somehow that does not seem to be the right answer.

The mining industry in producing and processing minerals furnishes direct employment and means of livelihood for many families and indirectly provides employment for many workers in railroad, smelting, refining, coal-mining, equipment, and service industries. Studies show that in Utah the work of each man employed in the primary industry of mining provides employment for two and one-third service wage earners. A survey completed in May 1931, showed 47.17 percent of the population of Utah in 1930 dependent directly and indirectly on the non-ferrous-metals industry. Somewhat similar conditions prevail in all States west of the Mississippi because industries depend on the Nation's productive resources. Studies indicate that the importation of 100,000 tons of zinc per year to displace Rocky Mountain production would deprive 65,000 people of livelihood without taking into account the loss of employment in other areas because of the loss of western markets.

Because the motor industry is the largest purchaser of numerous commodities it is readily understandable why cheap imported raw materials are desired to cut costs in building automobiles for export trade to meet foreign competition. In 1939 the automobile industry used 34.2 percent of the lead, 12.1 percent of the zinc, 13.7 percent of the copper, 68 percent of the leather upholstery, and 80 percent of the crude rubber consumed in the United States. Proponents of tariff reductions say that capacity production is required to give low unit costs. If this is the case what will be the effect on the raw-materials industries of this country in the event that this business is lost by them to low-wage foreign competition?

National self-preservation: Zinc, copper, and lead have contributed notably to the war effort and are recognized as indispensable for the defense of the Nation. Measures must be taken to support the mining of these metals as a vital part of the postwar industry and of our military security.

The record shows that reasonable tariffs on the nonferrous minerals, zinc, lead, and copper, are entirely justified because the protection afforded has been a real help in aiding sound industries which otherwise would have been marginally uneconomic. With the assistance of reasonable tariffs zinc, lead, and copper mining have afforded employment, good living standards, and conservational development of home resources.

In the publication of the Brookings Institution, World Minerals and World Peace, by C. K. Leith, J. W. Furness, and Cleona Lewis in 1943, it is stated:

THE UNITED STATES

Domestic production of copper, lead, and zinc is adequate except under war conditions, but reserves are in sight for only two or three decades (p. 46).

LEAD

The United States ranks first in both mine production and smelter output of lead, but plays a minor role in the trade. This is because domestic consumption and production are practically in balance (p. 72).

ZINC AND LEAD

United States.—The adaptation of differential flotation to the recovery of the complex refractory minerals of the Rocky Mountain region has added materially to the domestic ore reserves of both lead and zinc. This is also true of the lead and zinc recovered from the fluorite ores of Illinois (p. 100).

Mr. C. K. Leith, who is minerals consultant to the State Department, indicates that domestic production of copper, lead, and zinc is adequate except under war conditions and the Nation is self-sufficient from reserves now in sight for 20 or 30 years. In the mining industry a property with reserves in sight 20 or 30 years ahead is most exceptional. Reserves are developed as mining progresses in mineralized areas and seldom as much as 20 years in advance. However, mineralization in the Rocky Mountains and elsewhere in the United States, covers vast areas and geological inference indicates production will remain adequate very many times three decades. Nonferrous mines in Spain and Cyprus have been working since the time of the Romans. Coal mines in Utah looking for Pacific-coast markets were highly optimistic some two or three decades ago when the able Secretary of the Interior, Franklin K. Lane, warned of the need for oil conservation because reserves in sight in California would be exhausted in a little more than a decade. Oil reserves in the ground at this time are much larger than when caution was advised.

Today there is a serious shortage of lead, and reserves of ore in sight and developed are limited. But under normal peacetime conditions the domestic production of lead and zinc is entirely adequate for all needs if given reasonable tariff protection. Cut the lead tariff another 50 percent and mineralized ground available for the development of new ore in the Rocky Mountain region after the war will stand idle while capital and technical skill move to Mexico, South America, Burma, or Africa to produce new wealth wherever they will be treated kindly.

If there is no profit to be made in opening mines in the Rocky Mountains because of competition from "goods that are too low in price because of sweated labor" no mines will be opened. Neither labor, management, nor stockholders will work without wages. In that case, the engineer, management, and stockholder will be able to find great opportunities in South America producing new wealth from natural resources and opening backward regions, or behind the tariff walls and trade barriers of the British Empire. But the American workman has his home and family and cannot move about freely and would not work under foreign living conditions and low wages if he could. He becomes part of a stranded population like the bootleg anthracite miners of Pennsylvania before the war, or the Okies of the Dust Bowl region and the tenant farmers of the South, impoverished by overproduction of cotton that cannot stand competition of cheap labor in Brazil, India, and Egypt.

World trade: Important, but perhaps not clearly understood, are the changes that have taken place in our economy since the traditional days of the free-trade South and the tariff-protected steel barons in the manufacturing East. Migration from farm to city has been heavy in the past two generations. Farm prices have not kept pace with national inflation except under abnormal conditions for temporary periods of war emergencies. Europe has reached out to Asia, Africa, and South America for cheaper foods and raw materials. After the return of peace the products of agriculture and mining will be caught in the squeeze of falling world prices while facing problems of high taxes, depreciated currencies, managed economies, and inflation in many of its forms.

Manufacturing industries grown strong under protective tariffs no longer fear competition from Great Britain and Europe and have joined the eastern seaboard in seeking a stake in foreign trade. Like their predecessors abroad in this game they would take their pay in imports of cheap raw materials and a little gold, or what passes for its equivalent in the postwar world. Tariff reductions at the expense of the workers in mining and agriculture will aid to subsidize the manufactures exported.

Exports of agricultural products and raw materials in 1937 were not quite a quarter of total exports as compared with a 75-percent average in the latter half of the nineteenth century. Raw materials and foods are now our main imports and not manufactured goods. Exports are a small fraction of total production, around 5 percent, and by no means the great factor in world prosperity that proponents of reciprocal trade tariff reductions infer in asking tariff reductions for the raw materials which are now our main imports. Complicating the achievement of their objective of greater exports of manufactured goods is the spread of the industrial revolution of the 1800's in England and the United States to Russia and Japan, and now, it seems, to China and India.

Postwar outlook: The United States has held a preeminent position in the lead, zinc, and copper industries of the world over a period of many years, both as a producer and consumer, owing to vast ore resources. This wealth of raw material made available largely by creating a domestic price based upon a tariff, supplied domestic demands until the advent of the Second World War in 1939. Imports of foreign metals have been very heavy during the war in order to permit us to become the arsenal of the world. Pent up consumer demand will support domestic prices during the first postwar years if Government controls are removed, but when normal peacetime economy is reached prices of the metals will drop if reasonable price and tariff protection are removed.

The base ceiling price for prime western zinc is 8.25 cents a pound at St. Louis. The weighted average price received by producers under the premium-price plan is approximately 10.8 cents. The official London maximum price for foreign zinc delivered to consumers, duty paid, at the official rate of exchange has been equivalent to 4.64 cents a pound. In 1939 the average price of zinc at St. Louis was 5.12 cents a pound, New York, 5.51 cents, and London, until dealings were suspended in September, 2.89 cents.

The lead ceiling price is 6.50 cents, New York, average price under the premium-price plan approximately 7.9 cents, and the official London price £25 per long ton, duty paid, equivalent to approximately 4½ cents a pound. In 1939 the New York price averaged 4.83 cents and London 3.03 cents until September.

It is evident that duties now available will furnish no protection to United States zinc and lead under peacetime competitive conditions in view of the great increase in wages and other costs that have taken place during the war.

If we wish to maintain our wage scales, living standards, and mining industry, it is obvious that further tariff cuts would prove runious and only by an increase in duties on lead and zinc can the nonferrous mining industry continue to exist in substantial form. It has been suggested by a number that we turn to subsidies.

In the matter of subsidies there are different schools of thought in mining as well as agriculture. I do not believe that it is to the national interest to put a subsidy on the production of a basic industry under normal conditions. The mining industry is working under a subsidy program now with metal premium payments subject to change from month to month. Under regulation by bureaus or Government agencies operations cannot be planned ahead with any degree of assurance. The chief function of a businessman is to try to anticipate the decisions of government. Under subsidies efficient managers of enterprises do not develop, excellence has no incentive, incompetence no penalty, and mediocrity is safe. My preference is government by laws and legislation by Congress rather than agencies.

Now as to suggestions from the industry: It is respectfully recommended that the committee consider amending the tariff act in the following respects:

1. Return the authority over tariffs to Congress and let Congress with the advice of an impartial commission of tariff experts decide what changes in duties are in the national interest. A Tariff Commission responsible to Congress in such manner as Congress considers proper would then be able to revise rates of duty in accordance with changing conditions and the country's needs.

Transportation rates for the Nation's traffic are regulated by an independent commission responsibile to Congress under a policy designed to aid in bringing about prosperous business conditions. Creating a brave new world, raising foreign living standards, and building world peace can be accomplished better by keeping the United States prosperous than handicapping our productive industries. Such objectives, however worthy, are not the primary purposes of traffic or tariff rate structures. The tariff problem will not be solved by permitting administrative officials to write regulations and manipulate schedules with world salvation in mind.

2. Provide for mandatory exercise of escape clauses in reciprocal trade agreements. Escape clauses which would permit remedying serious injuries to domestic producers have not received proper consideration.

3. Provide no additional Executive authority over specific duty rates except subject to review and approval by Congress.

4. Provide for the adoption of a reciprocal policy by Congress to bring about fair trade practices between nations. It is the constitutional responsibility of Congress to enact the tariff laws. Congress will give consideration to the commercial advantages accruing to us from trade agreements from a domestic viewpoint. Tariff agreements are not fair that permit restriction of purchases through the application of import quotas, or restrictions on purchases of dollar exchange. Nor is it a fair trade practice to defeat tariffs by currency devaluation.

5. Restrict reciprocal trade to a common-sense basis. A natural exchange of products can create good will, respect, and prosperous trade—for example, an exchange of products between farmers in the Tropics and farmers in the cooler zones. We need tin, nickel, industrial diamonds. Why not trade for them instead of zinc and metals that will hurt our miners? Trading for imports of coffee, tea, spices, cocoa bean, tropical fruits and woods will not injure our farmers.

In the event that the national welfare requires the lowering of a tariff after careful investigation and consideration of an independent Tariff Commission responsible to Congress, a gradual lowering of the tariff in question should be brought about according to a plan duly made public in advance. In cases of extreme hardship a congressional hearing might find a Federal indemnity warranted to compensate an enterprise destroyed. Property expropriated for national defense by due process of law receives indemnity according to a fair appraisal of the damage or loss incurred by the individual.

6. Provide changes in duties by an impartial Tariff Commission according to a formula for flexible rates adjusted to the wage scales and living standards of foreign producers. American industry does not ask protection from foreign producers maintaining equivalent working conditions, wage rates, and living standards.

7. Establish clearly the ends toward which reciprocal trade agreements are to be used. Provide against permitting import and export trades becoming a Government function.

We have not been able to learn from State Department officials why it is considered necessary to reduce tariffs another 50 percent, what is to be accomplished or what duties are to be cut. The answers thus far have been vague as to whose job is to be converted, and what community is to be traded off in bringing about the brave new world of tomorrow. References have been made to inefficient industries, raw materials, glass, and textile workers. In the absence of such information good intentions alone are irrelevant.

If suggestions similar to those offered are considered, we then have confidence that Congress will assist with our problems. Our jobs and communities will not be traded off in some game of world politics. Any uncertain issues can be decided in the November elections. Our foremost problem is to keep America strong, rich, and resourceful. On this above all else the peace of the world now depends.

That concludes my statement.

The CHAIRMAN. Are there any questions? Senator Butler?

Senator BUTLER. I believe not.

The CHAIRMAN. Senator Gerry?

Senator GERRY. I have no questions.

The CHAIRMAN. Thank you, sir.

Mr. HERRES. Thank you.

The CHAIRMAN. Mr. Gent.

Mr. GENT. Yes, sir.

The CHAIRMAN. Will you give your name and your connection to the reporter?

Mr. GENT. My name is Ernest V. Gent. I am the secretary of the American Zinc Institute, Inc.

The CHAIRMAN. You may proceed.

STATEMENT OF ERNEST V. GENT, SECRETARY, AMERICAN ZINC INSTITUTE, INC.

Mr. GENT. The operations of the zinc industry which the American Zinc Institute represents are Nation-wide. In addition to its strategic value, which I shall presently refer to, the economic importance of the zinc industry is indicated by the fact that mines, mills, smelters, and manufacturing establishments, located in more than 30 States, stretch from coast to coast. Together with the other nonferrous metals, zinc represents the major activity in many of the Western States as well as the source of an important segment of the national wealth of the United States. In most instances, the production of zinc is related to the mining and refining of other metals and, therefore, what is detrimental to zinc automatically handicaps much wider operations. This, together with the related supply services and community operations, involves a far greater number of workers and families and represents a much larger impact upon our national economy than is generally understood.

Long before Pearl Harbor, the importance of our national zinc industry became apparent to our military authorities and those whose duty it was to look to the safety and defense of the United States. Its strategic and essential importance from a military standpoint is so well recognized that in the limited time at my disposal I shall not go into detail. It is sufficient, I believe, to point out that zinc appears on every list of strategic and critical materials required for military purposes.

By the foresight of government and the enterprise of industry, great handicaps were overcome and plans for zinc production adequate for our country's needs were drawn. So well did these plans succeed that all military needs have been satisfied as well as essential civilian requirements. Furthermore, during the years when our needs were greatest, over 400,000 tons of slab zinc were furnished to our Allies. Mine production, which had been discouraged by the reduction in the zinc tariff following a decade of low prices and unprofitable operations, was pressed to the limit. The industry in many of its operations set aside long-range plans and good mining practice and devoted itself to the prime purpose of contributing to the war effort. Not the least of the sacrifices made was the virtual abandonment of the exploration and development work—the search for new reserves—so necessary to a strong mining industry.

On the basis of its indispensable value in any national emergency and the insurance it represents for the future, it is felt that the zinc industry requires the most careful consideration.' In any event, a healthy and vigorous zinc mining and refining industry must be maintained at all costs within our own borders if the country's interests are to be served.

Zinc has already suffered a 20-percent tariff reduction through the Canadian agreement and a further 30 percent through the more recent Mexican treaty. Whether or not the Mexican concessions stand after the emergency, the threat to the zinc industry is serious and discouraging. To us it is clear that, insofar as zinc is concerned, it is not a question of how much the tariff should be lowered to stimulate foreign trade, but rather how much the tariff should be raised to preserve the industry for the sake of our economic and particularly our national security. This may require an increase in the 1930 tariff rates—which, incidentally, were no higher than in the 1922 act. At any rate, the proper protection required for a strategic metal such as zinc should not be a matter of bargaining with other nations in trade-treaty negotiations, but should be most carefully considered within the existing flexible provisions of the Tariff Act of 1930; and any recommendation by the Tariff Commission, either for an increase or a decrease, must recognize the factor of our national security in future years.

The following table clearly shows the tariff status of the main zinc items:

	Tariff acts of 1922 and 1930	Reduced by Canadian agreement (effective Jan. 1, 1939) to—	Reduced by Mexican agreement (effective Jan. 30, 1943 and in effect Jan. 1, 1945) to—	New bill authorizes reductions to—
	Cents per pound	*Cents per pound*	*Cents per pound*	*Cents per pound*
Zinc-bearing ores	1.50	1.20	0.75	0.60
Slab zinc and zinc dust	1.75	1.40	.87½	.70
Zinc sheets	2.00	2.00	1.00	1.00

Primarily from the standpoint of national defense, therefore, we respectfully urge that in any extension of the Trade Agreements Act there shall be excluded from its provisions those strategic minerals and metals named in the list furnished to Congress by the Army and Navy Munitions Board under the stock-pile provisions of the Surplus Property Act of 1944. This special treatment, we believe, would be justified in view of the profound importance of such minerals and metals reserves to our national security as well as their impact upon our domestic economy.

Attempts have been made to claim advantages won for the zinc industry through concessions obtained on the exports of American products in which zinc is represented in one form or another. It is difficult to accept the damage done to our industry in this light. To the miner himself, it is pure sophistry. On the other hand, it should be pointed out that, under existing customs regulations, foreign zinc may be imported into the United States, converted in form and then reexported, in which case practically all duty is refunded. For example, zinc imported from Mexico or elsewhere may be used on zinc-coated (galvanized) sheets which are exported from the United States. In such a case, 99 percent of the original duty on the imported zinc used is refunded by the United States Government. Thus an adequate duty on zinc is no detriment to exports of products using zinc.

It is to be noted that violations of some of the stated principles of the reciprocal trade-agreements program occurred in the case of zinc. For example, the first concession on slab zinc and zinc ore was made in the Canadian agreement in spite of the fact that Canada was not, and never has been, the chief source of our zinc imports. The concessions on zinc oxide and zinc sulfate were made in the Mexican agreement in spite of the fact that Mexico does not make a pound of either product and quite obviously, therefore, cannot be said to be the chief source of our imports. During the recent examination of Mr. Rockefeller before the Ways and Means Committee, it developed, as shown in the printed hearings, that while our tariff on zinc oxide was reduced, Mexico increased its duty on the same product.

In addition to our urgent recommendation that all strategic minerals and metals be excluded from the provisions of any extension of the act, we respectfully submit the following general comments and suggestions:

1. We suggest that the law be amended to make mandatory the exercise of stated principles and escape clauses, including:

A. No concessions to a country which is not the chief source of imports.

B. No undue benefits to third countries.

C. Adjustments of tariff rates to coincide with exchange fluctuations.

D. In order to insure that such provisions shall be complied with, it is recommended that the law provide that such provisions shall be invoked immediately upon written request of one-third or more of the Members of the United States Senate.

2. It is urged that, because of the uncertainty of the times, any extension of the act should be limited to 1 year and that, in such extension, no additional powers to reduce tariff rates should be delegated to the President and the State Department.

3. Because the act touches upon the very foundation of the Nation's economy, we urge that the power to increase as well as decrease duties should be included and specific powers of review by the legislative branch should be reserved.

That is the end of my statement, Mr. Chairman.

The CHAIRMAN. Are there any questions?

Senator BUTLER. Mr. Gent, do you have any explanation for the inclusion in the treaty with Mexico, of items that they do not export to us, as you mentioned?

Mr. GENT. I have no idea. I presume that it has been put in the Mexican agreement to benefit some other nation.

Senator BUTLER. Under the most-favored-nation clause?

Mr. GENT. Yes.

The CHAIRMAN. Are there any further questions? If not, thank you very much, Mr. Gent.

Mr. GENT. Thank you, sir.

The CHAIRMAN. Mr. Walter W. Cenerazzo?

Mr. CENERAZZO. Yes, sir.

The CHAIRMAN. You may proceed with your statement.

STATEMENT OF WALTER W. CENERAZZO, NATIONAL PRESIDENT, AMERICAN WATCHMAKERS UNION

Mr. CENERAZZO. My name is Walter W. Cenerazzo, and I am national president of the American Watchmakers Union.

In presenting this case to you, Mr. Chairman and members of your committee, of the 8,000 American jewel watch workers who have been employed during the past 4 years entirely on the production of timing mechanisms essential to war, I desire at this time to state that we are not here representing the nonjeweled watches, or the clock industry; we are here representing the 8,000 skilled American watchworkers who produce watches of 7 or more jewels in the United States—the highest quality of precision work in any industry in the United States.

I present this case for the purpose of informing the members of this committee of the crisis which our members are about to face in the reconversion program.

The American jewel watch industry is the only industry in America which has been put into the position of seeing its entire market gobbled up by a foreign country while it was producing instruments of war for the Allies. No other industry in America has had its customers supplied by other nations as has the American jewel watch industry.

Mr. Clayton, Assistant Secretary of State, said on page 3 of his statement before this committee:

> No single American industry can show that it has been seriously injured in the process.

Mr. Chairman, such a statement is wholly untrue. The average imports of jeweled watch movements for the 5-year period 1931 to 1935 inclusive, prior to our entry into the Swiss treaty, was 660,186. The average for the 5-year period following our entry into the Swiss trade treaty was 2,839,628—or a percentage increase of some 400 percent.

Up to 1940 the three remaining American watch factories were in operation. From 1940 to 1944 Switzerland was subject to the domination of the Nazis, and any imports from Switzerland into the

United States during that period came through Axis military lines, with the knowledge and consent of the Axis.

The imports for 1941 were 4,300,513 watch movements.

The imports for 1942 were 5,292,785 watch movements.

The imports for 1943 were 7,996,186 watch movements.

The imports for 1944 were 6,915,585 watch movements.

Gentlemen, each one of those watch movements represents 12 hours of labor that an American workman could have had in postwar America. They say that the citizens of the United States were entitled to time during the war. The citizens of the United States wanted toasters, they wanted refrigerators, they wanted automobiles, they wanted gasoline, they wanted tires, and they wanted many other products—but because of this war emergency we said, "Nothing doing, we have got to work in the interests of war—buy war bonds."

But in this specific case, while this industry was producing instruments of war for the United States and our allies, and while Switzerland was producing instruments of war for the Axis, we allowed her surplus production to come into the United States to take the place of war bonds, for those persons that purchased such watches.

Senator LUCAS. Let me ask you a question right there. Did the Swiss watchmakers, in addition to producing watches, also produce precision instruments of war for the Nazis?

Mr. CENERAZZO. They did, sir; there were time fuzes which were picked up in France that had been used in shooting at American boys by the Germans, which had marked right on them, "Made in Switzerland." They made timing instruments of all kinds, chronometers, time fuzes, compasses, watches, firing watches, fire-control watches, and every other timing mechanism that was essential was produced for the Nazis by the Swiss.

Senator LUCAS. So that the business of watchmaking also included the business of making these instruments of war for the Nazis, as I understand you?

Mr. CENERAZZO. That is right, sir.

Senator LUCAS. It wasn't wholly confined to watchmaking alone; you are sure of that?

Mr. CENERAZZO. Of course, I am positive of that, as positive as anyone could be. If a man, who is a member of the United States armed forces, picks up, on the beaches of France, a time fuze which says "Made in Switzerland" and has been used by the Nazis in firing on the American soldiers, isn't that evidence enough?

Senator LUCAS. That is some evidence, but I was wondering if you had any further knowledge.

Mr. CENERAZZO. There are only two sources for the timing fuzes in the world, the United States and Switzerland. Great Britain has only one small factory. Japan did get into the nonjewel field to a very, very small extent, but their production couldn't be over three or four thousand jeweled watches per month. We know that we didn't make those; that is an absolute fact. Germany and the Axis had one of the most efficiently timed war machines in the world. A simple matter of elimination tells you where they got them.

We have only 8,000 American jewel watch workers who produced everything that we needed for the United States and the Allies. The record of the United States Tariff Commission in 1936 shows that there were 43,000 Swiss watch workers. So, taking 8,000 from 43,000, leaves 35,000 employees still left who could have gone ahead and worked on civilian products or any other products essential for the Axis machine.

Senator McMAHON. You have no figures indicating how many timing devices were supplied by Switzerland for the Nazis, have you?

Mr. CENERAZZO. I am just an ordinary civilian, and I have no access to such records. The State Department should have. I do know, as a matter of common sense and elimination, that they did produce those, and I challenge the State Department to disprove that statement.

Senator McMAHON. This would be true too, wouldn't it, that every watch that they turned out that they shipped in here was that much less labor they had to make additional timing devices for the Nazis?

Mr. CENERAZZO. That isn't true, for the reason that it only takes 8,000 men in the United States to make them. So if the United States had shut off Switzerland completely from watches, those persons wouldn't have gone on and made timing mechanisms, as only so many could be used in the war. All we took care of was the overflow.

Senator McMAHON. They made all that the Nazis needed?

Mr. CENERAZZO. Of course they did. Not one watch could come out of Switzerland without the approval of the Nazis. They were shipped to Milan, Italy, by the Swiss on boats taken by the Italians from the Greek Navy, and those boats were allowed to come through Nazi territory into the port of New York with as many as 6 and 8 million watches. We gave them free clearance, and at the same time they were making timing mechanisms to kill our boys with.

Senator TAFT. I think that is the most foolish argument I have ever heard. Why shouldn't we trade with a neutral, and by our trading with a neutral how could we possibly change the situation as to whether they are also trading with our enemies, or not?

Mr. CENERAZZO. You say they are neutral because they happen to be a country that is completely surrounded by occupied France, Italy, and Germany, and they are making all these timing mechanisms for the Axis? They might as well have been made a part of Germany.

Senator TAFT. What has that got to do——

Mr. CENERAZZO. May I answer you?

Senator TAFT. Yes.

Mr. CENERAZZO. Your brother is working in the State Department. I had the pleasure of talking to him this morning. He admitted that we had a good argument on that.

Senator TAFT. You have a good argument on the tariff.

Mr. CENERAZZO. We have a good argument on national defense; there are only two countries in the world that can produce such timing instruments of war. Kill the American watch industry and you are dependent entirely on Switzerland.

Senator TAFT. Now you are talking about something entirely different.

Mr. CENERAZZO. No; I am not.

Senator TAFT. I am saying that I see no reason for shutting off trade with Switzerland just because they, a neutral country, happen to be dealing with Germany also.

Mr. CENERAZZO. I say that there is every reason in the world to do so until such time as they stop making instruments of war to kill our boys. What you are saying is that it is perfectly O. K. to go up to

New Haven and have the Remington Arms go ahead and ship stuff to Germany which they can turn back and shoot at our boys. You are saying in the same breath that it was perfectly all right for us to ship iron to Japan to be used to make shells to shoot back at our boys——

Senator TAFT (interposing). Not at all, because we are not shipping them anything. Switzerland is shipping us something which might otherwise have been used as steel to——

Mr. CENERAZZO (interposing). Do you know where that steel came from? Go down and investigate the Board of Economic Warfare sometime and find out whether or not we shipped any steel into Switzerland.

Senator TAFT. Well, we didn't ship any more steel into Switzerland than we got out.

Mr. CENERAZZO. You don't know that, and I don't know that, but I do now that there was some shipped there.

Senator TAFT. I know that the Board of Economic Warfare was at least that careful.

Mr. CENERAZZO. You are awfully sure of that.

Senator TAFT. But I can't see this appeal to the war business.

Mr. CENERAZZO. Were you ever a director of the Gruen Watch Co.?

Senator TAFT. Yes.

Mr. CENERAZZO. The Gruen Watch Co. has done wonderful during this war. They flaunt that Army "E" and the Navy "E" that they got for making precision instruments, as if they had gotten it for making American watches, and they don't say anything about them being made in Switzerland, and they go around and kid the American public.

Senator TAFT. I got out of that company years ago; but what I can't understand is this war appeal, which seems to me utterly nconsistent——

Mr. CENERAZZO (interposing). Anything that is an argument on behalt of the American worker——

Senator TAFT (interposing). Will you let me finish?

Mr. CENERAZZO. If you will accord me the same opportunity.

Senator TAFT. You have a perfectly good argument for a tariff, but what this bill has to do with the fact that we permitted trade with a neutral is something that I can't see.

Mr. CENERAZZO. What do you mean? Here is a country that made the timing mechanism that timed the blitzkrieg on London and the timing instruments that killed our boys—and you are asking me what that has got to do with trading with a neutral? It has got a lot to do with it.

Senator TAFT. If they hadn't done that, the Germans could have taken them over overnight, just as they could have done with Sweden if they refused to furnish them with iron ore.

Mr. CENERAZZO. We would have been a lot better off if they had taken them over.

Senator TAFT. We wouldn't have been a bit better off in the war; because, instead of getting some of their production, the Germans would have been getting all of their production.

Mr. CENERAZZO. Well, with Bulova, Gruen, and Benrus selling those watches, the American public paid for them more than they would have for American-made watches which cost more money to make in this country. The American public paid the price for being able to get something which they couldn't normally get. You might as well call it the black market in watches with the consent of the State Department and the United States Government.

Senator TAFT. I can't see that at all.

Mr. CENERAZZO. Of course you can't.

Senator TAFT. I can't understand why we shouldn't trade with a neutral in time of war.

Mr. CENERAZZO. A neutral that goes ahead and makes the timing instruments that were so essential to the German war machine—you can't see anything wrong with that at all?

Senator TAFT. Nothing, except to add emotion to an argument which is perfectly good by itself.

Mr. CENERAZZO. We are presenting facts and figures to you. This is no emotional argument; because, after we get through talking, you will vote for free trade as you have in the past.

Senator TAFT. I have always voted for the tariff; I am in favor of an adequate tariff on watches.

Mr. CENERAZZO. I wish you would go to work on that. Your brother in the State Department isn't taking that position.

Senator TAFT. No; he isn't. That is because he disagrees with me, or I disagree with him.

The CHAIRMAN. Go ahead Mr. Cenerazzo.

Mr. CENERAZZO. As far as we are concerned, Senator, I think it is time that we started thinking of national defense industries. Now if you simply want us to go out of this industry, just pass this bill and let the effects take place——

Senator TAFT (interposing). You don't understand——

Mr. CENERAZZO (interposing). I understand thoroughly.

Senator TAFT (continuing). That I am one of the principal opponents of the bill.

Mr. CENERAZZO. If you are, sir, let me say this to you—that I don't think you understand the fundamental principle of national defense, and I think maybe we had better get another spokesman for the committee.

The normal production for 1936 to 1941, inclusive, of the 3 American jewel-watch factories, Elgin, Hamilton, and Waltham, was 1,700,000 per year. In 1 year, 1943, over 5 times the total normal production of the 3 American jeweled watch factories was imported into the United States. Have we been hurt?

While our workers were devoting their whole energy in producing timing mechanism for war, our watch market has been taken over by Swiss production. We are in the same position as the soldier who, after being off to war fighting for his country, returns to find his sweetheart in the arms of his enemy.

The average imports for the 4-year period during the war from 1941 to 1944, inclusive, were 6,126,000, or 300 percent in excess of the average for the 5-year period 1936 to 1940, inclusive, and 800 percent in excess of the 5-year period prior to our entry into the Swiss trade treaty.

I bring these facts before you to show you, from a factual, statistical basis, what has happened to this industry which is so essential to the United States in the period of a war.

During the Revolutionary War our armies kept time by months and days. At the time of the War Between the States, time was kept by days. During this war, time has been kept according to split seconds, thanks to the American jeweled-watch industry.

There are only two sources of supply in the world for timing mechanisms—the United States and Switzerland. We made all of that for the United States and the Allies. Who made it for the Axis? The testimony before the Ways and Means Committee conclusively proves that the Swiss supplied the Nazis.

Gentlemen, are American workers who have done their part to help win this war asking too much for the Members of the United States Senate to give them protection against such an inexplicable situation as the State Department has allowed to exist during the past 4 years? Who else can we appeal to except the United States Senate and the House of Representatives of the United States?

The State Department cannot defend its position in allowing this deplorable condition to exist. The State Department has made statements in the past, on several occasions, that we, the workers of the American jeweled-watch industry, should be pleased that this production was coming into the United States from Switzerland instead of making instruments of war for the Axis.

I would like to read from a statement which Charles P. Taft, of the State Department, gave me this morning:

> In connection with our current imports, to the extent that the Swiss watch industry and its workers have been occupied in production for sale in this country, we may be gratified that they have not been engaged in the production of military items for sale to our enemies.

In other words, the statement says that we are to be thankful that the overflow of production—all the production that the Germans didn't need—we ought to be thankful that we allowed it to be shipped into the United States so that we could keep American watch workers out of work in the post-war era.

Who else can we appeal to? We present these facts to you because the State Department has not heeded any statement that we have made.

There are only 8,000 watch workers in the United States, and they have produced—again I state—all the timing mechanisms necessary for war for the Allies. There are 43,000 watch workers in Switzerland. Need I say any more to prove who has been making the timing mechanisms essential to war for the Axis?

In all previous wars the armed forces of the United States depended on Switzerland for chronometers and scientific instruments. What is the Swiss record in this war? Switzerland was an arsenal for Germany, and when we needed her she was serving our enemies, and we had to tool up and make these instruments ourselves.

I was interested in a question that Senator Lucas asked this morning of Mr. Potter concerning chronometers. The members of our union at Elgin have tooled up and have produced a chronometer second to none in the world, and have produced it for our armed forces.

Senator BUTLER. They couldn't make watches while they were doing that either, could they?

Mr. CENERAZZO. That is right, sir.

At Hamilton in 1941 the Navy gave out contracts when it foresaw what was happening in Switzerland, and that company in 1943 delivered more chronometers in 1 month than was the entire output of Switzerland and England combined in any 1 year prior to that time. Just imagine that this industry went to work for Uncle Sam and produced more chronometers in 1 month, and delivered them to the Navy, than did Switzerland and England combined in any 1 year prior to that time.

That is the record of the American jeweled watch industry, and because we state what the record is we are waving a flag here, supposedly, and talking about war when we should be talking about tariffs.

If we talked about tariffs we haven't any argument to stand on—as the Senator's brother, Charles P. Taft, told me this morning, he didn't think we had a tariff argument, that we only had a national defense argument. Then we come in here this afternoon and the Senator tells us we haven't a national defense argument but that we have a tariff argument. I wish the brothers would get together so that we could clear their statements.

Senator TAFT. I didn't say that you didn't have a national defense argument.

The United Nations Association of Boston——

Senator LUCAS (interposing). Are you certain now that you thoroughly understand the difference between the two distinguished brothers?

Mr. CENERAZZO. I don't, sir; very frankly.

The CHAIRMAN. Which one do you think would really be most helpful to your industry?

Mr. CENERAZZO. I don't think either one would, sir. Maybe that is why the Deuber Hampden plant isn't in Ohio any more.

Senator TAFT. Are you relying on Senator Lucas to support the watch industry?

Mr. CENERAZZO. I can say that I have been to see him and he is sympathetic, at least as far as our industry is concerned.

To date our record with the State Department has been nil. We have a Democratic Senator and a Republican Senator in each of our States. To date our batting average with them is nothing. Tell us who we are supposed to depend on. I do say that we are going to get some action from the State Department because the American people are going to hear watches and movements until they are sick of it, even if we have to stump the entire country. Our resources are small but we have lots of vocal power to let ourselves be heard.

The United Nations Association of Boston sent a circular, which I would like to present for the record, to each of the members of our union, trying to prove to them that we have not been hurt by reciprocal trade agreements. They use the figures of 1931, the year of the depression, when our factories were closed, and they use the year 1937, the first year after the reciprocal trade agreements, but they do not show the year 1938 when persons were laid off in the industry, and when the Waltham Watch Co. lost over $700,000, and Elgin and Hamilton had recession years.

They ignore the fact that when this country started having boom times again from 1939 on, due to the war, that naturally the demand for watches would increase, but the three American watch companies have simply held their own, financially, up to 1941, when they went into war production, and Bulova, Longines, Gruen, and Benrus, as the Dun & Bradstreet reports of these companies will show, have had years of expansion unsurpassed in any other period of their history.

These "do-gooders" of the United Nations Association, in trying to prove that the State Department is perfect, have not been willing to look at the facts and have failed to recognize the handwriting on the wall, which conclusively proves that this national defense industry has been hurt, and that if relief is not given, it will die.

In these figures that they gave, when they take total United States production, which was the question I believe Senator Lucas asked of Mr. Potter this morning, there is one fact not made clear. When you give United States production you give the cost of the case, the adjusting, the dial, and the hands and everything as it is sold to the consumer. When you give figures of imports you just give watch movements without any case on them, or without the final fittings which are put on in this country.

Now there is a great difference in money values and in work values between the watch minus the case and the watch with the case on it, and I believe that when you start talking $98,000,000 production, as they do here in 1937, as compared to $46,000,000 in the mid-depression year of 1931, it must be considered that as you made more watches and sold more watches, and you cased them, the case value, which has a gold content in many instances, is included in these figures. With your permission I would like to make that a part of the record.

The CHAIRMAN. You may do so.

(The circular referred to is as follows:)

DO YOU VOTE "YES" FOR

YOUR JOB?
OUR PROSPERITY?
THE WORLD'S PEACE?

THEN READ THIS

"President Truman in his first White House conference with his congressional leaders let it be understood that he was completely and energetically supporting pending legislation sponsored by the late President Roosevelt to continue the reciprocal trade agreements program." New York Times, April 19, 1945.

Do you want postwar jobs and prosperity in the United States?

Then support the renewal of the reciprocal trade agreements.

William Green of the American Federation of Labor has said, "I urge the renewal of the Trade Agreements Act * * *. Reciprocal trade agreements did not open the flood gates to the mass importation of foreign-made goods."

In 1938–39 after the Reciprocal Trade Act had been in operation, our exports to "agreement" countries increased 63 percent while imports increased 21 percent. With nonagreement countries, exports increased 32 percent and imports 11 percent.

RECIPROCAL AGREEMENTS INCREASED EXPORTS MUCH FASTER THAN IMPORTS

Philip Murray of the Congress of Industrial Organizations says, "In addition to a domestic program of full production in the United States, there must be a vigorous long-term program of international commerce."

1931: Under the Smoot-Hawley tariff, highest in United States history, figures (U. S. Government sources) for the clock, watch, and time-recording devices industry:

Total United States production	$46, 000, 000
Total exports	$1, 451, 000
Total imports	$4, 809, 000
Number of wage earners	16, 213
Average annual wage	$955

1937: After 3 years of limited reciprocal trade agreements, including an agreement with Switzerland:

Total United States production	$98, 000, 000
Total exports	$3, 104, 000
Total imports	$10, 806, 000
Number of wage earners	23, 223
Average annual wage	$1, 185

The reciprocal trade agreements are our best insurance against "being flooded with cheap foreign goods." They provide for orderly trade, with United States tariffs lowered only as tariffs against United States goods are lowered.

President Roosevelt said, "This legislation (reciprocal trade agreements) is essential to the substantial increase in our foreign trade which is necessary for full employment and increased standards of living."

Protect your job, and the peace. Support the reciprocal trade agreements extension. For further facts and figures call the United Nations Association, Boston, Mass.

Mr. CENERAZZO. Incidentally, while Americans were gathering scrap metal, we find Swiss watch factories increasing their exports to the United States of metal watch cases from an average of 81,991 for the 5-year period 1931–35, inclusive, prior to our entry into the trade treaty with Switzerland, to an average of 318,274 for the 5-year period following the Swiss treaty. And in the years 1943 and 1944 they dumped into the American market an average of more than 7,000,000 cases per year.

The facts are that we believe that international bankers, international industrialists, with interested financial parties in key positions, seek to reduce American labor standards and American wage scales by dumping into the United States through inadequate tariff rates, competitive articles produced in foreign countries.

It makes one wonder whether the die-hards who fought the wages-and-hour law, the National Labor Relations Act, the Walsh-Healey Act, the Social Security Act, and the many other pieces of social legislation which have been passed in the last decade, are not transferring their war upon progressive legislation against the United States by moving their factories and their know-how to produce, to foreign soil where there is none of this legislation. The roster of big business in the State Department would indicate this.

The average import cost for a 17-jeweled movement in 1944 was $8.60 duty-paid, including transportation costs. That same watch, made in the United States, would have cost $15.38 on the basis of 1941 wages. Since that time there has been a great upsurge in wage increases in the American jeweled watch industry because unionization did not come into this industry until 1941, through to 1944. If the American consumer had benefited, that would be one thing, but he is paying more for the inferior-made Swiss watches than he would have paid for American-made watches.

Still Mr. Clayton tells you that he thinks tariff rates of 30 percent are too high. The State Department should analyze the cost of production in both Switzerland and the United States.

Chairman Ryder, before the House Ways and Means Committee, admitted that they had never made a test of comparable wage rates in the United States and Switzerland, or in the comparable costs of production. I don't know how you can ascertain what a tariff is or what a tariff should be unless you first ascertain the costs of production between the two countries. So I don't believe, no matter what you made the tariff, that it would solve this problem until it were done on a comparative cost of production between the United States and Switzerland, or on a quota basis—which, I don't know. But reducing the tariff an additional 50 percent surely would put the finishing touches on this industry.

The State Department would find, if they went through the plants of Elgin, Hamilton, and Waltham, one of the most efficient industries in America, where jobs have been diluted as far as possible, where before the war 60 percent of the employees were women, skilled women, employed on repetitive jobs where the tolerances are one one-hundredth of an English thousandth—an industry so efficient that among 3,000 employees there are over 1,700 job classifications. That is the record of efficiency of the American watch industry.

Let's compare it to Switzerland, where home work takes place, where the industry is under the control of the Swiss superholding company, a Government-dominated organization, where watchmaking is taught in the schools, where exports are controlled by the Government, where there is a law that prohibits the export of watchmaking machinery—and with all of this, does the State Department give us relief? Oh, no. Instead, it preaches before you beatitudes and platitudes about world peace. Will someone please show me how the Swiss agreement has helped world peace? Will someone from the State Department show how they rate the importance of this industry to the United States as a national defense industry, and what they have done about it? They have ignored the statement of General MacArthur and Secretary of War Dern in 1935, asking that the State Department protect this industry due to its essential use for national defense purposes. The ignoring of this plea by the Secretary of War and the General Chief of Staff in 1935, cost, during this war, thousands of American lives, plus millions of dollars—and if you don't believe me, ask Major Campbell of the United States Army Ordnance.

What have reciprocal trade pacts to do with peace? We are all for peace, but we must recognize that if we do not keep our industries, essential to national defense, strong, that we are then breaking down the barriers to war.

We are not here making idle statements. We presented a proposed amendment to the Ways and Means Committee at the hearings on this bill asking that the Army and Navy certify as to what industries were essential for national defense and that those industries be protected through a limitation of imports. We have not heard yet from the State Department on the record as to their attitude on this subject and, gentlemen, you won't, because the men of the State Department are too interested in the over-all program, as they call it, to get down to hard facts and study each situation separately as to its value to the United States.

In closing my statement I desire to present to you for your consideration the table which was inserted in the Congressional Record Appendix on May 21, 1945, by Congressman Daniel A. Reed, of New York, on pages A2587 and A2588. This statement, under the columns "Watch movements—all widths," showing the imports of more than 7 jewels and not more than 15 jewels; and more than 15 jewels and not more than 17 jewels, showing the following analysis of imports:

	More than 7 jewels and not more than 15	More than 15 jewels and not more than 17		More than 7 jewels and not more than 15	More than 15 jewels and not more than 17
1931	251,000	177,000	1938	209,000	982,000
1932	122,000	88,000	1939	269,000	1,222,000
1933	83,000	58,000	1940	319,000	1,583,000
1934	119,000	86,000	1941	491,000	1,866,000
1935	150,000	149,000	1942	737,000	2,260,000
1936	218,000	601,000	1943	1,516,000	3,966,000
1937	266,000	1,311,000	1944	1,248,000	4,540,000

That goes to show you gentlemen what the picture is. Have we been hurt? I will say we have because the shelves of the jewelers of the United States are loaded with Swiss watches, and the Elgin and Hamilton and Waltham watches are off the shelves.

Need I say any more? That is the record of the Swiss trade treaty. It is your obligation as representatives of the American people to protect this essential industry to national defense for the future. If you do not give it protection in this bill now before you, this industry will die and you can only hold yourselves responsible for it.

The CHAIRMAN. I thank you for your appearance here.

Are there any further questions?

Senator BUTLER. Where are these three remaining factories located?

Mr. CENERAZZO. The Waltham Watch Co. at Waltham, Mass., the Hamilton Watch Co. at Lancaster, Pa., and the Elgin Watch Co., in Elgin, with a subassembly or jewel plant in Aurora, Ill.

Senator MCMAHON. They are the only big producers?

Mr. CENERAZZO. They are the only producers of jeweled watch movements in the United States. Bulova has a plant in Woodside, Long Island, where they produce about 10 percent of their product, and 90 percent of it is imported, and on the one hand he pretends he is an American-jeweled-watch manufacturer while on the other hand he imports 90 percent of his watches. He belongs to the American Watch Assemblers Association, the importing group, and the American Jeweled Watch Manufacturers, the American group—in other words he is like Switzerland in two parts.

The CHAIRMAN. Thank you, sir.

Mr. CENERAZZO. Thank you, Mr. Chairman.

The CHAIRMAN. You are quite welcome.

I will ask the reporter to place in the record at this point a statement showing the actual reductions in the various types of watches and movements as a result of the trade agreement with Switzerland.

(The document referred to is as follows:)

Concessions on import duties on watches and watch movements have been granted only in the trade agreement with Switzerland, which became effective on February 15, 1936. These concessions are summarized in table I.

TABLE I.—*Summary of concessions*

Commodity	United States rates of duty	
	Before agreement	After agreement
Watches and watch movements, and timekeeping devices, less than 1 77/100 inches wide:		
Without jewels or having only 1 jewel: More than 6/10, not more than 8/10 inch wide.	$1.35 each	75 cents each.
Having more than 1, not more than 17 jewels: [1]		
More than 1 1/2, less than 1 77/100 inches wide	$1.25 each	90 cents each.
More than 1 2/10 but not more than 1 1/2 inches wide	$1.40 each	Do.
More than 1 but not more than 1 2/10 inches wide	$1.55 each	Do.
More than 9/10 but not more than 1 inch wide	$1.75 each	$1.20 each.
More than 6/10 but not more than 8/10 inch wide	$2.25 each	$1.35 each.
6/10 inch or less wide	$2.50	$1.80 each.
Having more than 17 jewels	$10.75 each	$10.75 each.
Watchcases, gold or platinum	75 cents each plus 45 percent.	75 cents each plus 30 percent.
Watchcases of base metal	20 cents each plus 45 percent.	10 cents each plus 25 percent.
Watch assemblies, of 2 or more pieces	3 cents each piece	2 cents each piece.
Watch parts, not specifically provided for	65 percent	55 percent.
Jewels imported separately	10 percent	10 percent.

[1] Subject to additional duty for each jewel over 7.

TRADE AGREEMENTS AND THE WATCH INDUSTRY

SUMMARY

In the trade agreement with Switzerland, which became effective February 15, 1936, the United States reduced its duties on jeweled and nonjeweled watches from an average equivalent of 80 percent ad valorem, on the basis of the value of imports in preagreement years, to an average equivalent of 50 percent ad valorem on the same basis. (According to the United States Tariff Commission, the average equivalent ad valorem rate of duty on watches and watch movements imported in 1939 was 63 percent at the rates provided in the trade agreement, and if these imports had been subject to the 1930 rates, the average ad valorem equivalent would have been about 102 percent.)

For six full years following these reductions every unit in the domestic watch industry not only continued operation but enjoyed far better conditions than had been the case in the years prior to the reduction, in spite of the fact that imports increased. The better domestic demand which existed in those years was, in short, sufficient to permit both an expansion of imports and an expansion of domestic production. The general expansion of domestic production of watches during this period was fully as characteristic of the jeweled-watch segment of the industry as it was of the larger non-jeweled-watch industry. Employment, number of units sold, value of sales all averaged better between 1936 and 1941 than in 1935. American jeweled-watch production in 1941 exceeded all previous records. Details concerning these developments are presented in part I.

In June 1942 the domestic watch industry ceased all new production for civilian consumption and devoted itself exclusively to the production of watches and other time instruments required by the armed forces. Civilian production has not yet been resumed. During this period there has been a further expansion of imports of jeweled-watch movements from Switzerland. As a result, imported jeweled watches have been available in the domestic market during the war years when domestic jeweled and nonjeweled watches have been off the market. Domestic producers, particularly the domestic jeweled-watch manufacturers, now fear that as a result of the continuous and large imports there will be no backlog of demand waiting for them when they come back into the market and that they will, instead, be forced out of business by continued large imports.

It is not believed that there is any real basis for this fear. A great mass of evidence indicates, on the contrary, that the market is far from saturated and that demand will continue to be exceptionally strong. The evidence which supports these conclusions is presented in part II.

Finally, the watch industry seems to feel that the existence of the trade agreement with Switzerland and of the trade-agreements program generally will make it more unlikely and more difficult to obtain any restriction of imports which may be needed. The truth is that the trade agreement with Switzerland provides an ideal framework within which to approach the Swiss authorities, if it is found necessary to provide additional safeguards for the domestic industry. The solution of the long-standing problem of smuggling of watch movements from Switzerland to the United States, which was reached in conjunction with the trade-agreement negotiations in 1935, illustrates the advantages of handling special problems through trade agreements. The way in which any emergency connected with watch imports may be handled under the trade agreement is described in part III.

PART I

Imports of watches and watch movements into the United States have always come principally from Switzerland. The bulk of the movements contain more than one jewel but a substantial proportion has always consisted of movements containing seven jewels or fewer. These movements do not generally give long service and are usually sold in inexpensive cases below the price range of domestic jeweled watches. Hence they compete only indirectly with domestic jeweled products. As the seven-jewel wrist-watch imports are largely women's watches, while domestic nonjeweled wrist-watches are for men, the seven-jewel imports offer even less competition to the nonjeweled branch. Moreover, the imports include some traveling and boudoir clocks, so that only a part of the imports of "watches" with no more than seven jewels are for personal wear. The only imports which offer substantial direct competition to domestic jeweled watches are the imported watch movements containing more than seven jewels.

In 1935, the last year before the trade agreement became effective, the United States import statistics report a total of 1.2 million watch movements from Switzerland; in the next 5 years reported imports averaged 2.8 million units annually; in 1941, when prewar imports were at their peak, imports totaled 4.3 million movements. Hence the maximum reported prewar increase in imports was 3.1 million units, but of this increase 1,000,000 was accounted for by the increase in the less competitive watch movements containing no more than 7 jewels. Moreover, since smuggling had been considerable up to 1936 and was largely eliminated after that time, the real increase in imports was less than the increase in reported imports.

What happened in the interval to the domestic jeweled and nonjeweled industry? Contrary to the statements and implications of some witnesses, both segments of the industry prospered. Expanding consumer income in the United States simply improved the demand for watches to such an extent that the increase in imports reflected only a part of the total expansion of demand, leaving ample room for a similar expansion in sales of domestic watches. Employment, volume of sales, and value of sales improved greatly in both segments of the industry.

Jeweled-watch industry

Employment: In 1929 the domestic jeweled-watch industry employed 6,700 workers; in 1934 employment was around 4,000. In 1941, according to the testimony of a representative of labor in the industry, the jeweled-watch industry employed 8,700. Even assuming that employment had reached 6,000 by 1935, there was an increase in employment equal to nearly 50 percent between 1935 and 1941.

Volume and value of sales: In 1935 there were three companies producing complete jeweled watches in the United States—Elgin, Hamilton, and Waltham. None went out of business following conclusion of the trade agreement. The number of watch movements sold by them in 1935 was, according to their own testimony, 1,500,000. In the next 5 years under the trade agreement, sales of domestic jeweled watch movements increased by 90 percent, averaging 1,900,000 per year. In 1941, when imports were at their prewar peak, the industry claims that an aggregate of 2,680,000 domestically produced jeweled watches was sold. In other words, at the end of the period complained of the volume of sales of domestic jeweled watches was two and a half times what it had been in the last year during which they enjoyed the full protection of the rates of duty provided by the Tariff Act of 1930. 1941 production in the United States exceeded the previous production record, made in 1927, by 400,000 units and exceeded 1929 production by nearly 1,000,000 units.

It is reported that a survey of the watch industry made by Estabrook & Co., a broker-dealer and investment counselor of New York City (registered with the Securities and Exchange Commission) gives the following figures on value of sales for the three companies:

Name of company	1935	1941
Elgin	$7,057,000	$16,348,000
Hamilton	4,160,000	9,768,000
Waltham	4,405,000	7,331,000

It should be obvious from these facts that the domestic jeweled watch industry did not suffer any decline during the prewar years when the trade agreement with Switzerland was in effect.

Nonjeweled watch industry

Less claim has been made for injury in the nonjeweled watch segment of the domestic industry, and for good reason. Production of nonjeweled watches in 1935 was 8,600,000 units. Production data for 1941 are not available, but it has been stated by the industry that production of nonjeweled wrist watches increased by 25 percent in 1941 as compared with 1935. This percentage applied to all nonjeweled watches gives a total production of 10,750,000 units, which is less than the actual 1937 production figure of 11,900,000 units and is therefore in all probability an underestimate of actual 1941 production. In other words, while imports of watches containing seven jewels or less increased by about 1,000,000 units, domestic production of nonjeweled watches increased by at least twice as much. Furthermore, as has been mentioned, imports consisted largely of women's watches, while domestic production of nonjeweled watches is for men. Other imports in this class were in reality small clocks rather than watches. Finally, exports of nonjeweled watches increased from 335,000 units in 1935 to 462,000 units in 1941. To avoid all misunderstanding it should be stated that the above production figures do not include any clocks. The only place where instruments usually classed as clocks (traveling and boudoir clocks) appear in this survey is in the import figures, which therefore appear larger than actually the case as far as actual competition is concerned.

PART II

Since the outbreak of war imports of Swiss watches have been the only source of supply for the domestic market. In 1941, the last full year when the domestic industry was still in production, the total number of movements imported was 4.3 million. In 1942 imports totaled 5.3 million movements. In 1943, peak imports occurred, totaling nearly 8,000,000 movements. In 1944, 7,000,000 movements were imported, and 1945 imports to date indicate that the total for the year may be under 5,000,000. In other words, the rate of importation has already fallen by about 40 percent and current imports are not much in excess of the prewar quantities.

The following considerations indicate that these imports, though apparently large, do not represent anything like the total number of jeweled watch movements which the market could have absorbed or which the market will in all probability be capable of absorbing in the next few years:

1. Only about two-thirds of total imports during war years have really supplied the market for watches of the quality of most domestic jeweled watches, since a very large part of all domestic jeweled watches contain more than seven jewels, while one-third of the imports contain seven jewels or fewer.

2. A large proportion of the watch imports of the past few years have been sold for the use of servicemen. Estimates of the total so sold vary from a million and a half to two and a half million annually. A large part of these watches are for use in combat areas where they are subjected to very much harder use and greater hazards than normal. According to the War Production Board, a watch in the Southwest Pacific lasts about 3 months under battle-front conditions, and somewhat longer on the European fronts. It is therefore clear that, if income permits, demand will be heavy even among returning veterans who have recently bought one or more watches.

3. Watch prices have increased so much that the OPA has had to issue repeated ceiling price orders to prevent run-away prices, a sure indication that the market has not been saturated. Importers, who have been clamoring for more watch movements, acknowledge that price control has saved them from a price situation which would be likely to cause them future losses.

4. Price control has not checked a tremendous shift toward marketing of watches in expensive cases, often set with precious stones. Sears, Roebuck's current catalog lists, for example, only three models of women's wrist watches, priced at $150, $300, and $725, respectively. In the last Montgomery Ward catalog in which watches were carried (fall and winter, 1944–45) a total of 43 models of women's wrist watches was offered. Twenty were priced at $85 or more, and of these 20, 15 were priced at $185 or more. Of 31 models of men's watches listed, 14 were priced at $160 or more. It should be obvious that the expensive watches making up such a large part of these offerings went toward satisfaction of an abnormal wartime demand and did not satisfy any of the demand from the class of people who normally are the principal watch consumers—i. e., middle class purchasers with relatively fixed money incomes who are prepared to pay prewar prices—or a little better—for good watches, but who are not willing or able to enter the luxury market.

5. Watch sales have varied in the past in direct ratio to the size of consumer income after taxes. Consequently, we should expect to find that if demand for watches had been fully satisfied, sales of watches during the last few years would have increased at least in proportion to the increase in consumer income. But such is not the csae. A careful analysis indicates that sales of all jeweled watches

and nonjeweled wrist watches have fallen so far short of this level that there has been a deficit of approximately 28,000,000 in the war years. Even if all of this deficit is not eventually translated into purchases, it is estimated that if income after taxes should fall as low as $90,000,000,000 there will still be a current annual demand for some 13,000,000 watches.

These factors indicate that the domestic watch industry has ahead a period of unprecedented demand. This conclusion is borne out by the findings of the New York brokerage house whose report was quoted above; according to this survey.

"A spot check of retail outlets in New York and department stores in Chicago indicates that there are at least two full years of full capacity production ahead for domestic watch manufacturers."

PART III

The case of the domestic jeweled watch industry for restriction of imports of jeweled watches cannot be said to have been proved, in the light of all the evidence of past operation of the trade agreement with Switzerland. In the past, large imports accompanied large domestic production. In spite of this fact, there might be some cause for alarm if it were true, as claimed, that the existence of the trade agreement with Switzerland in some way prejudices the chances of obtaining any restriction of watch imports which may be needed in the period of readjustment to peacetime production. But there is, if possible, even less basis for such a claim than for the fear that restriction may be needed.

One of the outstanding advantages of the trade-agreements program is that it has constituted an occasion for the replacement of outdated treaties of commerce by modern conventions suited to present conditions and usually providing much more detailed procedure for consultation with regard to special problems.

Apart from this formal aspect of the matter, conclusion of trade agreements has signified a willingness on the part of both parties to deal with trade matters in a friendly cooperative spirit. Moreover, the prospect of a trade agreement containing specific liberalizations of treatment has given foreign countries a material reason for wishing to meet our general requests as far as possible in order to obtain the concrete benefits of trade concessions.

The way in which the smuggling of watches has suppressed on conjuction with conclusion of the trade agreement with Switzerland illustrates the advantages of having a trade agreement as a framework within which to work out solutions to special problems. In a declaration attached to this trade agreement, the Government of Switzerland undertook to require special export permits for the export of watches to the United States and to transmit to the American authorities copies of all such permits issued. Furthermore, it was agreed that special permanent marks would be placed on watches legally exported from Switzerland to designate the American importer for which they were intended. Together the two provisions have practically eliminated smuggling.

There is every reason to believe that a similar helpful attitude would be taken by Swiss authorities in the event that imports of watches and movements into the United States constituted a real threat of injury to domestic industry. The concession has been of great benefit to an important Swiss industry, and it would be clear to the Government of Switzerland that failure to cooperate would jeopardize all benefit under the reduced duties now in effect. For the present trade agreement with Switzerland has long since run its initial term, and it could now be terminated by the United States at any time on short notice. Switzerland would hardly wish to risk such a development. In effect, therefore, our bargaining position is improved by the existence of the trade agreement, and our interest should be clear. What we need in order to maintain our present strong position, and in order to be able to give any possibly needed assistance to the domestic watch industry, is not a denial of the trade-agreements program but a strong affirmation of our intention to continue the program. This course will hold out to Switzerland and all other countries the strongest possible incentive to cooperate with us wherever possible.

The CHAIRMAN. The next witness is Mr. Bilharz.

STATEMENT OF O. W. BILHARZ, MANAGER, BILHARZ MINING CO., BAXTER SPRINGS, KANS., AND PRESIDENT, TRI-STATE ZINC AND LEAD ORE PRODUCERS ASSOCIATION, PICHER, OKLA.

Mr. BILHARZ. My name is O. W. Bilharz. I am manager of the Bilharz Mining Co. with headquarters at Baxter Springs, Kans., and I am also president of the Tri-State Zinc and Lead Ore Producers Association with offices at Picher, Okla.

I am appearing here in opposition to the proposed extension and expansion of the Reciprocal Trade Agreements Act of 1934. The Tri-State Zinc and Lead Ore Producers Association represents approximately 80 percent of the zinc and lead production of the tri-State area, comprising adjoining areas in northeast Oklahoma, southeast Kansas, and southwest Missouri. The associaton is made up largely of small operators who operate one or more mines and concentrating mills. The tri-State district is the largest single producing area of strategic zinc and lead minerals in the Nation and has held this position continuously since the early 1870's. It always has represented the major percentage of the zinc production of this country, and in the present war period has contributed from 27 to 35 percent of the entire domestic production. From every indication, it will continue to be one of the important and essential mining areas postwar, if not handicapped by ill-advised legislation.

Estimated reserves: The tri-State area contains one of the largest zinc reserves in the country. During the decade before the present war, prices were subnormal with a consequent drain on the better grades of reserve ores. Unfortunately, there was little or no inducement for exploration and development during this period and the discouraging influence of the tariff cut in the Canadian agreement which was announced in 1938 emphasized this depressing picture. The demand for war needs which began to make itself felt before Pearl Harbor required full concentration in the production with no manpower available for development work. However, large tonnages of lower-grade ores are still available in the district and constitute an important part of our country's potential reserves.

The process of estimating ore reserves and the statements made in this connection are frequently misunderstood and misinterpreted. Reserves, for example, are added by exploration, by improved mining and metallurgical practices and equipment and in the process of the normal operations of a healthy and vigorous mining industry. From time to time during the life of the tri-State field, reputable mining engineers have made estimates of known reserves, yet these estimates have been exceeded over and over again, when improved mining and metallurgical and exploration practices have made it possible to mine ores of lower grade. If a study of the now available and possible ore reserves in the tri-State district could be made at this time by a governmental body such as the Bureau of Mines or other equally reputable mining engineers and geologists, their findings would still show large low-grade ore reserves that can be utilized in our national economy.

Postwar employment: With the Government making strenuous efforts to solve postwar problems and maintain employment, consideration should be given to those basic industries whose continued operation and employment of thousands of workers will be adversely affected by reduced tariff rates. The tri-State mining industry alone employs 6,000 workers. With their dependents and those in allied industries such as utilities, transportation, supplies, maintenance, and so forth, more than 100,000 persons are involved. In this area there are few industries. Agriculture is not a major factor and mining is by far the predominating activity. Therefore, adverse action affecting the major industry will drastically affect the entire community of 100,000 persons or more. It is inconceivable that further damage should threaten our industry which requires no reconversion and is ready to continue the employment of its wage earners and find a place for the returned veterans.

National security requires self-sufficiency: Zinc, being one of the strategic minerals, deserves special consideration. Our national security rests largely upon our self-sufficiency and the availability of our natural resources. If governmental action is unfavorable in the eyes of the industry, continuous and intensive operations may be interrupted, in which case the greater part of this strategic mineral reserve in the tri-State area will be lost to the Nation. Mines will suffer cave-ins and ground water will submerge mine workings. This is primarily due to the large areas of contiguous underground openings which are interconnected through numerous openings in adjacent properties. Once this area is allowed to flood, the possibilities of reclaiming it at some future date would be extremely remote, for this involves the problem of handling and treating a tremendous volume of polluted water at prohibitive cost and consuming an excessive amount of time. This point alone is of such importance that a healthy mining industry should be encouraged.

Adequate protection essential: Since the beginning of the war the zinc mining industry has seen great increases in production costs. In particular the cost of labor and mine supplies have substantially advanced. This to a degree has been recognized through the introduction of the premium price plan during an emergency which has demanded the utmost in production. Postwar conditions are likely to require the continuance of a large volume output which can only be furnished from this field by adequate protection.

Summary: To summarize, our views and recommendations follow:

1. The Tri-State mining area has been and still is the largest zinc producer in the United States. The large tonnages of low-grade ores in the district constitute an important part of the potential zinc reserves in the United States, provided the district is allowed to live.

2. Postwar employment is promised to the wage earners and returned veterans with no complicated reconversion problems involved.

3. National security demands self-sufficiency. Government action should provide every inducement for the continuous operations of the Tri-State field. Adverse legislation may result in shut-downs and serious loss of reserves.

4. We are whole-heartedly urging inclusion of the Bailey amendment. Mining of zinc requires planning ahead for years, extraordinary risks, and confidence in the future. If, after the problems of discovery and production are overcome, price structure and markets may be interfered with by uniform administrative action, zinc production in our district will practically cease. Protection to us from further downward revision will save our industry, protect our workers, our

country's future welfare and security. It will determine whether or not as to zinc, one of our most strategic metals, we shall be a "have" or a "have not" nation.

Thank you.

The CHAIRMAN. Are there any questions?

Senator TAFT. You are confident that a further reduction in zinc would put you out of business completely?

Mr. BILHARZ. Yes; I am, Senator. With lower prices and higher costs, and lower recovery values, it would absolutely ruin us.

Senator TAFT. Has there been an additional reduction in the Mexican treaty?

Mr. BILHARZ. Yes; in the Canadian treaty and the Mexican treaty. Mr. Gent brought that out in his testimony.

Senator TAFT. Is the Mexican reduction more than the Canadian?

Mr. BILHARZ. It is the Canadian, principally.

The CHAIRMAN. One of your principal problems is the matter of taxes, isn't it?

Mr. BILHARZ. Yes.

The CHAIRMAN. And you have been given fair treatment, you think, in view of the high rates that everybody has to bear?

Mr. BILHARZ. Yes; we have.

The CHAIRMAN. I thought we had gone a long ways to try to help your industry.

Mr. BILHARZ. That is perfectly true.

The CHAIRMAN. Thank you very much.

Mr. BILHARZ. You are entirely welcome.

The CHAIRMAN. The next witness is Mr. Rose, of the American Tariff League.

There are two or three other witnesses listed for today that we probably won't have time to get to. If any of the remaining witnesses wish to file a brief rather than come back here on Monday, they may do so. We will finish with this witness, Mr. Rose, today, and since we have to come back on Monday the other witnesses will have to wait until then, unless, as I say, if anyone wishes to note his appearance through the filing of a brief, he will be privileged to do that this afternoon.

Will you give your name to the reporter, Mr. Rose?

Mr. ROSE. My name is H. Wickliffe Rose.

The CHAIRMAN. You may proceed.

STATEMENT OF H. WICKLIFFE ROSE, WILMINGTON, DEL., REPRESENTING THE AMERICAN TARIFF LEAGUE

Mr. ROSE. I am employed by American Viscose Corp., Wilmington, Del. I am speaking on behalf of the American Tariff League.

In parts 11 and 12 of the unrevised print of the hearings in the Committee on Ways and Means, covering May 1 and 2, will be found the program for handling tariff proposed by the American Tariff League. In it is much testimony and information, including several studies and new information. The committee majority report failed to recognize some of the main points, misunderstood a few, and attempted to brush aside others. We urge you gentlemen to give serious consideration to our proposals, and we submit that if you rely on the summary of the majority report, you will not be aware of the constructive, broad, positive program which we advocate as a basis for legislation to replace the present Trade Agreements Act. A number of these points are to be found in the minority report.

On page 38 of the majority report, in the Analysis of Opposition Arguments, the first point made is,

It is urged, therefore, that we do nothing constructive at this time, but merely extend the present legislation for another year.

Such a statement completely overlooks the proposal which we offered and the reasons which we gave for urging it, namely, the necessity for us to provide a more flexible way of handling tariffs than the Trade Agreements Act, and the necessity of doing so at this time to meet changing conditions after the war. It overlooks the fact that those who advocate extension of the present act for another year do so not in approval of the principles in the act but as a practical expedient to allow time to provide the necessary improved legislation to replace it.

We will rely on your reading our record and will not take time here to repeat the information and argument. We do have some additional information, however, that bears directly on the question here, and which has not been offered before. It has to do with public opinion on the trade-agreements program.

In the analysis of The Record Before the Committee (p. 14 of the report) is the following:

Although a simple numerical count indicates more witnesses in opposition than those favoring the program, when account is taken of the interests represented by all the witnesses and the number of people for whom they spoke, the testimony is overwhelmingly in favor of the passage of the bill.

This statement completely overlooks the numerical value of opinion in opposition represented by entire industries, industry associations, and groups such as the National Association of Manufacturers, representing most of the industries in the country. It overlooks the fact that, while representatives of the American Farm Bureau and the National Farmers Union spoke in favor, yet many State branches of both wrote or wired disapproval; and representatives of the National Grange, dairy and poultry products, livestock, wool growers, vegetable, fruit, and nut growers, and specialty crops such as sugar producers, and the Commissioners of Agriculture of all the States, joined with industry in opposition to this bill. These agricultural groups combined represent the vast majority of all the agricultural producers of the United States.

The report cites the full membership of the Congress of Industrial Organizations, the Textile Workers Union, the General Federation of Women's Clubs, the National League of Women Voters, and the American Association of University Women as favoring the trade-agreements program. These figures are offered in the majority's summary as though all those people had been polled and were urging Congress to rush this bill through. That leads us to present what we consider to be the only public poll which has been taken on the issue in this bill.

The Marshall Field Foundation, Inc., of New York, by a grant, established, in association with the University of Denver, the National Opinion Research Center. That organization, within the past 2 years, conducted, and this year, in a report, has referred to a poll on public opinion as to definite questions on our foreign policy. I will read six of the questions and the percentage distribution of the replies.

In order to try out a union of nations as a possible way of preventing war, would you yourself be willing or not willing—

	Yes	No	No opinion
	Percent	Percent	Percent
A. To stay on a rationing system in this country for about 5 years to help feed the starving people in other countries?	82	14	4
B. For part of the American Army to remain overseas for several years after the war to help establish order?	75	19	6
C. To pay more taxes for a few years while the new union was being organized even if people in other countries could not afford to pay as much?	64	28	8
D. To consider most of the lend-lease materials as aid to the Allies and not expect any payment for them?	41	49	10
E. We give up our Army, Navy, and Air Force if all others would do the same?	41	55	4
F. And this is the one that has a bearing on this bill: To allow foreign goods to come into this country and compete with the things we grow or make here even if the prices were lower?	28	62	10

This poll is particularly significant. The State Department, other Government officials, and many proponents of this bill have beclouded the real issue by means of emotional appeals of peace and prosperity, and by accusing opponents of building up for World War III, and of being isolationists and selfish. This poll, financed by an interest that is generally known as a left-wing liberal, could hardly be preconceived to oppose this bill. The poll very clearly, and for the first time, so far as we know, sorts these various factors in our foreign policy and obtains an opinion on each separately.

The descending percentage of affirmative replies shows a great spirit of charity toward the distressed people of the world, a firm military policy to establish order, a firm business policy on business affairs, and only about one-quarter willing to sacrifice our home production and jobs for foreign imports. There is no overwhelming public opinion in favor of this bill on the real issue.

The other countries of the world are determined to protect their production, industries, and jobs and have expressed their intentions. Great Britain expressed it in the Atlantic Charter, where, as pointed out by Mr. John Foster Dulles and Mr. Churchill, in paragraph 4, in one sentence, Great Britain and the United States are in direct conflict on tariff policy.

The Latin-American countries expressed it at the Chapultepec Conference, where they insisted that they must maintain or increase tariffs to protect their new rising industries. Since then Brazil, as only one example, raised the duty on a number of textiles 105 percent. Obviously they are getting into a trading position, so that if they are forced to cut 50 percent they will still have at least their former rate.

When we realize that we will have what Mr. Clayton called a "lopsided economy" after the war, and that he and other proponents of this bill advocate maintaining our economy in a lopsided condition, that is, with a vast overproduction of machinery and other capital goods, we see how unrealistic our national policy is becoming. Mr. Clayton denied that he is a free trader, but he is generally considered to be so, and the other cotton shippers, like other export groups, have been using all the influence in their power for free trade.

Karl Marx favored free trade, also. In a speech before the Democratic Association of Brussels, January 9, 1848, he stated in part:

Generally speaking, the protective system in these days is conservative, while the free-trade system works destructively. It breaks up old nationalities and carries antagonism of proletariat and burgeois to the uttermost point. In a word, the free-trade system hastens the social revolution. In this revolutionary sense alone, gentlemen, I am in favor of free trade.

He could not have stated the case clearer, and it is well to bear in mind the true value of this factor in the conduct of our own social revolution. There are a number of current warnings of where such policies are taking us, as in The Road to Serfdom by F. A. Hayek. The danger lies in our failure to recognize the road or the signs. Still greater danger lies in the misinterpretation of our public opinion and the assumption that a past national election is a referendum on each bill that comes before Congress.

As to this bill, we must keep the real issues in mind:

1. Should rates of duty be established by the State Department in secret political trading, or should they be established by a strong, independent, tariff commission, with a time allowed for review by Congress before their proclamation?

2. Should this country continue its rapid progress toward free trade as a national policy, or should tariffs be established and maintained on an equitable basis for the protection of our economic system and domestic strength?

I should like to state at this point that we consider an equitable tariff to be one which permits a competitive manufacturer to sell on at least an equal basis with the product produced abroad.

We are agreed on the other major points. We all want expanding foreign and domestic trade. We all want prosperity and a just and durable peace for all nations. We can approach those goals by keeping our domestic productoin diversified and busy. Only through strength in our own economy can the United States take a constructive part in world affairs.

Mr. Chairman, I have a further mimeographed analysis of the poll and I would like to insert it as a part of the record, with your permission. It gives more information on how the poll was conducted, which might be of interest to anyone analyzing the results of the poll.

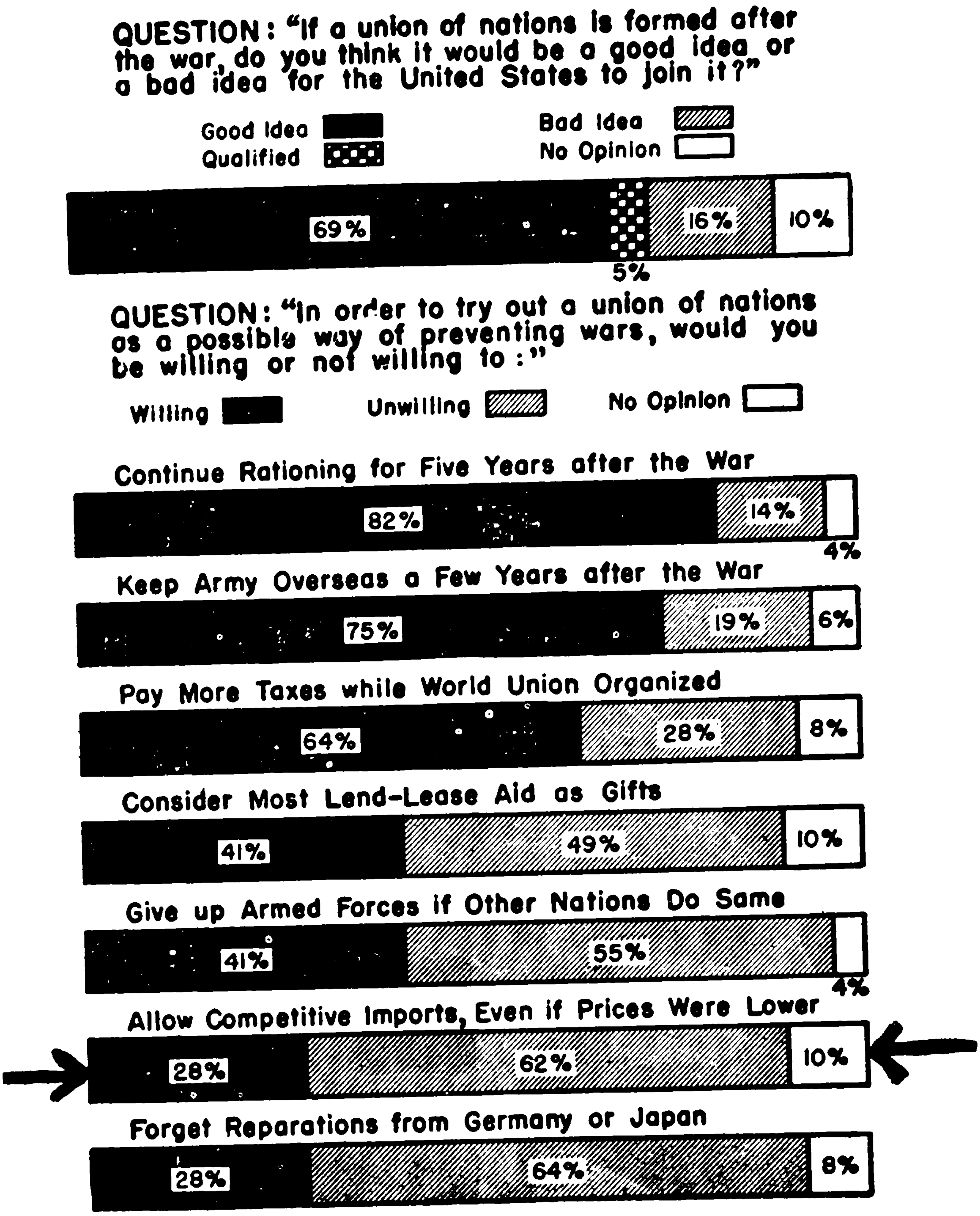
The CHAIRMAN. Is it a very lengthy document?

Mr. ROSE. No, sir; it is an extract of the whole poll. The whole poll is about a 44-page document, but this is a 6-page extract.

The CHAIRMAN. It may be inserted. We just don't want to build up the record to an unusual size.

(The document referred to is as follows:)

ATTITUDE TOWARD WORLD UNION AND POSSIBLE SACRIFICES



National Opinion Research Center, Univ. of Denver.
Report No. 8.

Public Opinion Surveys

WHAT THE PUBLIC THINKS OF COMPETITION IN THE AMERICAN MARKET WITH IMPORTS OF FOREIGN GOODS

In Report No. 19, issued by the National Opinion Research Center during recent months under the title, "The Public Looks at World Organization," an answer is given to the question:

"In order to try out a union of nations as a possible way of preventing wars, would you yourself be willing or not willing—

"To allow foreign goods to come into this country and compete with the things we grow or make here—even if the prices were lower?"

The results of the survey showed:

	Percent
The number willing	28
The number not willing	62
The number with no opinion	10
Total	100

In a summary, this report by the National Opinion Research Center calls attention to the fact that "about 7 out of 10 favor an international police force and the same proportion think countries should get together in a union of nations to decide the size of their armies, navies, and air forces. Almost 9 out of 10 are convinced that the United States will need to maintain larger armaments after the war than she did before. More than 7 out of 10, however, would deny the right of unrestricted armament to all countries."

"The problems of world trade are more controversial. While 73 percent of the public agree that problems of trade between countries may often contribute to war, 65 percent advocate in principle the regulation of international trade by a world union, and 57 favored the United States joining a union of nations with that understanding. When the problem is put squarely in terms of United States production and protective tariffs, only a minority (28 percent) believe this country should sacrifice certain economic interests even for the sake of a world union."

WHAT IS THE NATIONAL OPINION RESEARCH CENTER?

The public is probably generally familiar with a number of public-opinion polls, such as the Gallup poll at Princeton and the Roper poll, which is associated with Fortune magazine and other publications, but they may be less familiar with the National Opinion Research Center, which was established several years ago by a grant from the Marshall Field Foundation, Inc., of New York City, in association with the University of Denver. However, this research center has for a number of years conducted Nation-wide surveys on all problems of current interest and has published the results in regular bulletins and special reports. Many of these are regularly reviewed in the daily press and elsewhere. These surveys, however, are in such detail that it frequently happens that special surveys on individual topics seldom reach the public through the daily press. It is important, therefore, that an examination be made of pertinent surveys recently reported which have a direct bearing on the problem of American foreign trade and tariffs.

In their official reports the National Opinion Research Center sets forth exactly the size of cross sections of population used as a sample and the method of conducting the surveys. They cite the statistical table copyrighted by the president and fellows of Harvard College as the number of interviews necessary to be within 3 percent correct on questions that divide evenly in a national survey. The number of interviews used by the survey was sufficient (at least theoretically) to satisfy all requirements 997 times in 1,000. Trained interviewers were used.

RESULTS SECURED IN SPECIAL SURVEY

The particular survey to which reference is made in special Report No. 19, circulated during January of this year, submitted the following two statements and seven detailed questions, with results indicated below:

"People who think they've found out why the League of Nations failed are now preparing for a new union of nations, if we win the war. Nobody can say for sure whether a new union would end all wars or only lead to worse ones.

"In order to try out a union of nations as a possible way of preventing wars, would you yourself be willing or not willing * * *.

	Willing	Not willing	No opinion
	Percent	*Percent*	*Percent*
(*a*) To stay on a rationing system in this country for about 5 years to help feed the starving people in other countries?	82	14	[1] 4
(*b*) For part of the American Army to remain overseas for several years after the war to help establish order?	75	19	6
(*c*) To pay more taxes for a few years while the new union was being organized, even if people in other countries couldn't afford to pay as much?	64	28	8
(*d*) To consider most of the lend-lease materials as aid to the Allies and not expect any payment for them?	41	49	10
(*e*) To give up our Army, Navy, and Air Force, if all other nations would do the same?	41	55	4
(*f*) To allow foreign goods to come into this country and compete with the things we grow or make here—even if the prices were lower?	28	62	10
(*g*) To forget reparations; that is, not try to collect any money from Germany or Japan to pay for what the war has cost us and our allies?	28	64	8

[1] 4 percent equals 100.

The point of outstanding significance is that while 82 percent of a cross section would be willing to continue a rationing system for as much as 5 years to help feed the starving people in other countries and 75 percent would be willing for part of the American Army to remain overseas for several years to help establish order and 64 percent would be willing to pay more taxes for a few years while the new union is being organized, when we get down to item (*f*) we find that only 28 percent would be willing to allow foreign goods to come into this country and compete with the things we grow or make here—even if the prices were lower.

On the other hand, 62 percent specifically indicated that they would not be willing to meet these foreign goods in competition in our market "with the things we grow or make here," while 10 percent did not express any opinion on the subject.

DISTRIBUTION OF SAMPLE, BY GEOGRAPHIC AREAS, AGE, SEX, ECONOMIC STATUS, EDUCATION, ETC.

Any public-opinion poll is immediately challenged unless the confidential records show conclusively that a true or accurate sample has been selected covering all geographical areas of the Nation, with a proper proportion selected from large cities, medium-sized cities, small places, and farms and further grouped in the proper prooprtion as to age, sex, economic status, education, etc. The official report of National Opinion Research Center with reference to this particular survey shows that the cross section of persons interviewed was properly apportioned as between the different geographical sections of the country and as between urban and rural areas. It also shows a proper distribution as between different age groups and sex groups as well as the other classifications usually recognized. In order to satisfy the most critical student of this subject, the attached table is presented showing the proportion willing to make the sacrifices suggested—as a percentage of the total in every group interviewed who had a definite opinion one way or another. In other words, here we find an analysis by geographic areas, by age, by sex, etc., for each of the questions covered in the survey. The details need not be discussed further than to refer to the table, since there are no important deviations by areas or by other classifications.

Attached hereto will be found a chart which presents a visual view of the proportion willing to make the sacrifices suggested, the proportion unwilling to make these sacrifices, and the number with no opinion for each of the seven questions presented.

GENERAL CONCLUSION

There is only one general conclusion which can be drawn from this survey, which is the only comprehensive one which seems to have been made on this particular subject. That conclusion is that while the people of the United States are overwhelmingly in favor of world peace and world prosperity and overwhelmingly in favor of some kind of league of nations and overwhelmingly in favor of participation by the United States, and while the people of this country are likewise overwhelmingly willing to make many important sacrifices in order to bring these objectives into effective operation, they are too well informed and intelligent and objective in their thinking to agree to any proposal which would involve the possible break-down of the American market, American price structure, American wage level, and American living standards by opening the gates of this country to widespread competition with the products of other countries "with the things we grow or make in this country."

Attitude toward world union and possible sacrifices—Comparative table of sacrifices, percent willing (excluding "no opinion")

	Continued rationing	Army remain abroad	More taxes	Lend-lease gift	Disarmament	Tariff change	No reparations
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Total	85	80	69	46	43	30	30
By sex:							
Men	81	84	70	45	39	31	30
Women	89	77	69	47	47	32	31
By age:							
21 to 40	85	79	69	45	38	29	32
Over 40	85	82	69	47	46	30	28
By economic level:							
Upper	83	80	74	57	46	36	37
Middle	85	80	67	44	41	29	28
Lower	87	77	70	43	44	29	26
By education:							
Some or completed college	86	87	74	57	45	43	44
Some or complete high school	85	79	68	44	38	26	28
Grammar school graduate or less	84	78	68	41	47	30	24
By section:							
New England and Atlantic	82	77	68	46	38	32	33
Midwest	85	77	65	39	43	32	29
Pacific and Mountain States	86	85	73	46	42	38	30
South	88	85	75	54	44	29	29
By size of place:							
Metropolitan districts:							
Over 1,000,000	84	75	68	47	31	33	34
50,000 to 1,000,000	83	83	69	45	38	29	29
Small towns and rural nonfarm	86	81	72	46	43	28	28
Farms	87	81	68	45	53	33	27
By occupation:							
Professional, business, and white-collar workers	84	83	73	52	40	32	34
Manual workers	84	77	67	38	39	28	26
Service workers	87	76	66	44	45	30	26
Farmers	87	81	68	45	53	33	27

Source: Page 30, National Opinion Research Center, University of Denver, Rept. No. 8.

The CHAIRMAN. Are there any questions by any member of the committee?

Senator BUTLER. I have just a few questions, Mr. Chairman.

The CHAIRMAN. All right, Senator.

Senator BUTLER. I have asked questions of a number of witnesses, to compare our export trade in years before the trade agreements went into effect with the years following, and of this witness, representing the American Tariff League, I have a question somewhat similar to that.

I would like to get your idea as to what appears to me to be a fact—that our exports to countries with whom we made trade agreements have advanced only about the same as with countries with whom we have made no trade agreements. Do you have any explanation as to that?

Mr. ROSE. I believe that that is a very pertinent question to this whole bill, because the proponents, starting with the President's statement of March 26, and Mr. Clayton's statement before the House Ways and Means Committee, and various public statements from the State Department and other public officials in the press, have quoted certain figures showing how much trade increased, exports and imports, with trade-agreement countries, as compared with nonagreement countries.

They show that our exports increased 63 percent with the agreement countries, while they only increased 32 percent with nonagreement countries; and the imports from agreement countries increased 22 percent, while with nonagreement countries, only 12 percent.

In our presentation before the House Ways and Means Committee we analyzed those figures and showed that they were misleading—that the accumulation of those statistics had been done in such a way as to present a false picture, and it is pertinent that they be straightened out.

We attempted to do it in the House, but we have heard speeches by officials of the Government since which showed that evidently our correction of the use of the statistics had had little effect so far.

The CHAIRMAN. It didn't convince them?

Mr. ROSE. No, sir.

The CHAIRMAN. It wasn't convincing?

Mr. ROSE. That is right, so far as they were concerned.

But here, in brief, is what is wrong with the figures: In order to show a favorable increase in trade with the agreement countries, they have omitted those countries with whom we had agreements but which agreements had not been in effect for the whole period being compared. So those countries were left out. But, on the other hand, they included with the nonagreement countries all those countries which had been at war ever since 1931, when Japan originally invaded Manchuria.

Now everyone knows that the foreign trade with the warring countries was not normal, and therefore it is not a fair comparison to include with the nonagreement countries those countries at war.

If we make a recomparison and permit them to eliminate those countries with whom we had agreements, such as Great Britain, one of the main countries, but which agreement came late in the period prior to the war, and allow those to be omitted, as they do, but then omit the countries which were at war—that is, Germany, Italy, Spain, Japan, China, and Kwantung, which had been invaded—then we find that the figures come out like this:

The exports for the period 1938–39 increased 62.8 percent to the agreement countries, which is the figure used by the State Department; but to the nonagreement countries, leaving out those at war, the figure was 57.3 percent, which is almost identical with that for the agreement countries.

Now to take the import figures, the same group and the same years—the agreement countries were 21.6 percent, and the nonagreement countries were 24 percent. In other words, there was a greater increase of imports from the nonagreement countries, on that basis, than there was from the agreement countries, but only a few percent; they are substantially the same.

Now the main point that anyone analyzing these figures objectively should bear in mind is that that is what one should expect, and it is a paradox for the State Department to say, on the one hand, that our business increased more with the agreement countries than with the nonagreement countries; and, on the other hand, to say that under our most-favored-nation clause we treat them all alike in our foreign trade.

We should expect, since we do treat them all alike, that the increase in the trade would be equal between agreement and nonagreement countries.

Senator BUTLER. I have another question somewhat similar to that. The facts and figures which you have presented seem to show that there is a considerable difference, a greater increase in the value of exports than in the value of imports. The administration seems to claim that this is due to foreign concessions granted to the United States.

Mr. ROSE. I believe that there are some hidden factors in that difference which have no relation whatever to trade agreements or foreign concessions made under those agreements, which, as you say, they give as the reason for it. But while the export figures show as being greater than the import figures, that overlooks the fact that during that period prior to the war we were importing a tremendous quantity of gold.

Only yesterday afternoon I was talking with a director of the Bank of England who said that to a layman it seemed absolutely ridiculous for them to dig up gold in South Africa and transport it over to America only for us to bury it again in the ground at Fort Knox.

But nevertheless, that gold was being imported and it doesn't show as an import commodity, but it was established here as a credit for the foreign interest to buy export goods, and that factor doesn't enter into the export-import figures at all.

Senator BUTLER. Another question. Practically all of those who advocate the Administration program have tried to make it appear that a very considerable increase in the value of exports results from the passage of the Trade Agreements Act of 1934. Have you a brief explanation that you could make on that?

Mr. ROSE. As a matter of fact, one of the essential factors in export-import figures, which does not appear in the regular figures on value, is the physical volume. During Mr. Clayton's testimony he said more than once that it was the dollars that counted. He was asked about physical volume and he replied that physical volume was of little value. But it is a fact that during the period between 1930 and the war, our imports in physical volume increased greater than our exports did, whereas the value showed a greater export increase.

Now I would like to emphasize the importance of the physical volume, because all of us engaged in production are working on physical volume, and it is only as a result of that that dollars appear in our pay envelopes—and since employment is part of the whole consideration here, it is important to realize that the physical volume of our imports before the war climbed back to the peak year of the 1920's, whereas the physical volume of our exports did not.

Senator BUTLER. It is also frequently said that the United States has lagged behind the rest of the world in the development of our foreign trade. Have you any explanation of that? That is one of their common remarks.

Mr. ROSE. It is frequently held up to us that Great Britain is the great foreign trading country of the world, but that is a misapprehension; it is just not so. During the 1920's, which we recall as an era of prosperity, our export and import dollar volume combined was about $10,000,000,000, and that was twice anything that Great Britain did, and yet to get the figures that Great Britain had they show export and import figures between all parts of the Empire, which is quite equivalent to our trade between the Philippines, Puerto Rico, Alaska, and the United States, and Cuba which has some preferential treatment. But all of the trade between segments of the Empire, still reported out as foreign trade, showed only a portion of our total export-import trade during the 1920's.

The CHAIRMAN. But our production is very much greater than that of Great Britain, isn't it?

Mr. ROSE. Sir?

The CHAIRMAN. How about the production of the United States as compared to that of Great Britain?

Mr. ROSE. Certainly ours is greater. It is no more than we would expect when we examine it objectively, Mr. Chairman, but constantly, people interested in foreign trade, and particularly the proponents of this bill who want to increase our foreign trade out of all proportion to the economy in this country, hold up Great Britain as the foreign trading nation of the world, and tell us to go out and do likewise, to try to build up as big a foreign trade as Great Britain. We have had a bigger foreign trade than Great Britain.

The CHAIRMAN. Yes but our production is very much greater than theirs.

Mr. ROSE. That is right.

The CHAIRMAN. Unless you compare them, and look at the two, you don't get the true picture, as I see it.

Mr. ROSE. One of the fallacies that can come out of the arguments by the proponents of this bill, however, is that they are advocating that we export, after this war, at least twice what we did in our peak years before the war, and three times that of the normal year before the war. If we are known to be the greatest foreign trading nation in the world already, where can that great exaggerated figure go?

The CHAIRMAN. Some people may entertain that sort of a hope.

Mr. ROSE. Mr. Clayton does, because that was the theme of his testimony, and I think it is in his hands——

The CHAIRMAN (interposing). I think you misunderstood Mr. Clayton's testimony as he delivered it before this committee. He didn't commit himself to that. He said it might go that high. In other words, he was simply striving for a high level of foreign trade.

Mr. ROSE. Well, we all want increased foreign trade. The members of the American Tariff League do importing, and they also do exporting, but they produce, in addition, for the domestic market, and in greater proportion than they export and import.

The CHAIRMAN. Certainly.

Mr. ROSE. But before the House Ways and Means Committee Mr. Clayton stated definitely that we should have an export total value of from ten to twenty billion dollars after the war. He didn't go under ten billion at any point, and at some points the figure got above that.

The CHAIRMAN. He was expressing a hope, just like lots of other people express hopes about some arbitrarily high figure of employment—it is a goal that is hoped for.

Mr. ROSE. Now the danger in that, Mr. Chairman, is that officials of the Government are holding out that impossible goal to private enterprise and domestic production, to employ an impossible number of people, to create an impossible goal of national income, to support an impossible surplus—and with the other hand, threaten that the Government will have to take over if private enterprise fails of that goal.

The CHAIRMAN. In the last analysis—I don't care how much speculation people indulge in when they are in a hopeful frame of mind about these things; we are all hopeful for them—but in the last analysis do you see how this country, or any other country, can import any more than it can use, than its economy can absorb, of imports? Isn't the final limitation on imports the capacity of your economy without hurt to that economy, to absorb it, to absorb such imports?

Mr. ROSE. That is right, and I can say, Mr. Chairman——

The CHAIRMAN (interposing). Now I hope that our trade level may go pretty high; I suppose that everybody hopes that.

Mr. ROSE. Yes. We seem to be in unanimous agreement in wanting increased foreign trade, as well as increased domestic production and increased domestic employment.

The CHAIRMAN. We are not likely to get it unless we do something about it.

Mr. ROSE. No; and that is why the American Tariff League has proposed a concrete program to enable tariffs to be handled on a broader and more flexible basis than is possible under the Trade Agreements Act. The Trade Agreements Act is actually restrictive to the handling of the subject of tariffs.

The CHAIRMAN. Well, men differ about what remedies to apply.

Mr. ROSE. I have heard some differences expressed, yes.

The CHAIRMAN. There is no need to quarrel with anybody about what he hopes.

Senator BUTLER. I have one more question, Mr. Chairman, and then I will be through.

The CHAIRMAN. All right, Senator Butler.

Senator BUTLER. We have heard from proponents quite frequently the implication, if not definite statement, to the effect of the trade barriers that we have here. I have been struck by a remark made by a number of the witnesses as to countries with whom we expect to make deals having already advanced their tariffs. What can you say with reference to trade barriers on the part of other nations than our own? There may be a few here but there are also some there, aren't there?

Mr. ROSE. Our tariffs as a whole are far from being the highest in the world. The implication and the actual statement and story given by proponents of the bill over a great many months past, is that our tariffs are high and that we have set a horrible example for the world, and that it cannot all be straightened out until we lead the way to reduce them. But we made a careful original and new study on that subject, copies of which have been given to all members of this committee, and which was presented at the House Ways and Means Committee, to find out how high our tariffs are, and we found that in the 60 principal trading nations of the world, we ranked about fifteenth from the bottom. All the rest had higher tariff barriers than the United States. Now that is as to rates of duty.

We all know that there are many types of barriers besides rates of duty, and a great many different countries have different ways of establishing those barriers, including the manipulation of exchange, and restrictions in administrative provisions for handling trade, and by quotas and actual complete barriers on products, or limitation of quantities of exports by bilateral agreements, or Government barter between countries which control the trade rather than regulation of the trade through a tariff.

The point that I have just quoted in this prepared statement about Brazil, following the Chapultapec Conference, raising their tariff, I think is very pertinent because that is a live international factor of our relations today, and it isn't theory. The Latin American nations opposed us in a solid bloc at Mexico City on this trade-agreements program, and that is why we came out with a statement in the act of Chapultapec where they agreed that some day, when they got around to it they would be glad to sit down and consider the possibility of lowering their tariffs, but meanwhile, they said, the United States will ship us the machinery for textiles, for instance, which is a very live subject now with such countries as Brazil. They said, "We are counting on you"—and they were talking to Mr. Clayton and his associates at Mexico City when they said in this conference on trade—"We are counting on you, the United States, to ship us the machinery to build up our new industries, and we must have protective tariffs to run those industries after we get them built up."

And that is no more than we should expect. We can't expect to trade a new rising country, which is just industrializing, out of its ability to rise as an industrial nation just because a hundred years ago we went through the same process in this country, and have already arrived there.

The CHAIRMAN. Well, you don't take issue, do you, on this point, that the most effective way to beat down unreasonable barriers and restrictions raised against us by foreign countries is a reciprocal arrangement—I am not talking about this one, I am talking about the principle—rather than by the old method of simply announcing our tariff and telling the balance of the world to go hand, "this is what we are going to charge you here"?

Mr. ROSE. We believe there should be trade agreements and trade treaties, and we urge——

The CHAIRMAN (interposing). And you do believe in the reciprocal principle, do you not?

Mr. ROSE. We believe in the reciprocal principle, but also——

The CHAIRMAN (interposing). I understand.

Mr. ROSE (continuing). But also that there probably will be after this war the necessity for bilateral reciprocal agreements which our State Department has brushed aside as definitely not a part of its policy.

The CHAIRMAN. In other words, you disagree on the universal, general application of the most-favored-nation principle?

Mr. ROSE. No; I believe in one standard of tariff rates, but I think that during the critical years after this war there will be situations where we can help ourselves and assist other nations by arranging an exchange of large quantities of goods in certain fields during the transition period, not as a normal trade for the future.

Senator TAFT. That could perhaps be subject to the approval of the Economic and Social Council of the United Nations organizations?

Mr. ROSE. That is right. We are trying to set up an Economic Division of the United Nations and we would consider that to be a normal function of that Diviison.

Senator TAFT. I want to ask one question. Of course one way to get concessions from other countries is to lower our tariffs—another might be to raise them. In other words, if we take the position that the only way to get Brazil to reduce its tariffs is for us to lower ours, we certainly put ourselves at a disadvantage, because all they have to do is to raise theirs as they did recently, and then we have to make a concession to get them down again, and they they raise another one and we have to make another concession.

It seems to me that if somebody raises their tariffs on us we ought to raise our tariffs on them. In other words, we don't lack bargaining power today. We don't have to renew the 50-percent reduction unless we want to, with any country.

Mr. ROSE. That is right.

Senator TAFT. So it isn't true that by reducing the additional 50 percent we deprive the State Department of the bargaining power. They can raise the tariffs again to where they were. These agreements run out every 3 years.

Mr. ROSE. That is exactly what the foreign countries are doing to get them in a bargaining position against us. We are the only ones who have announced to the world what our ultimate price is, and so they are in the trading position, not we. We have told them what we will take for our market. But they are definitely in a better trading position, by doing just that, by——

The CHAIRMAN (interposing). We wouldn't be helpless, you don't think, the Trade Agreements Act wouldn't render us impotent to protect ourselves against that if that practice did develop to any hurtful extent? In other words, we still have our powers left under the general Tariff Act?

Mr. ROSE. Yes; Congress has the power to——

The CHAIRMAN (interposing). I know, but the trade agreements do not nullify all the protective measures.

Mr. ROSE. No; but under the trade agreements, as we all know, Mr. Chairman, there is power to raise tariffs as well as lower them, but we also know that it is the definite policy of the State Department, in executing that act, not to raise any tariffs. They have reiterated a policy of only lowering them.

The CHAIRMAN. They have raised tariffs, haven't they?

Mr. ROSE. No, sir; not once. Not one item has been raised.

The CHAIRMAN. What about——

Mr. ROSE (interposing). Not under the Trade Agreements Act.

The CHAIRMAN. Well, they did it by negotiating a supplemental treaty with Canada in the case of fox furs of certain descriptions. I think if you will look at it you will find that that is true.

Mr. ROSE. That was an application of the so-called escape clause where——

The CHAIRMAN (interposing). Well, they really negotiated a supplemental treaty?

Mr. ROSE. Right.

Senator TAFT. It didn't raise the rates, however, it imposed a quota.

Mr. ROSE. That is right. It was an application of the socalled escape clause, but not a real use of the power in the Trade Agreements Act to raise the rate of duty.

The CHAIRMAN. Well, they couldn't raise the rate of duty of course without abrogating the whole treaty, and perhaps we didn't want to do that.

Mr. ROSE. That is why we contend——

The CHAIRMAN (interposing). But there was a supplemental agreement which did, in effect, increase those rates?

Mr. ROSE. Yes, sir.

Senator BUTLER. Where would we be in the case of a nation like Brazil, which advanced a tariff in order to get itself into a trading position, if we used the power that the chairman says we have—where would we be with reference to the favored-nation clause?

The CHAIRMAN. Well, the favored-nation clause does not prevent us from imposing quotas or taking any other necessary steps against dumping, or things of that kind, as I see it.

Mr. ROSE. That is right.

The CHAIRMAN. Are there any other questions of Mr. Rose? Thank you very much, Mr. Rose.

Mr. ROSE. Thank you, Mr. Chairman.

The CHAIRMAN. Now the other witnesses on the list who have not been reached, and who do not wish to merely file a brief for the record, will have to return on Monday. We will not have a session tomorrow. There is so much work in our offices that it is out of the question for us to work on Saturday.

Mr. MICHAEL FLYNN. Mr. Cook is listed as a witness for tomorrow, and instead of waiting over until Monday, he would like the privilege of filing his brief at this time.

The CHAIRMAN. You may do so, Mr. Cook.

Mr. COOK. I wish to state that I am appearing here in behalf of the American Flint Glass Workers Union of North America, whose membership depends upon their employment in the American glass tableware industry.

The CHAIRMAN. And you were listed for tomorrow?

Mr. COOK. Yes, sir.

The CHAIRMAN. You may file your statement with the Committee for inclusion in the record. Thank you, Mr. Cook.

(The statement referred to is as follows:)

STATEMENT OF HARRY H. COOK, INTERNATIONAL PRESIDENT, AMERICAN FLINT GLASS WORKERS UNION OF NORTH AMERICA, AFFILIATED WITH THE AMERICAN FEDERATION OF LABOR, BEFORE THE SENATE FINANCE COMMITTEE

Mr. Chairman and members of the committee, those demanding the continuance in their hands of the power to destroy American industries, to transfer the jobs of America's workers to workers in other countries, especially the jobs of those workers in industries where labor costs represent a high percentage of the total costs, seemingly act Hitler-like in that the more often they repeat a statement, irrespective of its accuracy, the more people will believe it.

Secretary Clayton represented to your committee, I quote, "No single American industry can show that it has been seriously injured."

Speaking for and on behalf of the officers and members of the American Flint Glass Workers Union, affiliated with the American Federation of Labor, I want this committee to know that that statement is wholly untrue. Further the State Department has admitted, by its own actions in canceling or suspending the trade agreement with Czechoslovakia, its knowledge that such a statement is wholly untrue.

In addition, the Ways and Means Committee recommended and the House of Representatives, in adopting the pending legislation with the proviso that the Czechoslovakia trade agreement could not be reinstated, bore witness to the falsity of the statement that "no single American industry can show that it has been seriously injured."

The Czechoslovakian trade agreement was the only trade agreement entered into with a foreign country, which country was overrun by the Nazis, which trade agreement has been suspended or canceled.

The State Department has made trade agreements with France, with Belgium, with Holland, with Finland, which countries have been overrun and occupied by the Nazis. None of these trade agreements were canceled or suspended. Why?

The only trade agreement affected by the unusual action of the Ways and Means Committee, and, by the action of the House of Representatives, was the trade agreement we had entered into with Czechoslovakia.

In view of these undisputable facts, so well known to those in the State Department actually in charge of trade agreements, we feel that the members of this committee, and, of the Senate are warranted in most carefully weighing the value of unsupported assertions presented by those who, solely through this unusual power placed in their control, become, for the moment, important in our economic life.

Of course, members of this committee may have noted, from answers you may have received from Secretary Clayton that he may not be aware of the actual facts or the real history of the trade agreements.

When questioned by members of the Ways and Means Committee I noted that he invariably stated that he did not know because he had only been in the Department for a period of a few months.

We state to your committee, without the slightest hesitancy, that the concessions made by the State Department officials in the trade agreement we entered into with Czechoslovakia seriously injured our industry and transferred the jobs of hundreds of our workers to the lower paid workers of Czechoslovakia.

The United States Tariff Commission, in its report to the Senate, April 1945, pages 2–59, states, referring to hand-made glassware:

> Methods of production are much the same in the several producing countries and the high proportion of hand work required gives competitive advantage to countries with low wage levels

The same report, same page, also states that imports of hand-made glassware represented 15 to 30 percent of United States consumption value, and, that imports in 1939 represented 25 percent of the United States consumption of hand-made glassware for that year.

Further, the United States Tariff Commission, in this same report, same page, states:

> Because of the increase in United States demand and the decline in imports, domestic production—jobs—increased in value from less than $12,000,000 in 1939 to more than $19,000,000 in 1941, the latest available estimate. This was possible without expansion of the capacity of the industry because much of the existing capacity was not previously in use.

Is it fair to say that from 15 to 30 percent of the American market represents what Secretary Clayton often refers to as negligible imports?

It is evident to us that if this legislation is extended that in some other trade agreement, either with Czechoslovakia or some other glass producing country, our industry and our jobs will be faced with a reduction of tariff rates which will leave us with tariff protection of not more than 30 percent to offset what the Tariff Commission reported to the Senate of the United States "the competitive advantage to countries with lower wage levels."

Mr. Chairman and members of the committee, Secretary Clayton has placed the Congress, and, the American people, on notice of what he intends to do not with some certain industries, but, with all American industries, the products of which compete in the American market with products of other countries, if and when you delegate to him the power which this legislation will confer upon him.

I did not personally hear Secretary Clayton's presentation to this committee. However, I have a copy of the statement handed out and I wish to quote two paragraphs which prove what I said.

On page 3 of his statement I note he said:

> No one familiar with the exorbitant rates in the Smoot-Hawley bill, many of them running over 100 percent, can deny that tariff adjustment, selectively and carefully made, is called for.

Then, he added:

> At the time the Trade Agreements Act went into effect, 11 years ago, the average rate of duty on dutiable imports under the Smoot-Hawley bill was about 50 percent.

Secretary Clayton has publicly stated to the Congress that he believes that average tariff rates of 27 or 28 or 30 percent are fairly high.

In a response to a question of Congressman Simpson, Secretary Clayton, when he appeared before the Ways and Means Committee, stated, as shown on page 341:

> if we fail to adopt the tariff policy which this bill embodies, we cannot expect to receive the returns that will be due us on the large foreign loans which we shall inevitably make during the reconstruction period (p. 7).

In addition, Secretary Clayton has publicly told this committee why he wanted "tariff rates reduced to 27 or 28 or 30 percent."

Throughout his presentation before this committee you will note that he wants the value of our mechanized exports, as well as our loans in foreign countries, invested in production plants in those foreign countries, and, insists that—

> I think an average tariff or 27 or 28 or 30 percent is fairly high.

In addition he stated (p. 2):

> Now for the debtor countries to pay the interest and dividends on such investments and continue to buy our goods, it is absolutely essential that trade discrimination be eliminated and that excessive barriers to the international movement of goods, such as tariff—in excess of 27 or 28 or 30 percent—quotas, etc., be substantially lowered.

I have read the hearings before the Ways and Means Committee and so far as I have been able to learn no presentation or citation has been made by any of those who seek the continuity and expansion of the power which the Constitution delegated only to the Congress of any trade barrier, or quotas actually filled, which have been placed in actual effect by any of the foreign governments as a result of the concessions we made, which reduced our average tariff rates from 50 to 35 percent.

Mr. Chairman, the people of the United States, the Congress of the United States are on notice of what is going to happen to those workers who are dependent for their means of livelihood on those American industries where the difference in production costs of American-made goods exceeds more than 30 percent of competitive foreign-made goods.

We do not know what other Americans are going to do. We faced the same situation in 1938 when, as a result of the reduction of the tariff rates on glassware from 60 to 30 percent the jobs of our workers were literally transferred to lower paid glassware workers in Czechoslovakia. We instituted a Nation-wide boycott of foreign-made goods.

We are satisfied that as a result of the agitation and the education we promoted that we saved the jobs of our members, and, finally, when the excuse presented itself, the State Department lost no time in canceling the trade agreement which made necessary the boycott campaign which we had instituted.

We have made our appeal to the elected representatives of the American people. We have presented our case to the members of the Ways and Means Committee and to the members of the Senate Finance Committee. Failing to secure proper redress and protection we have no hesitancy in placing our case before the American people.

There are about 10,000 members of our international union serving in the armed forces, in addition to many others who are sons or sons-in-law of our members. Many of these will not return as they have already sacrificed their lives that we might preserve what some call freedom in the United States. The possession of freedom or liberty, dependent on some relief roll or the charity of one's friends is not what our members in the armed forces sacrificed their lives for. When they went away we all—employer and representatives of the employees—promised that their jobs would be there for them on their return. We know that with tariff rates of 30 percent there will be no profitable jobs for them.

Others will return too crippled to take their places in any industry. Our organization, to a man, will not hesitate to take such measures as we deem necessary and helpful to assure our returning members, who served in the armed forces, and those who carried on as soldiers in the production lines, of their rights to a job in an American glass tableware industry at decent wages and under decent conditions of employment.

Mr. Chairman and members of the committee, in closing I wish to impress upon you that the duties of the President of the United States are such, especially in these days, that he is dependent upon the advice and the recommendations which he receives from those he entrusts with or delegates responsibility to. In this case it is not the responsibility of the President. The Constitution of the United States entrusts to the Congress of the United States the raising of revenues. When you, for any reason, see fit to delegate your responsibilities to some unnamed and unknown persons the responsibility is not that of the President of the United States, it is yours.

The CHAIRMAN. The committee will now stand in recess until Monday morning, June 4, 1945, at 10 o'clock.

(Whereupon, at 5:18 p. m., the committee recessed until Monday morning, June 4, 1945, at 10 a. m.)

(The following statement was later received for the record:)

DRIED FRUIT ASSOCIATION OF CALIFORNIA,
San Francisco, May 19, 1945.

HON. WALTER F. GEORGE,
Chairman, Senate Finance Committee, United States Senate,
Washington, D. C.

DEAR SIR: The undersigned Dried Fruit Association of California takes this means of apprising you and your committee of its continuing approval and support of the Reciprocal Trade Agreements Act. Accordingly, we bespeak from your committee favorable action on the Doughton bill, H. R. 2652.

This association has in its membership commercial and grower cooperative firms in which approximately 95 percent of California's dried fruit and raisin production is normally packed and sold to the distributing trade in a world market. We have consistently supported the reciprocal-trade-agreements program since its inception in 1934. Over the years of negotiation of agreements, we have filed briefs and made our appearances in hearings and have enjoyed substantial concessions in practically all of the agreements entered into prior to the war. In our testimony submitted to the House Ways and Means Committee on January 27, 1940, we demonstrated increases from 1935 to 1938 in the value of dried fruit exports to the then 16 trade agreement countries of 11.6 percent as compared with an increase of 2.5 percent to nonagreement countries. This result was not equally distributed to varieties of dried fruit due to our failure to get concession from certain countries from which we look for improved cooperation in the future.

Over a prewar period of 10 years, from the crops of 1929 through and including 1938, the average annual production of dried fruit in the United States was approximately 540,000 tons, 500,000 of this coming from California. From these crops, an average of approximately 206,000 tons, or 38 percent, was annually sold into export markets, preponderantly to northern European countries. In spite of low prices prevailing over most of this period, the average annual value of this export was $24,246,000.

The average prewar annual production of 540,000 tons of dried fruits and raisins represents a conversion of over 2,000,000 tons of fresh fruit and grapes. Taken in relation to the total national production of all varieties of tree fruits and grapes, dried fruits account for disposal of 16 percent of the total and 22 percent of the production of all deciduous fruits, including grapes. Incidentally, it is of interest to note that dried fruits and raisins account for over 50 percent of California's deciduous tree fruits and grapes, and 35 percent of California's whole production, including citrus.

Fruits as a whole find their outlet in the marketing of fresh, frozen, canned, dried, and beverage (spirituous and otherwise) packs. Many varieties enjoy a substantial disposal in two or more of these outlets. As any one of these outlets fails to find a ready market for its normal proportion of production, the economic dislocation is felt over the whole industry.

During the past 5 years, under the stimulus of wartime demand for foodstuffs from both civilian trade and government, production of all food products has increased. The Nation's fruit production has contributed over 3,000,000 tons, fresh weight, to this increase. In consequence, this association, with others interested in the marketing of fruit products, is concerned for the future disposal of the Nation's production of fruit. We are equally concerned for the future export of products of industries other than agriculture as a means of sustaining domestic purchasing power (consumption in the home markets).

Representing the interests of processors engaged in the marketing of dried fruits and raisins, we very naturally support a program conceived and heretofore administered to the end of sustaining and developing international commodity exchange. It is our belief that the reciprocal-trade-agreements program is calculated to establish a fair basis for the competitive sale in a world market of the production of nations and industries. We feel that every means should be taken to avoid retaliatory tariffs, cartels, barter, bilateral and group trade arrangements, and other devices which are a part of the free-for-all battle for self-sufficiency. We recall how such acts of retaliatory economic warfare were aggravated by the adoption of our most extreme protective tariff legislation in 1930. As a result, our national exports declined from the peak of $5,241,000,000 in 1929 to $1,675,000,000 in 1933. At the same time, the export of agricultural commodities declined from an average of $1,792,000,000 in 1926–30 to approximately $590,000,000 in 1933. We recall at this low ebb of our world trade an estimate of approximately 40,000,000 acres devoted to the production of a so-called exportable surplus. Although we are not as yet apprised of any estimate of the forthcoming agricultural surplus, it must be great, and greater disorder in the world will aggravate the adjustment problem.

We recognize that among the industries of our State, as in the Nation, we have varying interests. We have industries which are founded on and dependent for their existence on tariff representing a large proportion of the price for which the products are sold in domestic trade. These latter interests have been fairly dealt with in past trade agreements. For the future, we recognize the necessity for careful and understanding administration of tariff adjustment.

Taken as a whole, this country is capable of producing and manufacturing many products which can be sold into markets of the world in competition with world production. We are, at the same time, capable of producing and manufacturing many additional commodities and services for domestic consumption on competition with world production with only a minimum of tariff impost. Our national resources, the mechanization of agriculture, our technological accomplishment in mass production make all of this possible and at the same time tend to sustain a comparatively high standard of living.

If this country is to take its place in the community of nations in a fashion which will contribute to reconstruction of world economy and avoidance of both economic and bloody war, our production must be gradually readjusted. We must open our markets to import of commodities which may supplant some of the more uneconomic items of our own production. In agriculture the adjustment in the case of field crops is simple, when compared with that of orchards and vineyards in which the farm producer has a very substantial investment in the improvement of the bare land. But we will not attempt to develop the intricate details of adjustment in this statement. A careful administration is provided for in the arrangement of the Committee for Reciprocity Information and hearings preceding negotiations.

In our dried fruit industry we have a production founded and justified over the years on our development of export outlets, principally in the countries of northern Europe. When, in the postwar period, Government procurement for wartime purposes subsides and normal supplies of competing foodstuffs become available in our domestic markets, we will need an outlet abroad for 40 to 50 percent of our production. In consequence, we support the reciprocal-trade-agreements program. We believe it provides an opportunity for this country, in negotiation with others, to development an export market for the comparatively small portion of our whole national production which will tend to balance our economy. The portion of import which must be permitted in exchange is likewise comparatively small. We recognize that our success in this negotiated development of trade with the world will depend on the cooperation of other nations.

Today, with the foundation which is being laid for economic cooperation among the United Nations, an intelligent administration of the reciprocal program will provide our one opportunity to justify and stabilize this Nation's investment in facilities for production. By this we do not mean that we can escape the burdens of reconstruction which must inevitably proceed from the wasteful process of world war. On the other hand, in its present state of devastated facilities for living and the demoralization of peoples, the world could easily fall prey to an ostensibly beneficient leadership actuated by a wholly selfish ambition for power. On the foundation of the uncompensated labor of millions, such a leadership could repeat the performance of Hitler and his allies. We cannot, therefore, secede from the world economy.

Concluding, it would seem that in the same fashion that modern weapons make for world war, just so modern facilities for communication and transportation make for a world-wide community of the peacetime interests among nations. We can no more escape the attendant responsibilities, including burdens and benefits, in this community of nations than an individual can avoid the responsibility of citizenship in the community of his residence or the nation of his birth.

The undersigned Dried Fruit Association of California respectfully submits this statement in support of H. R. 2652. Our support extends not only to the reenactment of the Reciprocal Trade Agreements Act, but to the provision for extension of the authority to decrease rates of duties up to 50 percent of rates existing on January 1, 1945. We feel this extension of bargaining power is necessary and that the record of past administration indicates that it will not be used abusively.

Anticipating prompt favorable action in committee action and from the Congress, we remain

Very respectfully yours,

DRIED FRUIT ASSOCIATION OF CALIFORNIA,
H. C. DUNLAP, *Vice President.*

NOTE.—The calculations cited above are founded on records contained in statistical publications of the Giannini Foundation of Agricultural Economics, University of California, and Agricultural Statistics published annually by the United States Department of Agriculture.

1945 EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS ACT

MONDAY, JUNE 4, 1945

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

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator David I. Walsh (presiding).

Present: Senators Walsh (presiding), Guffey, Radcliffe, Lucas, McMahon, La Follette, Taft, Butler, Gerry, Johnson, and Bushfield.

Also present: Senator Joseph C. O'Mahoney.

Senator WALSH. The committee will please come to order.

We regret that Senator George is unable to be present. He asked me to preside over the meeting of the committee today.

I submit for the record a statement of Joseph C. Mahoney, chairman, tariff committee of the Soft Fiber Manufacturing Industry Council.

(The statement referred to is as follows:)

STATEMENT OF JOSEPH C. MAHONEY, CHAIRMAN OF THE TARIFF COMMITTEE OF THE SOFT FIBER MANUFACTURING INDUSTRY COUNCIL

I assume that the term "soft fiber manufacturing industry" warrants some definition. The council is composed of 16 American companies which manufacture certain textile products from bast or leaf fibers on what is known as soft-fiber machinery. These fibers include principally American hemp, flax, and jute. The industry does not deal with cotton or wool. Nor does it manufacture any of the so-called hard fibers, such as are principally used in the cordage industry.

On the other hand, the soft fiber manufacturing industry is not inconsiderable in size, and during the present wartime emergency has contributed in an essential fashion to the war effort.

The manufacturing plants of the industry are located in the following States: New York, New Jersey, Pennsylvania, Delaware, Rhode Island, Connecticut, Massachusetts, New Hampshire, Maryland, Ohio, Illinois, Kentucky, and Oregon. It employs approximately 9,000 workers; has a capital investment of over $70,000,000; and during 1944 it contributed to the Federal and State Governments over $8,975,000 in all types of taxation. In addition, the employee income taxes withheld amounted in 1944 to about $2,500,000.

I might also mention that these are largely old American companies, some of which have been manufacturing soft-fiber products for more than a century. One was established in 1829; four antedate the War Between the States; and several others began manufacturing immediately after it. A century ago these soft-fiber factories were loosely referred to as hemp mills. Moreover, most of the soft-fiber mills constitute, even in wartime, the principal industry in the communities where they have been so long established. Hence, the impact of unemployment caused by displacement of domestic manufacture by imports, through a reduction in tariff, would be particularly great.

The peacetime sales volume of the industry has been about 60 to 70 million dollars. Its wartime volume has been about $80,000,000, despite the fact that the War Production Board has prohibited the manufacture of some of its principal products. In peacetime the soft-fiber industry makes carpet yarns, which are the bulwark of the domestic carpet industry; all kinds of twines and tying materials made of soft fibers; roving for electric cables; linen toweling; flax and hemp threads, particularly those used in the manufacture of shoes, fish nets, fire hose, and toweling.

With Pearl Harbor, the industry was called upon to perform a vital war function. Cordage and rope were critically needed for the Navy, for the Army, and also for many civilian uses such as farming, fishing, oil-well drilling, and the like. Supplies of hard fiber, such as manila fiber and Java sisal, were cut off with the loss of the Philippines and Java. Substitute fibers had to be used. In part, these needs were met by growing American hemp, but the regular cordage or rope mills could use only a portion of this American hemp because of their machinery. The greater part of the additional rope needs were met by the substitution of jute, which the soft-fiber industry alone was equipped to spin. Over 60,000,000 pounds of rope a year, vitally needed for the war effort, were turned out from yarn supplied by the soft-fiber manufacturers. When the committee recalls merely the critical need of cordage—roughly, a pound of rope being needed for each ton of new shipping—the importance of having a vigorous soft fiber manufacturing industry on hand during these war years will be readily apparent. In addition, the soft-fiber industry supplied large quantities of jute, and hemp tarred marline for the Navy and Army, waxed electric thread for the Signal Corps, webbing for airplane use, roving for submarine cables, parachute yarns, shoe thread also vitally needed by both the Army and Navy, and other war products not available from other industries.

We are opposed to the extension of the Trade Agreements Act of 1934 as set forth in H. R. 3240. We urge that Congress take back, into its own hands, the regulations of trade between the nations of the world, and that a well-staffed nonpartisan Tariff Commission be created, whose function it shall be to determine unit-cost differentials, in order that they may recommend to the Congress rates of duty whereby an efficient domestic producer can at least meet the threat of foreign production.

In the first place, it is perfectly clear that, without adequate tariff protection, the American preparing and spinning of these soft fibers cannot be carried on. This is not because the American industry is less efficient than soft-fiber manufacturing in England, on the Continent, or particularly in British Indian. Indeed, a recent article by an English economist listing the physical output per worker in various manufacturing industries in the United Kingdom and in the United States, pointed out that in the soft-fiber industry the average output per worker in the United States was 130 against an index of 100 for the United Kingdom. A similar comparison with respect to British India has not been published, but it is believed that the productivity per American worker is, on the average, at least 50 percent greater than in India.

But the prevailing wage rates at the present time show a tremendously greater spread. A recent survey of the American industry shows that the employees have average hourly earnings of from 60 cents to 80 cents per hour, with over 75 percent of the workers earning over 75 cents per hour. Comparable wages for the same operations in Ireland, when converted at the current rate of exchange, are from 16¾ cents to 18 cents per hour. In England and Scotland the equivalent earnings are from 17 cents to slightly over 19½ cents per hour. In British India, the comparable earnings are from 4 cents to 8 cents per hour.

In other words, on the key factor of labor the going American rate is from 4 to 5 times the rate in England, Scotland, and Ireland, and from 10 to 15 times the rate in British India.

This is not only a wartime condition, but undoubtedly will be aggravated in peacetime. In prewar years the principal jute product, namely burlap, was not made and has never been able to be made in the United States. Except for one or two specialized products made in Dundee, Scotland, virtually all burlap is made in India. Moreover, even with the present tariffs, it is perfectly feasible to lay down, duty and freight paid, jute yarn made in India and shipped to the United States, at about the cost of production in the United States.

It has been clear for years that the result of any reduction in duty on manufactured jute goods, irrespective of the country with whom the trade treaty is made, will simply mean the increased production of such article in British India, the loss of the industry in the United States, and no gain in trade with any other country.

With respect to flax and hemp products, these differences in wage rates had long since led to the virtual elimination, despite tariffs, of all but a small part of the American spinning industry. What remain are largely the coarser yarns and twines. It is a matter of simple arithmetic that any reduction in duty on these will mean the destruction of this part of the American soft-fiber industry.

Second, we are not unmindful of the need for foreign trade. However, we feel that foreign trade must perforce involve the exchange of noncompetitive surpluses and not be permitted to upset well-established industries that are vital to the security of the Nation such as is the case of the soft fiber manufacturing industry. The maintenance of this industry in itself produces substantial foreign trade by reason of the importation of the major portion of its raw materials.

Lastly, we feel that the present war crisis has shown the need for maintaining an active American soft-fiber industry. The soft-fiber industry cannot exist without tariff protection. There may be wars in the future and the Army and Navy will require rope, thread for shoes, twine, yarn for electrical cables, and many other soft-fiber products. We consider it extremely unwise to have this country dependent on foreign production for its vital war- and peace-time requirements, especially when this would be the result of substantially lower wages paid abroad.

All soft-fiber products have already been considered in negotiation of reciprocal trade agreements with the United Kingdom, with Canada, with Belgium, and with Czechoslovakia. All of our flax products and some of our jute products have had their duties substantially reduced, which concessions fortunately were prevented by the war from becoming truly effective. Had these tariff changes been in effect long enough before the war was upon us and the normal economic effect taken place, this industry would not have been in a position to supply the vast amounts of war materials we have and are now supplying.

We earnestly urge that the committee disapprove the bill, and recommend that the Congress take back into its own hands the regulation of international commerce.

Senator WALSH. I am also submitting for the record the statement of Joseph F. Lockett, attorney at law, Boston, representing the wool floor-covering manufacturers, a statement in opposition to H. R. 3240. Mr. Lockett requests that page 1 of his memorandum be printed in large type, and the remainder of the memorandum addressed to Senator George can be printed in the usual manner in the record.

(The statement referred to is as follows:)

SUMMARY OF MEMORANDUM OF WOOL FLOOR-COVERING MANUFACTURERS IN OPPOSITION TO H. R. 3240

(See attached memorandum for details)

Our position in opposition to H. R. 3240 is based on the following points:

1. In many instances our mills are principal sources of income to community. (See par. 2.)

2. We import all of our principal raw materials (200,000,000 pounds of carpet wool and 100,000,000 pounds of jute in 1941) and export practically no finished products, thus contributing materially to foreign trade. (See par. 5.)

3. Our labor (the highest paid of domestic textile labor) needs protection from cheap foreign labor in those countries from which floor coverings are most likely to come. (See par. 6.)

4. Further reductions in duties on imported floor coverings would not only reduce the possibility of our putting back to work our former number of employees after the war but would prohibit us from adding to that number as we are planning. (See par. 7.)

5. The extension of the act as proposed is unwise because of—

(*a*) Uncertainties as to how stable the governments will be in the various countries of Europe for several years after the end of the war. (See par. 8.)

(*b*) Uncertainties as to postwar exchange rates which have a major and vital effect on tariff rates. (See par. 9.)

(c) Lack of experience as to just what the present reduced rates on floor coverings will produce in the way of imports. (See par. 10.)

6. The present act and the proposed extension allow no remedy for industries facing financial ruin because of reduced tariff rates. This is contrary to usual procedure in democratic countries whereby an injured party has its day in court. (See par. 11.)

7. The act contains no adequate yardsticks which limit the discretion of the Government bureau negotiating these treaties with foreign countries. Industries have no right of appeal, other than public hearings which may or may not have any bearing on the negotiations, on proposed reductions in rates. (See par. 12.)

INSTITUTE OF CARPET MANUFACTURERS OF AMERICA, INC.,
New York, N. Y., May 31, 1945.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance, United States Senate,
Washington, D. C.

DEAR SIR: Various domestic manufacturers of carpets, rugs, and other floor coverings, principally of wool, representing over 95 percent of production, filed a memorandum with the Committee on Ways and Means of the House of Representatives in opposition to a bill to further extend the Trade Agreements Act of 1934, the bill at that time being known as H. R. 2652.

A new bill (H. R. 3240) was prepared, approved by the committee, and in due course, was reported to the House. This bill contained a number of amendments which were not included in H. R. 2652.

H. R. 3240 passed the House on Saturday, May 26, in the precise form in which it was reported. It was sent to the Senate and, in due course, referred to your committee.

Attached hereto is a copy of the memorandum which was filed with the Ways and Means Committee in opposition to the bill in question. We regret that the effort made in the House to delete section 2 of the bill was unsuccessful. We are not convinced of the wisdom of retaining said section 2 from anything we read of the debate of the bill in the House. The last paragraph in a letter which President Harry S. Truman wrote to Speaker Rayburn on May 25 reads, "I have had drawn to my attention statements to the effect that this increased authority might be used in such a way as to endanger or "trade out" segments of American industry, American agriculture, or American labor. No such action was taken under President Roosevelt and Cordell Hull, and no such action will take place under my Presidency." This statement of the President is very assuring. Our understanding is that the opposition to said section 2 before the Committee on Ways and Means was overwhelming. Representatives of domestic manufacturers and labor urged the deletion of this section.

Our belief is that it is unwise to include said section 2 in any bill which is enacted into law in view of the fact that conditions are, as everyone knows, very unsettled. It is impossible to foresee the situation during the postwar period. The rates of duty on many articles have already been reduced 50 percent of those rates established by the Tariff Act of 1930. With due respect to our President, we contend that the war has prevented a full appraisal of the effects of the reductions in various trade agreements.

Respectfully submitted.

KING HOAGLAND, *Secretary.*

MEMORANDUM IN BEHALF OF THE DOMESTIC MANUFACTURERS OF CARPETS, RUGS, MATS, AND OTHER FLOOR COVERINGS WHOLLY OR IN CHIEF VALUE OF WOOL IN OPPOSITION TO H. R. 3240

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance, United States Senate,
Washington, D. C.

DEAR SIR: 1. The undersigned are domestic manufacturers of carpets, rugs, and other floor-coverings principally of wool, representing over 95 percent of production in the industry.

2. In each locality each company furnishes employment to many persons. In numerous instances, the community life revolves largely around the company. Each of the communities might suffer disastrously if the above bill in its present form should become law, and the President acting thereunder should enter into new trade agreements with foreign countries whereby the rates of duty on imported carpets, rugs, mats, and other floor-coverings should be further materially reduced.

3. We are strongly opposed to the enactment into law of the bill in question (H. R. 3240) for the reasons set forth below:

4. It might be well to call to the attention of the committee the preamble in the Tariff Act of 1930 which reads: "to provide revenue, to regulate commerce with foreign countries, to encourage the industry of the United States, *to protect American labor* [italics ours] and for other purposes."

5. The most striking characteristic of the industry is that it imports most of its raw materials and that it exports practically none of its products. Furthermore, the raw materials which are imported (carpet wool and jute) are not produced in the United States in any amount whatever. Thus this industry produced large dollar credits in this country running in favor of foreign countries, and at the same time this industry uses none of such credits to effectuate the exportation of its own products. These dollar credits are available, to the extent of their total gross amount, to pay for the exportation of the products of other industries. Approximately 200,000,000 pounds of carpet wool were purchased in 1941, the last prewar year. In addition, in the year 1941 our industry used approximately 100,000,000 pounds of yarn made from Indian jute. Practically none of the finished goods produced from these raw materials are exported by this industry. There would seem to be no particular valid reason for disturbing this situation which has enabled this industry to employ large numbers of workers at good wages and which, moreover, has resulted in placing at the disposal of foreign shippers of wool and jute millions of dollars in credits in this country. To continue as we have been doing we must have adequate tariff rates.

6. The statement has been made that an effort would be undertaken by the present administration to further lower the rates of duty, and that such action, if consummated by the enactment into law of the above bill, would stimulate international trade. We respectfully call the committee's attention to the fact that if this were done, it would undoubtedly result in the reduction in the importation of carpet wool and jute and provide instead a flood of imported carpets, rugs, mats, etc., produced in countries where the standards of living are much lower than those maintained in this country. We are hoping and expecting to maintain our standards, but in order to do so we must have adequate tariff protection especially during the very vital postwar period. We would be remiss in our obligations to our faithful workers were we not to strive to do everything possible to see that their jobs are protected in every way. Our workers receive the highest wages prevailing in the great textile industry in this country. They are paid on an average of 93 cents an hour which is many times greater than the prevailing scale in those countries normally producing similar merchandise for exportation to the United States, such as England, France, Belgium, Czechoslovakia, and eastern countries. Average hourly earnings in the carpet industry in Great Britain were 27 cents per hour in July 1943. (Source: Monthly Labor Review, U. S. Department of Labor, May 1944.) In Germany, December 1943, the average hourly wage of skilled male workers in the textile industry was 26.4 cents per hour. In Denmark the average rate per hour was 29.8 cents during the third quarter of 1939. In India the average annual wages in the textile industry were $90.87. In China the highest average wage of three carpet factories in 1936 was $4.46 per month. In Belgium, March 1938, textile weavers received $9.38 per week. (Source: Monthly Labor Review, U. S. Department of Labor, July 1944.) It is not likely that wage increases which labor has received, together with other conditions which have contributed to increased costs of production, will be reduced. In fact, it is not beyond the realm of possibility that since sizable reductions have already been effected in duty rates on floor coverings, we may find it necessary in order to protect our labor, to ask our Government to open negotiations with the view of restoring the rates of duty on carpets, rugs, and mats, etc., written in paragraphs 1116 (a) and (b) and 117 (a) and (c) of the Tariff Act of 1930.

7. During the past few years, a large percentage of the facilities of the floor-covering industry have been devoted to the production of large quantities of blankets, duck, and various other textile products necessary to the prosecution of the war. The production of carpets and rugs, therefore, has been greatly restricted and at the present time, the industry is probably not producing more than 25 percent of its 1941 production. The carpet manufacturers have been looking forward to absorbing their share of the available postwar labor, being

desirous to find and maintain jobs for its present and returning workers. We hope that our plans will not be frustrated by the importation of large quantities of foreign-made merchandise at lower prices and inadequate rates of duty.

8. The bill provides, among other things, for an extension of the act for 3 years from June 12, 1945. Irrespective of the merits and demerits of the act itself, the extension suggested in the bill covers too long a period. Conditions today, as everyone knows, are very unsettled. Drastic changes may occur overnight which might make necessary a complete change in our Government's policies. If the act should be further extended, it might lead the administration to undertake the making of trade agreements with various countries which in the light of subsequent circumstances might prove to be very undesirable and unwise. Irreparable damage might be done to domestic industries. We strongly recommend that if a bill to extend the act is enacted, such extension should be only for 2 years at the most and it should contain no other provisions.

9. Section 2 of the bill now before the committee should not be enacted into law because of the lack of any knowledge of the values at which foreign currencies will be stabilized in relation to the American dollar. Selling prices abroad in terms of American dollars on which duties on imported merchandise are based, would have the effect of reducing the rates of duty if new currency valuations were fixed at rates lower than those in existence at the time of the enactment of the Tariff Act of June 1930. Prior to the present war, there were wide fluctuations in foreign currencies beginning with the year 1932. It would seem that future adjustments in rates of duty could not be intelligently arrived at until we had achieved stability of foreign currencies. The committee undoubtedly knows that the foreign currency as shown on consular invoices must be converted into the currency of the United States at the time importers enter their merchandise on arrival at some port of entry in the United States. The appropriate ad valorem rate of duty is then applied to the dutiable value in dollars. It might appear, therefore, that an industry was seemingly protected by a rate of duty of, say 50 percent on importations of competitive merchandise, but due to currency manipulations and depreciations the real rate of protection might and possibly would be considerably less.

10. While there have been several trade agreements negotiated with the United States and the following countries, namely: Turkey, Iran, United Kingdom, Belgium, and Czechoslovakia pertaining to carpets and other floor coverings, there has been no opportunity to test the effects of these agreements on the importations of such floor coverings due to war conditions and consequent stoppage of production or shipments in the countries named. Due to the fact that no one can even speculate as to the costs of producing carpets, rugs, mats, and so forth, in foreign countries during the postwar period, it seems extremely dangerous and very unwise to give the President the power to further reduce the tariff rates existing as of January 1, 1945, by 50 percent. Labor in other countries after the war may be so anxious to secure employment that foreign manufacturers' costs may be even lower than before the war.

11. We always believed it to be unfortunate that the said act of June 12, 1934, did not provide any convenient remedy whereby a rate of duty instituted under a trade agreement could be increased if a domestic manufacturer found that such rate did not afford sufficient protection. The machinery, so-called, set forth in the various trade agreements whereby such a situation might be possibly corrected, is too cumbersome to provide reasonably prompt relief. Remedies, therefore, under the present act are contingent on diplomatic rather than economic factors. For example, see article 14 of the trade agreement negotiated with the country of Turkey on May 5, 1939, published as T. D. 49838. Our domestic manufacturers, therefore, appear to have no practicable and efficient remedy whereby any injuries created by the lowering of the tariff rates under the Trade Agreement Act can be corrected. In our opinion, it was unfortunate that the Trade Agreements Act provided in section 2 (a) that "The provisions of section 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." Under said section 336, the United States Tariff Commission has the authority under certain circumstances prescribed therein to determine whether a rate of duty on a given article or commodity adequately reflects "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." If this section were a part of the act, importers and manufacturers alike would have a remedy if they felt that any rate of duty did not reflect the differences in the costs of production here and abroad.

12. It is also unfortunate in our opinion that no yardstick was established in the Trade Agreements Act to determine tariffs to equalize differences between foreign and domestic costs. If this had been done, those representing the United States would have had to follow such yardstick when negotiating any trade agreement. Under the practice, as it now exists, the Committee on Reciprocity Information, holds hearings and receives briefs in connection with any proposed trade agreement. The public does not know the factors which prompt the negotiators to lower a rate of duty. In fact, the public does not know the rates of duty affected until after a trade agreement has been signed by the representatives of the two countries and promulgated.

13. In conclusion, we again strongly urge the committee to bear in mind that the full effects of the war have not and will not be felt until some time after peace has been declared. Therefore, it would seem to be the part of prudence not to extend the said act at this date, but in any event, if the pending bill is to be reported, section 2 thereof should not be included therein.

Respectfully submitted.

Artloom Corporation, Allegheny Avenue and Front Street, Philadelphia, Pa., location of mill, Philadelphia, Pa.; Beattie Manufacturing Co., 295 Fifth Avenue, New York City, N. Y., location of mill, Little Falls, N. J.; Bigelow-Sanford Carpet Co., Inc., 140 Madison Avenue, New York City, N. Y., location of mills, Amsterdam, N. Y., Thompsonville, Conn.; Lees-Cochrane Co., Bridgeport, Pa., location of mill, Glasgow, Va.; Hardwick & Magee Co., Lehigh Avenue and Seventh Street, Philadelphia, Pa., location of mill, Philadelphia, Pa.; Hightstown Rug Co., Hightstown, N. J., location of mill, Hightstown, N. J.; Archibald Holmes & Son, Erie Avenue and K Street, Philadelphia, Pa., location of mill, Philadelphia, Pa.; A. & M. Karagheusian, Inc., 295 Fifth Avenue, New York City, N. Y., location of mills, Roselle Park, N. J., Freehold, N. J.; Firth Carpet Co., 295 Fifth Avenue, New York City, N. Y., location of mills, Newburgh, N. Y., Firthcliffe, N. Y., Auburn, N. Y.; Lea Fabrics, Inc., 768 Frelinghuysen Avenue, Newark, N. J., location of mill, Newark, N. J.; Thomas Leedom Carpet Co., Bristol, Pa., location of mill, Bristol, Pa.; Magee Carpet Co., Bloomsburg, Pa., location of mill, Bloomsburg, Pa.; C. H. Masland & Sons, Carlisle, Pa., location of mills, Carlisle, Pa., Philadelphia, Pa.; Mohawk Carpet Mills, Inc., Amsterdam, N. Y., location of mill, Amsterdam, N. Y.; Nye-Wait Co., Inc., Auburn, N. Y., location of mill, Auburn, N. Y.; Oxford Mills, Inc., Ware, Mass., location of mill, Ware, Mass.; Philadelphia Carpet Co., Allegheny Avenue and C Street, Philadelphia, Pa., location of mill, Philadelphia, Pa.; Roxbury Carpet Co., 246 Summer Street, Boston, Mass., location of mill, Saxonville, Mass.; Alexander Smith & Sons Carpet Co., Yonkers, N. Y., location of mill, Yonkers, N. Y.; M. J. Whittal Associates, Ltd., Worcester, Mass., location of mill, Worcester, Mass.; Downs Carpet Co., Inc., Indiana Avenue and A Street, Philadelphia, Pa., location of mill, Philadelphia, Pa.; John Bromley & Sons, Inc., Lehigh Avenue and A Street, Philadelphia, Pa., location of mill, Philadelphia, Pa.; Joseph F. Lockett, attorney, 50 Congress Street, Boston, Mass.

Senator WALSH. The first witness I find on the calendar is James B. Carey, secretary-treasurer of the Congress of Industrial Organizations. Mr. Carey, come forward.

STATEMENT OF JAMES B. CAREY, SECRETARY-TREASURER, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Senator WALSH. Give your name and address, Mr. Carey.

Mr. CAREY. My name is James B. Carey. I am secretary-treasurer of the Congress of Industrial Organizations.

Senator WALSH. Your residence?

Mr. CAREY. My office address is 718 Jackson Place, Washington, D. C.; and my home, 6017 Twentieth Street North, Arlington, Va.

Mr. Chairman and members of the committee, I am appearing here today in behalf of 6,000,000 workers organized in the Congress of Industrial Organizations. Members of the Congress of Industrial Organizations come from the major industries of the United States—iron and steel, electrical and industrial machinery, chemicals and petrolem products, aircraft and automotive products, agricultural implements, textiles, rubber goods, nonferrous metals, paper products, leather goods, meat packing, shipbuilding, lumber, timber and wood manufacturing, together with maritime and transport workers. The Congress of Industrial Organizations supports without qualification the bill now before you to renew the Reciprocal Trade Agreements Act for a period of 3 years from the date of expiration, and to increase or decrease the duties allowed up to 50 percent of those in effect on January 1, 1945.

Now, at the close of the war in Europe, the people of the world stand on the threshold of a new era. Already the delegates of the United Nations, meeting in San Francisco, are framing a world security organization to provide the political structure to maintain the peace. I have just returned from San Francisco, where I served as a consultant to the American delegates, and would like to say that we in the CIO have every confidence that a firm and realistic structure which will guarantee lasting peace will be erected there on the basis of the Dumbarton Oaks proposals.

We know, however, that the world security organization must be implemented by practical measures such as the bill now before you. Economic cooperation is the practical, hard-headed, realistic basis for political cooperation. Regardless of how perfect the structure of the new world security organization may be, it will prove to be but a hollow shell if it is not buttressed by agreement among the nations on the practical problems of world trade and the exchange of goods.

We now have abundant evidence to prove that economic warfare leads inevitably to military warfare: that trade and exchange restrictions, blocked currencies, and other such devices of economic warfare lead not to peace and prosperity but to war and death. Nazi Germany was perhaps the most successful example of the prewar tendency toward national autarchy of self-sufficiency. We saw the final result of such a policy, however, on VE-day.

Two paths lie before the United States in the postwar world. One path leads to narrow nationalism, low wages, production at half of capacity, unemployment, and eventually war. The other path leads to full production, full employment, prosperity, friendly cooperation with the other nations of the world, and peace. We will follow the second path by adopting such measures as the bill which is now before you. Those who oppose this bill, whether they understand it or not, are leading our steps along the first path.

As I understand it, this bill is an enabling act. It enables the executive departments to continue to operate under amendments and extensions of the Tariff Act of 1930. Strictly speaking, this is not a tariff. It is not proposed that this committee write a tariff, nor has anyone proposed by extending this act or amending it to make any article duty-free that is not already on the free list.

A widespread misapprehension appears in the press that individual items of production are being subjected to ruinous competition from abroad which is directly fostered by this bill.

It is made to appear that the reciprocal trade agreements administered before the war were threatening the foundations of American industry. It is indicated that because American workers are paid higher wages than foreign workers, the American workers cannot hope to hold their own in competition with the foreigner, except with the protection of tariffs so high that foreign goods may not be imported. And the charge appears to be made that this bill will open the floodgates. None of these misleading statements will bear examination.

As I understand it, this bill merely enables the President to enter on negotiations with foreign countries as to the terms of admission of certain of their products. These products are not admitted until there have been extended hearings before the Tariff Commission, and the interested parties have had their chance to testify. The negotiations consume a period of many months or even several years, so careful are the authorities. That, in fact, is why a 3-year extension is needed.

When all these steps are complete, only a limited number of items in any industry are subject to competition from abroad. And in exchange for these limited concessions from us, the foreign countries agree to allow us to export to them certain articles in return. Most of us agree that we want to export, and most of us agree that we want to be paid in foreign goods and services for these exports.

We have tremendously expanded our productive resources in the United States in order to fulfill the demands of war. We are now at the point where we must begin to use more and more of our productive capacity for peacetime goods, and at the conclusion of the war with Japan swing as rapidly as possible into a program of full production and full employment.

A market for all the goods we can produce exists. It exists in the war devastated countries who will need our machinery and our tools to build up their own ruined factories, in addition to the many consumer goods they purchased from us before the war.

It exists in the needs of the American people as the result of several years' lack of the production of most consumer durable goods.

Foreign countries, however, cannot long remain markets if they have no prospect of selling to this country, and the American people cannot buy unless they are working and earning the money with which to pay for the goods they need. The passage of the bill now before your committee will enable our Government to negotiate, within limits, trade agreements whereby foreign countries have the assurance of remaining our customers by being able to sell their goods to us. This process assures American industry and American workers of a constantly expanding foreign trade and will raise the level of domestic incomes, thereby resulting in a larger market here at home.

The factors in the economic problem facing this country are these:

War expenditures can be expected to decline from a level of \$86,000,000,000 in 1944 by perhaps seven-eighths to an annual rate of \$11,000,000,000 in the period when the services have been demobilized to the postwar strength of 3,000,000.

Workers released from war work will number over 10,000,000 from 1944 to the average postwar year, to which returning veterans will add over 8,000,000 workers to the productive employment force, or a total of close to 20,000,000.

It is estimated that if there is a decline of about 15 percent from the 1944 level of gross national product there will be about 7,000,000 job seekers unemployed. A full employment budget would project an allowable national gross product of 200,000,000,000 (the figure for 1944) and thus absorb the 7,000,000 who would be unemployed if we reached only 170,000,000,000 national product.

Favorable factors in our domestic economy, will include a sharp increase in consumer expenditures due to pent-up demand for consumer goods. It is estimated that expenditures in 1944 were depressed by some $20,000,000,000 from the normal volume for an equivalent income level because goods were not available. Total wartime savings through the middle of 1944 are estimated at $100,000,000,000 by the Department of Commerce. Returning veterans will also add to the increase in consumer expenditures. Private business expenditures for plant equipment, as well as the need for building up adequate stocks, will be immediately necessary in the postwar period.

To attain the full employment level at a gross national product of $200,000,000,000 we shall need to add substantial increases in foreign trade to the foregoing factors in our domestic economy. Some allowance must also be made for Federal programs for such useful projects as public works, soil conservation and flood control, slum clearance, health, and education programs. The better our program to stimulate foreign trade and lending, the less necessity there will be for Federal expenditures. An expansion of double our 1940 export balance is possible under full employment and would represent a powerful stimulus to over-all production and employment in this country, according to Department of Commerce estimates. Imports under conditions of full employment would, under a program of encouragement for foreign trade and reduction of tariff barriers by negotiation under the Reciprocal Trade Agreements Act, rise to more than three times their 1940 levels. The net effect of these changes would be to increase exports to a level of 3½ times their 1940 level.

The indirect effect of rising incomes abroad due to the sale of foreign goods in our country will be to raise exports from this country over all the other products normally purchased by foreigners.

Several of our basic industries are dependent upon exports to sustain their high levels of production. In refined copper, cotton, machine tools, sewing machines, and tractors, for example, sales range from one-fifth to over one-half of the total. Many such concerns find that their export business carries them beyond the break-even point into the profit side of the ledger and means full employment of otherwise unutilized facilities and manpower. Larger volume means lower costs and opportunity for lower prices in this country to consumers on the farms and in the cities. Thus the value of exports as a spur to the whole economy greatly exceeds any measurement based solely on the volume of exports.

There seems to be a direct correlation between domestic prosperity and foreign trade. As President Roosevelt pointed out in his message to Congress, asking for the renewal of the Reciprocal Trade Agreements Act, between 1934 and 1939 our exports to countries with which we had agreements increased by 63 percent while exports to countries in which we did not have agreements increased by only 32 percent. Imports from countries in which we have agreements increased 22 percent in the same period; imports from nonagreement countries only 12 percent.

Between 1929 and 1933, the years of drastic depression and unemployment, when our tariff walls were highest, our exports declined from 5,240,000,000 to 1,675,000,000. Our imports declined from 4,399,000,000 to 1,323,000,000.

Trade is a two-way street. We cannot achieve full employment and full production in the United States by expanding our exports without expecting to import foreign goods. Foreign countries cannot buy our goods unless they have the dollars to pay for them which they will obtain only by selling their goods in the United States.

There are those who contend that the American standard of living would be lowered by admitting foreign imports into this country; that American workers would be thrown out of jobs and that we could not compete with low-priced foreign goods produced under low-wage conditions. Here are the facts: The principal industries affected by imports are textiles, wood, paper and pulp industries, fishing, mining, and glass manufacture. Only a relatively small proportion of American workers is in these industries, and of these only a limited number are directly affected by imports.

The census of 1940 listed 45,000,000 persons as gainfully employed, 25,000,000 employed in construction and transportation, wholesale and retail trade, personal and professional services, finance, real estate, and so forth. Foreign competition cannot and does not touch them. Tariffs give them no protection whatever. On the contrary, tariffs hurt them by reducing the stream of commodities which they handle and increasing the cost of the goods which they buy as consumers.

Eight million of the remaining twenty million workers were listed as farmers. The vast majority of these eight million produce cotton, tobacco, rice, wheat, fruit, and so forth. All of them produce crops partially dependent upon foreign markets. The other thousands of farmers producing food which cannot be exported are injured by the increased price which protective tariffs place upon the goods which they buy.

Twelve million workers of the forty-five million are employed in manufacturing, mining, forestry, and fishing. Six million of these twelve million workers are employed in automotive and aircraft industry, steel, electrical equipment and other consumer durable goods—all of them efficient export industries.

Of the remaining six million workers the great majority are independent of tariff protection. In the flat-glass industry, foreign competition is limited principally to certain types of glass; in textile much of the foreign competition affects goods in the luxury class. In iron and steel, foreign competition is limited in the main to certain alloy products. In all of these lines, advances in American technology are reducing the potential competition.

Many foreign goods are at a competitive disadvantage with domestic goods. In addition to overseas freight to the United States, they must pay the cost of transportation to interior points; they must meet consumer preference as to style and quality; they must comply with sanitary, pure-food, and other regulations, in addition to meeting competition of domestic goods which are advantageously located. And above all, the machinery of the Tariff Commission under the Reciprocal Trade Agreements Act is designed to forestall destructive competition.

The maximum number of workers employed in industries whose goods compete with similar goods produced abroad is little more than 2,000,000. American workers thus are affected to a very limited degree by tariffs whereas all workers as consumers are injured by high tariffs.

The CIO maintains that encouragement of foreign trade resulting in full employment and full production will be of the greatest benefit to the American working man and woman. An enormous expansion of foreign trade, both in exports and imports, can be brought about in the postwar world through the careful negotiation of tariff agreements resulting in mutual reductions. We wish it to be understood that we are in no sense advocating a policy of tree trade. We are advocating a friendly spirit of international give and take so that tariff adjustments shall be made which will be of the greatest benefit to the American people as a whole.

Senator WALSH. Thank you, sir. Are there any questions?

Senator TAFT. Mr. Carey, I do not quite understand whether you think that these industries that say they cannot compete, at least they seem to feel they cannot, should be eliminated because they are not economic? Take the watch industry, for instance. Do you think if a reduction of the tariff to 25 percent of the statutory rate would put the watch industry out of business that we should go through with it; or do you deny it will put them out of business?

Mr. CAREY. Senator Taft, we are not here discussing whether or not tariff on watches should be reduced; we are here discussing an enabling act that sets forth a procedure that would provide for the watch industry being given consideration in their peculiar problems.

Senator TAFT. That I deny entirely. We would be just as responsible if we passed this act for a reduction to 25 percent of the statutory rate as if we put it in ourselves. The considerations on which the reductions are granted are largely political, not economic. Is that the history of the way they have been administered in the past?

Mr. CAREY. No; the way they have been administered in the past would indicate that the procedure under the act is far better than the procedure followed before the passage of the act.

Senator TAFT. The watch industry does not indicate that at all. They have increased the exports many, many times since the war started. That was not entirely due to the tariff, of course, but their feeling is if the tariff went to 25 percent of the statutory rates, and if that would continue they would go out of business. They feel that way very strongly, both the workers and manufacturers.

Mr. CAREY. Senator, a great number of workers were very much concerned when this bill was first considered quite a few years ago, and each time the bill was up for renewal or extension there was great discussion whether or not great injury was done by reciprocal trade agreements. I find, however, that the opposition to this procedure has been reduced. We have had 11 years of operation of this law and its operation has been carefully followed by those people who are interested in the welfare of all our workers.

Senator TAFT. Then, just let me say this: We may have had at that time increased imports, but we would never get back, if we did have a trial, to more than about half imports we had under the highest tariff we ever had, in 1925–29.

Mr. CAREY. Senator, it has reversed the trend.

Senator TAFT. It has reversed the trend, of course. There was a steady increase in prosperity in all foreign trade, but we never got back. I will answer my own argument, I do not think it had a test, so I do not think you can say it had any factual results. The British treaty, the biggest one, went into effect in 1939 when war conditions had already arisen.

Mr. CAREY. You asked the question whether or not it would destroy the industries and put them out of business. In that case, it has had a test. The claims made that the passage of the reciprocal trade agreements and enactment of that procedure would destroy American industry has had a test and the claims have been found not to be true.

Senator TAFT. In which case?

Mr. CAREY. In the case of most of the American industries.

Senator TAFT. No, I would say in the case of most of them they have not had a test because the war conditions have arisen since. The watch industry was injured undoubtedly, it was so testified, and there was a tremendous increase in taking over this market by foreign watch manufacturers. What I want to get at is whether it is your contention that these industries should be put out of business by a tremendous increase in the importation of their products?

Mr. CAREY. The objective is not to put any industry out of business, the objective is to increase opportunities for the people of this country to have a wider choice of production, to have job opportunity, to have industry prosper. To try to make it appear that the objective of the reciprocal trade agreements was to destroy a single solitary industry is not a correct statement.

Senator TAFT. The objective, your own statement is, is to increase imports. If you had an industry where the imports were increased, say, two-thirds of the market, is it likely to destroy the industry?

Mr. CAREY. Not if you provide markets for export and provide greater job opportunity.

Senator TAFT. That particular industry is not helped by greater job opportunity in the automobile industry, I would say.

Mr. CAREY. To increase your market is not to destroy industry.

Senator TAFT. Either you have got to say you are in favor of eliminating inefficient American industry or you are not in favor of reducing this tariff enough to really increase imports one way or the other. It seems to me obvious that a tremendous increase of imports in a particular industry will force down the price and will probably destroy that industry.

Mr. CAREY. Quite frequently when you force down the price you are going to increase the amount of demand; you are going to increase production. As the result of increased production the cost per unit is reduced and they can reduce the price further and increase their market, which provides greater profit opportunities for the manufacturers and provides greater opportunities for higher wages for the workers.

Senator TAFT. I suggest that is not so in many handcraft industries, in many industries where there is no further substantial reduction of cost possible.

Mr. CAREY. In those industries where there is no substantial opportunity for technological progress, those industries like the weaving of baskets, perhaps, it might be well Senator, that we sacrifice our opportunities for the extension of the American system in those industries if we are going to improve it in the mass-production industries. I do not agree that the watch industry is an industry like the hand basket-weaving industry.

Senator TAFT. This is what bothers me: Take the automobile industry, for example, we are presumably counting on a large increase in exports. What on earth is to prevent the General Motors Co., from building factories in France and England? Ford did build them in Europe before the war. What is to prevent their taking our machinery, our know-how, and going over to those countries and paying the workmen half of what they are paid in this country and produce much more cheaply the automobiles in France?

Mr. CAREY. The only thing that prevented Henry Ford from expanding his operation in some of the other countries was lower productivity and then he later closed them or at least reduced them.

Senator TAFT. I do not think it was due to the difficulty in labor, however. Do you actually contend that with the same machinery, with the same know-how, with the same teaching, an American workman is going to be better than the French workman to the extent of the difference in wages today, which is 3 to 1?

Mr. CAREY. I think it is largely due to the American workman's higher productivity. You have in the United States not just a monopoly on brains on the part of the American employers or on the part of American management, but that runs down to the American workers. Their contribution is greater and what they receive in return is substantially greater than that of the workers in other countries. It is our methods of operating here, Senator, that help to give us the competitive edge over the other countries.

Senator TAFT. I suggest that you cannot pay 10 times the wages here that they pay in Japan and have a competitive edge. I suggest maybe you can be twice as efficient, but you simply cannot be 10 times as efficient as in Japan. I do not understand how it is not possible to take our own machinery, our own companies take the machinery to these foreign countries and make more money, and it would please the foreign countries better to set up the manufacture right there and pay the standard of wages in those countries, which are very much less than here, and make the things cheaper there than to export them from the United States.

Senator LUCAS. A high tariff would not change the situation any.

Mr. CAREY. It might encourage Mr. Ford to leave here.

Senator LUCAS. That is right.

Mr. CAREY. If you had barriers in international trade and they are going to move their factories to other markets in order to meet the increased competition resulting from the tariffs or the increased cost resulting from the tariffs, we would seek to remove the barriers and restrictions to international trade in order to provide the United States its proper opportunity to meet the rest of the world on a competitive basis. Our system of operation requires high production. Were we to fail in securing markets that provide mass consumption then our mass production industries will be reduced and then we have no advantage over the other nations. But where you have a great demand, where you have high production resulting from great demand, you have the American system operating in full blossom, it is then flowering. We can produce greater quantities cheaper than any place in the world, despite the lower working conditions in other countries.

Senator TAFT. I am suggesting that under modern conditions we can move our machinery, our know-how to these other countries where the wages are so much cheaper.

Mr. CAREY. Senator, there have been times in American history when people said we cannot continue to perfect new methods of operation, that we must close down on patents, we must stop progress, otherwise we will work ourselves out of business.

Senator TAFT. That has no reference to the question I was asking.

Mr. CAREY. Except this, Senator, there is great fear of the future, if you look upon it from the standpoint that American skill, American ingenuity has reached its saturation point and has ended, and therefore you must close up shop or establish a Chinese wall around this country.

Senator TAFT. Not at all. I am suggesting your hope for a tremendous increase in imports by a country which maintains the highest standard of living, the highest wages in the world, is somewhat excessive. It can be expanded somewhat, but the idea of making over an economy on an export market I think is just perfectly futile under present conditions. We can improve it, and we should. I am not opposed to a retention of these things, but I do not think you can hope to restore prosperity just on the basis of exports, because I do not think in this big rush after the war we are going to be able to compete with efficient people like the English and French, who do have a lower standard of living.

Mr. CAREY. I agree with you we could not look upon this bill or the reduction in tariffs as being the answer to all these problems. I do not think we should make over our whole economy on the basis of gaining higher levels of international trade, but I do think we should take advantage of whatever opportunities are provided by international trade to improve our national economy.

Senator TAFT. Let me ask you another question. In order to get this export trade the argument is we must increase imports. That means we must build up a home market for imported goods. Now, why isn't it just as easy to build up a market at home for goods manufactured in the United States?

Mr. CAREY. That should be done, too. There is no reason to exclude one in order to gain the other.

Senator TAFT. It is not easier to build up the market for imported goods than to build up a market at home for goods manufactured here.

Mr. CAREY. In either case it is not easy.

Senator TAFT. To do the thing in reverse, instead of selling automobiles to Czechoslovakian shoe manufacturers, why not make more shoes in the United States and sell automobiles to the American shoe manufacturers?

Mr. CAREY. I am hoping for both, Senator.

Senator TAFT. You are suggesting a substitution of imports to a large extent for American goods. I do not see why it is any easier to build up this import market, because that is an essential of the export, than it is to build up the market directly in America.

Mr. CAREY. There are a great many reasons why it is essential other than just these business questions, to have the exchange of goods and services. If we believe in international cooperation then we must take the practical steps to bring that about at other levels than just strictly political. We must have economic, social, and political cooperation among the peoples of the world unless we are going to walk that path of war and further depression and further wars and further depressions.

Senator TAFT. I want to suggest this: You spoke about economic warfare. I do not see why free trade does not produce the greatest economic warfare between countries that you can possibly have. It is the efforts to sell your goods, to compete with the British in South America, try to take the South American market away from the British and the British try to take it away from us, why is not that likely to produce hard feelings, even as these restrictions that we would like to get rid of?

Mr. CAREY. Of course, we do not seek free trade, but we do say it will bring about a higher measure of international cooperation by sitting down with those countries for the purpose of eliminating the obstacles to international trade, especially those unnecessary restrictions that produce no goods for anyone. To sit down with them, Senator, I contend will bring about the same kind of relations that exist in American industry between management and labor. When they have a lot of reasons to fight with each other they sit down and negotiate an agreement item by item, and there they discuss their mutual problems and arrive at an understanding. I contend this program of reciprocal trade agreements does something far more than just help to provide a better means of exchanging goods and services. It brings about understanding, it brings the people of the world closer to each other, and it gives everybody the opportunity of gaining something. I think the other people of the world should have the benefit of American progress, American pioneering, and all the American ways of producing goods.

Senator TAFT. We are giving it away now as fast as we can, as far as we are concerned. They are going to get it all right without sitting around the table.

Mr. CAREY. I think we paid a pretty high price in recent years for our unwillingness to sit down in a very practical and businesslike way work out these economic problems.

Senator TAFT. I suggest if you want to sit down on something and work it out, you better work it out with a direct treaty with that country rather than the most-favored-nation business. Get something without giving up too much of something else. If you want this international table-sitting you better do it on the basis of individual treaties.

May I just add one thing on this free-trade business, economic warfare. I just want to suggest that England had the lowest tariff all through the nineteenth century, and that their trade policy was an aggressive policy and it produced more wars, they were engaged in more wars during that period than at any other time, because they were merely engaged in economic warfare. What is there to make you think a low-tariff policy is going to avoid war or eliminate economic warfare?

Mr. CAREY. Let us not mix economic competition with economic warfare.

Senator TAFT. It is economic warfare. That is what economic warfare means, trying to take one market away from somebody and get it yourself.

Mr. CAREY. On the other hand, I might say to you, Senator, the experience this country has had in just ordinary competition, where people compete on the basis of reduced prices, better quality of goods or more immediate delivery, if that is what you consider economic warfare then we are not using the same definitions. I am not going to say the record of the British Empire has been a wholly virtuous one by any means, but I say the record of the people of the United States in producing goods at lower prices which is providing a rising standard of living and increasingly going forward is not economic warfare.

Senator TAFT. I suggest that there has been economic warfare, that many people were put out of business in this country and that we maintain the Sherman Act to prevent the excessiveness and destructiveness of economic warfare, and there is no such Sherman Act in the world and we will not be able to prevent the kind of economic warfare and destruction that contributes to international ill will throughout the world.

Mr. CAREY. We have had economic warfare in this country. We have taken steps to break down monopolies, and yet I might point out that in the 50 years that we have had the Sherman Act not a single solitary violator of the law has ever spent one single night in jail. Perhaps that is the reason we have not been too successful in meeting that problem.

Senator MCMAHON. I gather from Senator Taft's question to you about reciprocity, the multilateral effect of these treaties as they are now administered is not approved by him. Are you familiar with the Republican platform in 1944 on this subject?

Mr. CAREY. I read the Republican platform; yes, sir.

Senator MCMAHON. That platform declared for reciprocal trade treaties, did it not, as they are now administered?

Mr. CAREY. No; not as they are now administered. They just declared for reciprocal trade agreements.

Senator TAFT. Bilateral reciprocal trade agreements.

Senator MCMAHON. Did not Mr. Dewey, the candidate of the party, state, when asked about the reciprocal trade treaties, something along these words: "Do you mean the Republican reciprocal trade treaty which Cordell Hull is now carrying on?"

Did you see that?

Mr. CAREY. I heard of that; yes, sir. I might say in that respect that the drafters of the Republican platform had a sleepless night in dealing with this question of international trade. They were confronted with a splendid record of operation, and I admit that they had just an impossible task in trying to find something wrong with it.

Senator LUCAS. There was not only one sleepless night, was there?

Mr. CAREY. I am sure they had many sleepless nights. I would think, in the interest of the Republican Party, it would be well if they approach this question in a constructive way, and they might find there is something good in the application of this law over the period of 11 years. I would say that is the worst possible place to find errors, in the operation of the reciprocal trade agreements.

Senator TAFT. May I ask permission to insert at this point in the record, a copy of the Republican platform on foreign trade?

Senator WALSH. That may be done.

(The matter referred to is as follows:)

FOREIGN TRADE

We assure American farmers, livestock producers, workers, and industry that we will establish and maintain a fair protective tariff on competitive products so that the standards of living of our people shall not be impaired through the importation of commodities produced abroad by labor or producers functioning upon lower standards than our own.

If the postwar world is to be properly organized, a great extension of world trade will be necessary to repair the wastes of war and build an enduring peace. The Republican Party, always remembering that its primary obligation, which must be fulfilled, is to our own workers, our own farmers, and our own industry, pledges that it will join with others in leadership in every cooperative effort to remove unnecessary and destructive barriers to international trade. We will always bear in mind that the domestic market is America's greatest market and that tariffs which protect it against foreign competition should be modified only by reciprocal bilateral trade agreements approved by Congress.

Senator LUCAS. Let me ask a question at this point: I would like to know whether or not there has been a single industry in America that has failed and whose failure has been due directly to the administration of the reciprocal trade agreements during the 11 years that it has been in operation.

Mr. CAREY. Despite the CIO covering perhaps all the American basic industries and many of the other industries, to my knowledge not a single solitary industry or plant has failed as the result of the operation of reciprocal trade agreements.

Senator LUCAS. That was my understanding of it. There were some witnesses who testified here from time to time—including the watch industry, with which I am very sympathetic at the present time because they have been making watches and clocks for the war effort and they have done a magnificent job, but they have got a tough assignment ahead of them, there isn't any question about it—it is my understanding there was not a single industry that failed, and every witness who has come here testifying against the trade treaty said that they were in a better position now under the trade treaty than they had been at any time in history. I admit that the war had to do with a part of it—even before the war, under the trade agreements that existed up to the time of the war, there was not a single industry that failed in this country due to trade agreements.

Mr. CAREY. That is one difficulty in testifying in support of reciprocal trade agreements. It is difficult to measure the general good that has come through the reciprocal trade agreements; that is, the good that the watch industry received as well as the automobile industry, and as well as all other industries. It is very easy to point out some specific damages done; you can cite a few workers lost in the watch industry, or cite a few of the others, but when they cite those criticisms to the operation of the reciprocal trade agreements they fail to also cite the general good that is done covering all the industries, all the workers. Of course, we are consumers as well as workers, and we understand the great good brought about through the practical operation of this system.

Senator LUCAS. I understood you to say that out of 45,000,000 workers in this country there would only be 2,000,000 that can be in anywise affected by the reciprocal trade agreements.

Mr. CAREY. Only 2,000,000 directly affected by the operation of the reciprocal trade agreements.

Senator McMAHON. I think the record should also show, Senator Walsh, that the most-favored-nation theory of the reciprocal trade treaties was heartily endorsed by Mr. Charles Evans Hughes when he was Secretary of State.

Senator WALSH. That may go in the record.

Senator TAFT. If that is going in the record, I would like to say when he was Secretary of State this particular idea of reciprocal trade involving the most-favored-nation clause had not been proposed.

Senator WALSH. Thank you, very much.

Miss Strauss.

STATEMENT OF ANNA LORD STRAUSS, NATIONAL LEAGUE OF WOMEN VOTERS

Senator WALSH. Your full name is Miss Anna Lord Strauss; and you are here representing the National League of Women Voters?

Miss STRAUSS. That is correct.

Senator WALSH. You have a statement that you wish to make to the committee?

Miss STRAUSS. Yes; please.

I wish to preface this statement by saying I am not here as a technical expert before your committee but representing a citizens' group of nonpartisan women who believe that only through the interest of our citizens in government can our democracy work as it is supposed to. I wish to testify in support of the extension of the reciprocal trade agreements program on behalf of the National League of Women Voters and its 550 affiliated leagues. We are a nonpartisan organization concerned with government and with the development of policies in the public interest. This is the fourth time we have appeared in favor of trade agreements. Our support grew out of tariff studies which have been in progress since 1924. In 1936 at the league's biennial convention, delegates from all the State leagues first voted to support revision of tariffs through reciprocal trade agreements. Study of the operation of the program by our local leagues has resulted in increasing understanding and appreciation of the subject.

We have come to the conclusion that if we expect nations to buy from us we must also buy from them. High tariffs hamper the flow of trade and cause economic dislocations which affect our prosperity. High tariffs in this country also cause retaliatory measures in other countries. There is a danger of increasing governmental control over exports, State trading, and a system of quotas and licenses. Such a trend is contrary to our belief in free enterprise and the competitive system because it leads to regimentation of business.

We believe the proposed method of tariff reduction avoids the difficulties of the former log-rolling process. We support it also because it is reciprocal. The agreement country makes concessions to us in return for our reductions. Our negotiators can also be selective, because reductions are made on individual items. The health of specific industries affected has always been a major consideration. The fact that authority is provided to cut the present rates by 50 percent is no proof that all rates will be cut. After 11 years of reciprocal trade agreements no reduction at all has been made on 37 percent of our dutiable imports by value. We need the proposed authoriztion to enable us to bargain more effectively with our good customers.

It is also valuable to have the program extended for at least 3 years. Considerable time is required to negotiate a trade agreement, and the agreement countries will be more willing to make concessions if they are certain our policy is stable for a 3-year period.

Another important fact to consider is the effect of our decision on trade agreements on the rest of the world. We have previously committed ourselves to reduction of trade barriers in the Atlantic Charter, the master lend-lease agreements, and the economic charter of the Americas. The world is waiting to see if we are able to practice what we preach. Without clear indication of our leadership, they will also tend to adopt nationalistic policies discriminating against each other instead of international policies cooperating with each other. One road leads to war, the other to peace. The choice is ours.

Senator GUFFEY. Was there any person from the Pennsylvania League of Women Voters on the committee that endorsed that?

I ask that because in Pennsylvania it is not a nonpartisan organization.

Miss STRAUSS. The way our program is adopted is by a delegate body at a convention, and there are delegates from all of our 35 leagues represented there. It is after a considerable process of having the program go out to them, having them consider what they wish to do, having it come back and having it presented to the convention and discussed at the convention that a vote is taken.

Senator GUFFEY. Can you tell from your memory how Pennsylvania voted on that question? It is not a nonpartisan organization in Pennsylvania, while elsewhere it is. I would like to have my curiosity satisfied on that.

Miss STRAUSS. I am sorry, I do not know who the delegates were; I think on the question of the Pennsylvania league being nonpartisan there are of course in our league in all places people that are partisan on one side or the other. That does not mean that the whole league is not nonpartisan because of certain rather vocal individuals in a league who take either one stand or the other.

Senator GUFFEY. I thank you very much. Your statement is very good.

Senator WALSH. Thank you.

Mr. Molitor, come forward, please.

STATEMENT OF C. B. J. MOLITOR, AMALGAMATED LACE OPERATIVES OF AMERICA, NEW YORK, N. Y.

Senator WALSH. You are Mr. C. B. J. Molitor?

Mr. MOLITOR. That is right, sir.

Senator WALSH. You are here representing the Amalgamated Lace Operatives of America?

Mr. MOLITOR. Yes, sir.

Senator WALSH. You have a statement to make to the committee?

Mr. MOLITOR. I have, sir.

Senator WALSH. You may proceed.

Mr. MOLITOR. Because of the mutuality of interest and to save the time of the committee, I am representing both management and labor of our industry. I am appearing in opposition to H. R. 3240 in behalf of the Amalgamated Lace Operatives of America of Philadelphia, Pa., and the American Lace Manufacturers Association of Providence, R. I., and am the sales manager of the North American Lace Co., operating plants at Philadelphia, Pa., and Pawtucket, R. I.

The lace-manufacturing industry comprises 53 mills located in Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, and Ohio.

Despite general opinion, lace making has been a vitally essential industry. In World War I, the industry manufactured practically all of the mosquito nettings used by our armed forces. In the current conflict it has made millions of yards of very vital camouflage, mosquito and helmet nettings, and many other products for both our Government and those of our allies.

If the reciprocal trade agreement program has been so beneficient in advancing our economy it is difficult to understand the necessity for such intensive propaganda in its behalf as has been carried on for 11 years by our Department of State and at the expense of American taxpayers. That propaganda has involved a most unfortunate misuse of statistics as well as misstatements of facts that have too often confused issues.

Most unfortunately some of these misstatements have been made a part of the printed record of the current report of the Committee on Ways and Means.

On page 41 of the report under the heading of "Facts and fiction" is to be found the following statement:

They (that is, the opponents of the bill) charged that we had received few, if any, concessions from foreign countries in return for those we gave, or that such concessions that we did receive were later nullified or impaired by the foreign countries concerned, either through increased duties, export taxes, devaluation of the currency, or other ways.

Further it is stated:

As a result of Mr. Taft's testimony and that of other witnesses, the committee is convinced that these charges * * * are without any substance whatsoever.

As that great statesman from my State, the late Hon. Alfred E. Smith would have said "Let's take a look at the record."

I know of no more outstanding example with which to refute such a misstatement than the circumstances surrounding the French agreement of 1936.

The French Government raised their duties while we were discussing negotiations and stated that they were doing so "possibly for bargaining purposes".

There is definite evidence from his own lips that Secretary of State Hull was aware of those circumstances.

Notwithstanding, an agreement was consummated under which the French traded away but part of the increases effectuated for bargaining purposes.

Though many French tariffs were bound against increases under the treaty, the French Government, with the apparent acquiescence of our State Department, increased their tariffs on products which were effected by the agreement on September 14, 1937, and again on October 28, 1938.

I refer you to a list of over 100 French tariff rates as submitted to the Ways and Means Committee appearing in the unrevised edition of the hearings of May 9 on pages 2186, 2187, and 2188, and there are thousands of others.

Furthermore, though the preamble of the agreement stated "that there is stability in fact between their respective currencies," the French franc was devaluated 4 months after the effective date of the agreement from 6.6 cents to 4.6 cents and subsequently to less than 2 cents.

The trade agreement with the United Kingdom was ratified on November 17, 1938, at which time the pound sterling was valued at $5.05. Four days after signing the treaty, the pound was devaluated to $4.63 and later to $3.20.

On page 42 of the Ways and Means report appears the following:

> Of this second group of countries * * * the United Kingdom maintained the exchange value of their currency from the date of our trade agreement with them until the outbreak of the war.

That statement, gentlemen, is contrary to the facts.

Restrictions have been promulgated by Great Britain and within the sterling area which have amounted to the embargo of our products as is evidenced by no less an authority than Dean James M. Landis, who recently stated:

> An importer within the sterling area is only permitted to get those goods from the United States that sterling area countries cannot make.

In August 1939, while secret conversations were going on preparatory to specific negotiations for a trade agreement with Argentina, that Government reduced its quotas and depreciated its currency obviously for bargaining purposes. This agreement was deferred, no doubt, for political reasons, but was consummated and was to have been effective November 15, 1941. After Argentina had agreed to concessions and United States tariffs had been reduced under the agreement that country found it could not sacrifice the revenue that reductions in their duties would cause. Accordingly the reductions as agreed to were not put into effect. The treaty still remains in operation notwithstanding.

Since the date of agreement the value of the Argentinean peso has been depreciated from 29.7 to 24.9 cents.

A trade agreement with Brazil was effective January 1, 1936. It is of interest to note that under dates of January 1, 1945—and April 16—the Brazilian Government increased tariffs on many articles some by over 100 percent and on May 7, 1945, decreed a consumption tax on all imports despite our trade agreement.

Furthermore the Brazilian milreis was valued at 8.25 cents on the effective date of the agreement but has been since devaluated to 5.20 cents.

On January 30, 1943, a trade agreement with Mexico became effective. On January 1, 1945, the Mexican Government greatly increased import duties, according to the Bureau of Foreign and Domestic Commerce, chiefly to protect Mexican industries and as a revenue measure. Further increases in their duties were made on March 19, 1945, and on April 2, 1945.

Senator WALSH. Were these increased duties upon commodities that were contained in the treaty agreements?

Mr. MOLITOR. Not in the case of Mexico. They were in the case of France and some others, the ones I was just about to give you.

Under the agreement with Uruguay of January 1, 1943, duties were reduced on many of our exports. On September 9, 1944, increases were put in force by Brazil on many items on which concessions were granted under the treaty. I quote but a few important United States exports showing preagreement, agreement, and postagreement rates as follows:

Uruguay specific duties per 100 kilograms

	Preagreement	Agreement, 1943	Postagreement, Sept. 9, 1944
Typewriters:			
Standard	P51.07	P36.00	P70.90
Portable	136.18	96.00	189.07
Cash registers	92.20	65.00	128.41
Passenger automobiles:			
1,050 kilos	50.20	38.80	54.11
1,650 kilos	53.00	41.00	63.30

Senator LUCAS. It is my understanding that the typewriter, cash register, and auto people are all for these reciprocal trade agreements.

Mr. MOLITOR. My understanding is they are interested in having the customers get some American dollars.

Senator LUCAS. You are using figures——

Mr. MOLITOR (interposing). These are facts, sir.

Senator LUCAS. You are not making an argument for the typewriter, cash register, and auto makers. How does that affect your mill?

Mr. MOLITOR. The reciprocal trade program affected our industry very seriously.

Senator LUCAS. How did typewriters, cash registers, and autos affect you?

Mr. MOLITOR. Not at all. I believe you gentlemen should have an opportunity to see the facts and the manner in which these agreements were negotiated and carried out.

Senator GUFFEY. Mr. Molitor, are there any typewriters manufactured in Uruguay?

Mr. MOLITOR. I haven't the least idea, sir.

Senator GUFFEY. Don't you think they might want more revenue?

Mr. MOLITOR. Of course, I grant you that. I am coming to that point later, sir.

It will be noted that these Uruguayan tariffs are from 20 percent to 40 percent higher than those prevailing before the agreement and from 40 percent to 90 percent above those granted under the treaty.

Canada, with whom we have negotiated two agreements, devaluated the dollar by 10 percent after the agreements.

Since February 15, 1936, the effective date of the Swiss agreement, the Swiss franc has been devalued from 33 cents to 23⅓ cents.

Do not these facts, that are a matter of record, belie the statement "that these charges are without any substance whatsoever?"

You will note that the eight countries mentioned have been pursuing their traditional policies in the regulation of the foreign trade despite our aggressive activities for 11 years to change them. They have apparently not been convinced that lowered trade barriers are to their best economic interests and it is unreasonable to assume that we can convince them in the future with the added authority sought under this bill.

This is in answer to the Senator's question. As a matter of fact, many countries, particularly those of Latin America, depend upon the collections of customs duties to a very large degree for defraying the expenses of government. It is surely not reasonable to expect such nations to jeopardize their fiscal positions to appease our desires to reduce their tariffs.

In my opinion, the adjustment of world trade barriers have been actuated by the demands of economic necessity before and since the inception of this act, as witness the actions of the eight nations with whom we had trade agreements.

It is of particular interest to note that the State Department has advised the members of the Ways and Means Committee that the additional powers sought under the bill were needed to permit them to negotiate new trade agreements with both France and the United Kingdom claiming that their trade barriers were still very restrictive.

What further evidence is needed to indicate that our trade agreements with those countries have not been effective in accomplishing their avowed purpose?

Already the future welfare of numerous American industries is in jeopardy as a result of reductions in our tariffs, and it is a bit disheartening to learn now that we have been unsuccessful, despite our sacrifice, in reducing their trade barriers.

One is given to wonder whether we plan a new agreement with France negotiated under similar circumstances to our agreement of 1936.

Senator LUCAS. What are those industries?

Mr. MOLITOR. Lace is one, sir; glass is another; paper is another.

Senator LUCAS. How many trade treaties that have been made by the Department affect lace?

Mr. MOLITOR. Twenty-seven, I believe.

Senator LUCAS. Twenty-seven trade treaties that affect lace?

Mr. MOLITOR. I beg your pardon. I did not understand you. Three.

Senator LUCAS. What are they?

Mr. MOLITOR. Belgium, France, and the United Kingdom.

Senator LUCAS. Just tell me how your industry has been affected by some of those treaties.

Mr. MOLITOR. I can answer that in this prepared statement. I am coming to that right away.

Senator LUCAS. I would like to get to that point pretty soon.

Mr. MOLITOR. All right, sir. I will come to it very quickly.

Let us consider one more statement reiterated many times by our State Department officials that no American industry has been injured through reciprocal trade agreements. That is what you want; isn't it, Senator?

Senator LUCAS. I want your industry.

Mr. MOLITOR. I shall be happy to give you that information immediately. That contention has been treated on pages 44 to 47 of the Ways and Means Committee report.

The lace manufacturing industry is one of the industries mentioned in this connection.

On page 45 appears the following statement:

For instance val—

an abbreviation for valenciennes—

laces not produced in significant quantities in the United States brought an increase in fine-lace imports of this type in 1936 and 1937 which were not directly competitive with the bulk of domestic lace production.

First, val laces, when demand requires and when French competition permits, are one of the largest items of production in the industry in the United States and are "the bread and butter" of the business.

Let us take another look at the record.

You may judge the quality of the opinion of the man who wrote that statement on the record alone.

Actually Val lace imports did not increase in 1936 and 1937 as stated and as is evidenced by the United States Tariff Commission booklet entitled "Lace and Lace Articles and Reciprocal Trade Agreements."

'Laces wholly or in chief value of cotton: Val laces are wholly of cotton (p. 10, table 4). Year before French treaty, 1935, 670,000 pounds; 1936, 609,000 pounds; 1937, 611,000 pounds.

These figures indicate a drop in imports of 10 percent and not an increase; they increased however in 1939 to 1,131,000 pounds.

Now, let us turn to page 11, table 5.

Laces, wholly or in chief value of silk.

The importation of silk laces follow:

Year before French treaty, 1935, 11,000 pounds; 1936, 47,000 pounds; 1937, 152,000 pounds; 1938, 248,000 pounds; 1939, 300,000 pounds—

indicating an increase of almost 3,000 percent.

Senator LA FOLLETTE. What percentage was that of the domestic production of comparable or competitive lace?

Mr. MOLITOR. Well, prior to the influx of these imports that article was made primarily in the United States. I cannot answer the question exactly.

Senator LA FOLLETTE. Don't you know the total domestic production?

Mr. MOLITOR. I do, yes; but I cannot answer offhand that specific item.

Senator LA FOLLETTE. Will you give me the poundage if you cannot give the percentage?

Mr. MOLITOR. I would only be making a guess, and I do not think you want that. I should say that represented, before those imports, possibly 40 percent of the American production. That is a guess.

Senator LA FOLLETTE. Would you say then in that year there came into the United States as the result of these trade agreements an amount approximating 40 percent of the domestic production of that year of comparable goods?

Mr. MOLITOR. Yes, sir.

Senator BUSHFIELD. The Tariff Commission publication states on all commodities of a comparable nature that were imported as compared to our domestic production, in 1935 it was 31 percent; in 1937, 31 percent, and in 1939, 64 percent.

Mr. MOLITOR. It is even worse than that, Senator, because there they are using a basis of value which is very fictitious. As a matter of fact in that same booklet you will find that the unit value per pound in 1934—or in 1936, the year of the agreement, was $6 and some odd cents, whereas in 1939 the unit value of the import of that same article was $2.13.

I wish to point out to the Senator, to be fair in this situation, these increases of imports were not totally due to the reductions in duties under the reciprocal trade agreements. Let us be fair about that. The most serious factor was the depreciation of currency that followed immediately after the agreement, and because of the agreement with France and the inadvisability, for diplomatic reasons, of invoking a paragraph to take care of currency valuation, nothing was done to protect the industry.

Senator GUFFEY. Mr. Molitor, I would like to know the average weekly earnings of the lace workers in Pennsylvania from 1935 to 1940. Have you got that?

Mr. MOLITOR. I haven't got that.

Senator GUFFEY. I would like you to put that in the record, and also how many weeks they work.

Mr. MOLITOR. I have some information here that may be of interest to you, sir.

Senator GUFFEY. I would like to have the wage earnings and the take-home pay of the lace workmen in Pennsylvania.

Have you ever received a complaint from the lace people?

Mr. MOLITOR. The office of the Amalgamated Lace Operators is in Philadelphia.

Senator GUFFEY. Who is the head of it?

Mr. MOLITOR. Joseph Heath.

I have here a statement of principles before the Ways and Means Committee. The secretary appeared there.

Senator GUFFEY. Will you insert in the record what you know about it?

Mr. MOLITOR. Yes, sir; I shall be very happy to do so. You want the average weekly wages?

Senator GUFFEY. From 1935 to 1940, and the average number of weeks they worked in that time.

Mr. MOLITOR. Yes, sir. You still insist on 1940? You must realize that France fell in the early part of 1940 and the whole situation changed, so I think you want 1939.

Senator GUFFEY. Well, I want 1940, too.

Mr. MOLITOR. All right. May I add 1939 to that?

Senator GUFFEY. Yes.

Mr. MOLITOR. Because 1940 really will not show the picture.

Senator RADCLIFFE. Mr. Molitor.

Mr. MOLITOR. Yes, sir.

Senator RADCLIFFE. You have, from time to time during your testimony, stressed the devaluation activities in the various countries.

Mr. MOLITOR. Yes, sir.

Senator RADCLIFFE. Don't you feel that the Bretton Woods proposals when they become effective would have very considerable stabilizing influences and thereby tend to a very considerable extent at least to have a deterrent effect upon devaluations by different countries?

Mr. MOLITOR. Senator, I certainly do, and I certainly pray for that day. I think that is the crux of our difficulties, and will be in the future. I will point to you while this French agreement I mentioned was in effect, to my knowledge, through what I read, there was a tripartite agreement between France, Great Britain, and the United States with a $2,000,000,000 equalization fund to support the currencies, and it was not effective.' If it was not effective by three of the most enlightened nations of the world, it is difficult to understand how it is to be effective with possibly 70 percent of the nations. I sincerely hope so. I shall treat that point in a minute.

Senator LUCAS. I suggest, Senator Radcliffe, that you take the testimony of this witness that he gave in the Bretton Woods hearing before the Committee on Banking and Currency. He made the best argument for Bretton Woods of anyone in the world. It is better for the Bretton Woods than it is for the reciprocal trade agreements.

Mr. MOLITOR. On page 12, table 6, of the same booklet we find "Silk and rayon veils and veilings".

The imports of these items were as follows:

Year before French treaty, 1935, 5,000 pounds; 1936, 13,000 pounds; 1937, 67,000 pounds; 1938, 108,000 pounds; 1939, 109,000—

or an increase of over 2,000 percent.

Senator MCMAHON. Right there, has there been a general decrease in the use of lace for curtains because of style changes.

Mr. MOLITOR. No, Senator. I can best answer that by reading a statement of that period. I do not want to take too much of your time on this. This is from the United States counsul in Calais, the chief lace center.

Senator MCMAHON. I am not talking about that; I am talking about the domestic use of lace curtains. It strikes me there has been a decrease in the use of lace curtains in this country.

Mr. MOLITOR. That is another industry, sir. These are laces used for wearing apparel and some of the utilitarian purposes.

Senator MCMAHON. That is true of lace curtains, though, isn't it?

Mr. MOLITOR. I would not say, sir. I am not thoroughly versed in that.

Senator MCMAHON. Don't you represent the lace industry?

Mr. MOLITOR. I do not, sir; not that portion of it. I represent the so-called Levers lace industry. That is from little things that wide up to that wide [indicating], that are used for apparel purposes primarily.

Senator GUFFEY. How many people are employed in your part of the lace industry?

Mr. MOLITOR. I should say approximately 6,000, somewhere between six and seven thousand.

Senator LUCAS. Do you represent the industry in Illinois?

Mr. MOLITOR. There is no plant in Illinois, Senator.

Senator LUCAS. Lace is made there, according to the information I have.

Mr. MOLITOR. I can understand the way we get confused. There is still another industry that is probably called the lace-curtain industry, a machine industry.

Senator LUCAS. There are about 500 Nottingham lace-curtain manufacturers.

Mr. MOLITOR. That is the industry to which Senator McMahon referred to.

Senator LUCAS. You do not represent any in Illinois?

Mr. MOLITOR. No, I do not, sir.

Senator LUCAS. Tell us whom you represent.

Mr. MOLITOR. I represent the manufacturers union of Levers laces. Those are laces that you use for apparel purposes.

Senator LUCAS. You do not represent Nottingham?

Mr. MOLITOR. No, sir; that is a different industry.

Senator GUFFEY. That is all machine made, isn't it?

Mr. MOLITOR. Yes, sir.

Senator WALSH. You may proceed.

Mr. MOLITOR. While the importation of French laces were pouring into our market in unprecedented volume an employment survey of the American industry indicated employment in numbers of workers at but 34 percent of that of 1935 the year before the French agreement and the hours of those workers in a survey made by our union for a 3½-month period averaged but 18½ hours per week, which would indicate earnings for our workers of about 16 percent of those for 1935.

Five mills, three of which had been operating for 30 years, closed their doors by early 1940, but the capitulation of France saved the industry. The details of our industry's difficulties appear on pages 2197 to 2204 of the Ways and Means unrevised report of the hearings on May 9.

We have been told by Mr. Wallace, Mr. Vinson, and Mr. Clayton, that we must plan for a postwar export trade of $10,000,000,000 annually and that we must further reduce our tariffs to permit equalizing imports so as to aid in the employment of the 60,000,000 workers of whom we have currently heard so much.

Let us analyze this proposition.

Firstly, as you are aware, our 10-year annual export volume has averaged approximately $3,000,000,000. An analysis of 20 leading manufactured exports from the United States Census of Manufactures for the year 1939, indicate that 260,000 workers would be employed in the average production of 3 billions of these exports.

If we accept the astronomical figure of 10 billions we would employ but 866,000 workers in the manufacture of these commodities. A figure of 5,000,000 workers has been mentioned frequently.

An analysis, which appears in the Ways and Means Committee hearings of May 9, indicates that at least in the case of imports of laces we should be displacing 4,998 workers for but 225 employed in the manufacture of an equal dollar volume of exports of 28 exportable commodities.

The simple fact on which too little emphasis has been placed is just this:

> We export, of manufactured products, competitively, to the markets of the world, only such commodities as involve the utilization of a very minimum of American labor.
>
> On the other hand our imports of manufactured products are most generally those employing a maximum amount of labor in their production.

Furthermore, dollars of our exports are predicated on American values, our imports on foreign invoice values involve wages far below those in the United States and are not truly comparable.

As we increase our imports of manufactures in order to accommodate an increased export volume, we trade away man-labor hours, jobs, and create unemployment which is certainly inconsistent in view of the difficult postwar employment problem facing us.

We are faced with the stark realities and consequences of the highest wage rates in the world, wage rates that have been increased currently by legislative means.

Were it not for the outbreak of war in the Orient almost concurrent with the inception of this act and the European conflict later we should now be faced with an unemployment situation due to tariff reduction and world-wide currency devaluation that would exceed that of the early thirties.

It would appear that we are planning an economy that would permit the existence in the United States of only those industries which can utilize the greatest mechanization and the least employment of our workers, which will ultimately create serious technological unemployment.

To enable the committee to study this question, I wish permission to submit for the record a list of manufacturing industries whose products are exportable as well as some other American industries whose sales are confined primarily to their home market, together with wages, wage earners, value of product, and percentage of wages to production.

Senator WALSH. That may go in the record.

(The list referred to is as follows:)

Value of production, wages, wage earners

Article	Value of production (in thousands)	Wages (in thousands)	Wage earners	Percentage of wages to value of production
EXPORT INDUSTRIES				
Motor vehicles, parts, and accessories	$4,039,934	$644,905	397,537	16.0
Machine tools	218,045	41,447	36,624	19.0
Refrigerators and air-conditioning machinery	276,654	48,392	35,160	17.3
Batteries (wet and dry)	117,583	19,209	15,034	16.3
Canned and dried fruits, vegetables, and soups	587,343	65,235	98,022	11.1
Radios, radio tubes, and phonographs	275,870	47,026	43,508	17.0
Domestic laundry equipment	61,601	9,277	7,466	15.1
Paints, varnishes, and lacquers	434,961	31,708	22,334	7.3
Nonalcoholic beverages	365,779	20,345	21,265	5.5
Electric lamps	84,828	10,689	9,622	12.6
Flour and other grain products	649,943	28,370	24,771	4.4
Condensed and evaporated milk	209,755	11,234	9,705	5.3
Soap and glycerin	302,634	18,801	13,624	6.2
Corn sugar, sirup, corn oil, and starch	119,408	10,585	6,761	8.8
Aluminum products	169,819	25,539	17,249	15.0
Average percentage of wages to value of production				13.0
DOMESTIC INDUSTRIES				
Textile and fiber manufactures	3,930,678	908,379	1,082,602	23.0
Paper and allied products	434,797	309,856	264,716	71.0
Hosiery (full-fashioned)	277,170	100,774	97,200	36.0
Knitted gloves	12,384	3,839		30.5
Lace goods	24,138	8,107	7,254	33.5
Flat glass	102,389	24,009	16,739	23.4
Glassware (pressed and blown)	255,589	64,296	53,053	25.2
Tableware (pressed and blown)	97,317	30,115	27,330	31.0
Pottery and related products	98,834	37,459	33,105	37.9
Average percentage of wages to value of production				28.4

Source: Census of Manufactures, 1939.

Mr. MOLITOR. From this list you will find it of interest to note that there are employed in the manufacture of textiles 1,082,000 workers, and in the manufacture of motor vehicles, bodies, parts, and accessories but 397,000 workers for substantially the same value of production. That indicates to a degree my point.

Not alone have our workers been displaced through reductions in our duties under trade agreements but they have suffered even more severely through world-wide currency devaluation since this act was passed in 1934.

As a matter of fact, that has been one of the most severe impediments to world trade and which trade agreements have not corrected and threatens serious dislocation when the scarcities brought about by war will have been alleviated.

Through currency devaluation an even greater disparity in wage rates between those in our country and the rest of the world has been created.

Therefore, I propose that, to our basic tariff law be added a provision for mandatory automatic adjustment of all tariff rates to offset the reductions in foreign values brought about through currency devaluation to be effective on all duties even though they be bound or reduced under trade agreements.

Such automatic means for offsetting a depreciation of values of the products of a country devaluating its currency should make such actions unprofitable.

We are all hopeful of accomplishing our objectives under the Bretton Woods agreements but such legislation should fortify any success we may achieve in stabilizing world currencies.

Mr. Clayton stated to this committee a few days ago that—

> a rumor has freely circulated that certain American industries have been singled out as inefficient industries and if the additional authority provided for in the bill is granted, the State Department will use the authority to trade those inefficient industries for others which can compete in world markets. Nothing can be further from the truth than this—

he testified.

I do not question Mr. Clayton's sincerity, but that has not been the attitude of the State Department in the past. As a matter of record, the Chairman of the Committee for Reciprocity Informaiton advised our industry at a hearing on the French agreement that our difficulties as an industry must be considered only in the light of the gains anticipated for our agriculture.

Furthermore, Secretary of Commerce Wallace and Mr. Hull, the chief proponents of this bill, have repeatedly advocated snuffing out inefficient industries and have mentioned many times the American lace industry as an example. In Mr. Wallace's pamphlet, New Frontiers, he stated:

> As tariffs are gradually reduced may it not be wise to work out a plan for liquidating, definitely, yet slowly, these inefficient industries.

That, gentlemen, is more than rumor.

And that is one of the reasons I appear before you. Our little industry and its workers are actually fighting for their very existence.

Senator McMAHON. In your testimony before the House Ways and Means Committee, Mr. Molitor, you made the charge that the net result of the trade agreements with France was reductions in 85 United States duties and actual increases in French duties.

Mr. MOLITOR. That is right, sir.

Senator McMAHON. It was your intention that the French had violated the trade agreements that they had entered into with us.

Mr. MOLITOR. I do not contend that. I stated also in that record that they were made apparently with the acquiescence of our State Department which followed an interchange of letters preceding the two dates on which those duties were increased.

Senator McMAHON. I do not want to take the time now to go over the specific answer to the statement that you made.

But, Mr. Chairman, I would like to insert in the record, if we could, pages 036 and 037, at this point, of the hearings before the Committee on Ways and Means which contain the specific answer, in the form of testimony, of Mr. Charles Taft to the allegation that you made that the treaty was abrogated or changed to our disadvantage.

Mr. MOLITOR. I did not say that, sir. I think if you will read my testimony you will see that I said with the apparent acquiescence of the State Department, as that followed letters preceding those dates. I haven't access to those letters.

Senator McMAHON. At least I note in Mr. Taft's testimony before the Ways and Means Committee he requested to insert the same statement that you have made today, Mr. Grew having written a letter to the effect that—

> None of the duties reduced or bound in the agreement has been raised, and our quota position in France up to the outbreak of the war continued to be more advantageous than it had been prior to the conclusion of the agreement.

That statment of fact in Mr. Grew's letter you questioned.

Mr. MOLITOR. I did, sir.

Senator McMAHON. You still question it?

Mr. MOLITOR. I still do.

Senator McMAHON. That is why I would like to have the answer of Mr. Charles Taft to the allegation you made printed in the record.

Senator WALSH. The request of the Senator from Connecticut is granted.

(The matter referred to is as follows:)

Mr. TAFT. I have before me a statement with reference to that situation which I would like to read, because it involved a questioning of the veracity of the Acting Secretary of State.

It is understood that in his statement before the Ways and Means Committee on May 9, Mr. Molitor charged that the net results of the trade agreement with France were reductions in 85 United States duties and actual increases in French duties with one exception; that despite the binding of French rates in the agreement, many of these bound rates were increased in 1937 and 1938; and that Mr. Grew's statement in a recent letter that, "None of the duties reduced or bound in the agreement has been raised, and our quota position in France up to the outbreak of the war continued to be more advantageous than it had been prior to the conclusion of the agreement," is absolutely contrary to the facts.

The facts with regard to these charges are as follows:

1. When the trade agreement became effective on June 15, 1936, in addition to a very substantial relaxation of French quota restrictions on American products, 19 French rates of duty on United States products described in section A of schedule II of the agreement were reduced or bound; the rates on United States products described in section B of schedule II and on products described in schedule III of the agreement (for which supplementary quotas were granted to United States exports) were bound; and all United States products except those described in schedule I of the agreement were guaranteed most-favored-nation tariff treatment with the result that the rates on many United States products not described in schedules I, II, and III of the agreement were reduced, but not bound, through the removal of former discriminatory treatment.

2. Mr. Molitor presented alleged instances to French tariff increases, apparently with the deliberate intent to create the impression that the agreement was violated. Thus he tabulated the list of products described in schedule I of the agreement and showed 1937–38 rates higher than what he calls the trade-agreement rates. The facts are that schedule I describes the few and minor exceptions to the granting of the minimum French tariff. The items in this schedule are of little concern to us and no trade-agreement rates whatever were provided for or bound for the products described.

3. The facts regarding a few of the other products cited by Mr. Molitor, with alleged increases in French duties, are given below to show the general nature of the inaccuracies of his charges:

(a) Cash registers: Duty allegedly increased from 900 to 1,200 francs. The fact: The trade-agreement rate of 900 francs on cash registers weighing 50 kilos and more per unit, as specified in section A of schedule II, was not increased. The rate of 1,200 applies to units weighing 30 kilos up to 50 kilos and was not bound in the trade agreement.

(b) Grapefruit: Duty allegedly increased from the rate of 50 francs specified in the trade agreement, to 80 francs. The fact: This rate was not increased.

(c) Canned fruit: Duty allegedly increased from 285 to 554.75 francs. The fact: The trade agreement rate of 285 francs on preserved pineapple, unsweetened, without alcohol, and on fruit salads containing more than 5 percent of pineapple, as specified in section A of schedule II, was not increased. The rates on other canned fruit are not bound in the trade agreement.

4. With regard to alleged French tariff increases in 1937 and 1938, the important fact omitted by Mr. Molitor is that the French tariff rates on products other than those under import restriction, including some trade-agreement rates, were first reduced in October 1936, after the trade agreement became effective. Thereafter, they were increased in July 1937 but to a level still below that existing prior to October 1936. In January 1938 another general increase occurred, but the rates on trade-agreement items were not put above the limits set in the agreement. Thus, the statement that the French Government increased many of the duties bound in the trade agreement in 1937 and 1938 is misleading. These duties were not increased above the rates provided for in the trade agreement.

5. Mr. Grew's statement referred to by Mr. Molitor is entirely correct, not only as regards the duties reduced or bound in the agreement, as shown above, but also as regards our quota position. Quota restrictions were removed on numerous products after the agreement became effective and were later restored, but our quota position continued to be more advantageous than it had been prior to the trade agreement.

I would say in general that the tariffs referred to have kept none of our goods out of France. Every exporter knows that his problem with France is mainly one of quotas, and concessions with regard to those are what we traded for with great success.

So in the other cases the changes in tariffs or quotas, if any, were on items which did not greatly concern our exporters. At least the exporters think so.

Senator LUCAS. I would like to have you tell me, Mr. Witness, the number of people that you had employed in 1936 previous to the trade agreement with France.

Mr. MOLITOR. In our particular industry?

Senator LUCAS. Yes.

Mr. MOLITOR. We are taking an inventory now. I expected to have it in time for this hearing, but unfortunately I did not receive it. I shall be glad to submit that.

Incidentally, in the Census of Manufactures it shows for 1939 compared with 1937 a drop of approximately 2,000 employees in the whole so-called lace-goods industry. That involves the Nottingham lace curtains that Senator McMahon referred to as well as ours, but the Nottingham goods industry was going at top tilt at that time, so I would assume that the loss in employment in our part of the industry was not segregated in the Census of Manufactures, unfortunately.

Senator LUCAS. It seems to me it is one of the things you should have when you come before a committee and make a very serious complaint about reciprocal trade agreements. I do not care anything about what happened to the typewriter group or the cash-register group. You made a very fine argument in behalf of Bretton Woods as far as the stabilization of these currencies is concerned.

Mr. MOLITOR. There is no question about that.

Senator LUCAS. What I am primarily interested in is how these trade agreements have affected your industry. It seems to me when you come before a committee of this kind you ought to be able to tell us the facts in regard to your industry.

Mr. MOLITOR. I did not want to take your time or the time of the committee in citing the actual records of the union on the employment during this era.

Senator LUCAS. I am talking about your testimony. You are the fellow that is testifying before this committee.

Mr. MOLITOR. That is right.

Senator LUCAS. It seems to me, if you want to convince me on anything, as to whether or not these trade agreements have been a definite injury to your industry, you ought to talk about your industry and show how many people were employed in 1936 and how many are employed now, the total wages they are getting now, and so forth.

Mr. MOLITOR. Let me tell you, Senator, that is a very difficult thing.

Senator LUCAS. I do not see why it should be.

Mr. MOLITOR. It is unfortunate, within any trade group, we have no power with which to get those figures. Our association represents 80 percent of the productive capacity. There are some few recalcitrants outside.

Senator LUCAS. Take the 80 percent you represent and make a guess on that basis.

Mr. MOLITOR. I do not think you need any further information than the record I put in the Ways and Means Committee.

Senator LUCAS. Of course, I am not familiar with that.

Mr. MOLITOR. That shows the employment, that shows the production, the drop in production, in units of production, which is, after all, one and the same thing. That is a rather exhaustive record. That was put in the record at the request of Congressman Jenkins of Ohio.

Senator LUCAS. I haven't examined that record. I was interested in getting how these men have been affected, how your employees have been affected.

Mr. MOLITOR. That has been covered very exhaustively in that record.

Senator LUCAS. Are as many people employed today as you had back in 1935?

Mr. MOLITOR. Of course not. The war has changed that situation.

Senator LUCAS. Is that due to the war?

Mr. MOLITOR. Yes. After the fall of France the industry started to come back and employment of course went up, but the draft of our workers and moving to what they considered essential industries—the lace industry was always looked upon as unessential before we got into the war work—a lot of workers drifted into war jobs, where of course they should be.

Senator LUCAS. Can you tell us how many you have employed at this time? Is it 80 percent?

Mr. MOLITOR. I should judge 75 percent.

Senator LUCAS. How many people would that be all told?

Mr. MOLITOR. Approximately 4,000 to 4,500.

Senator WALSH. Thank you, sir.

Mr. Carlson.

Senator LUCAS. Mr. Chairman, I would like to read into the record at this time a section of the agreement made with these countries.

Not only can agreements be terminated in a normal manner at the expiration of their initial period of duration, but in special circumstances the agreement can be modified or terminated upon short notice. For example, many of them provide that if a wide variation occurs in the rate of exchange between the currencies of the two countries, and if this variation is considered by either government to be so substantial as to prejudice its domestic industries, that government may propose negotiations for the modification of the agreement; and if a satisfactory arrangement is not reached, it may terminate the agreement on short notice.

Senator McMAHON. That is the escape clause that the witness told us that may be in these agreements if the bill is adopted.

Senator LUCAS. That is right.

(The following statement was later received for the record:)

ADDITIONAL STATEMENT BY CHARLES B. J. MOLITOR RE: FRENCH AGREEMENT—BEFORE THE COMMITTEE ON WAYS AND MEANS

1. I stated erroneously—"Despite the binding of their tariffs under the treaty, the French Government increased many of the bound tariffs—".

From a strict interpretation no French duties were actually bound, though implied under the agreement; there were some reduced, however. It seems that only United States tariffs were in effect bound.

2. Mr. Taft stated, "Mr. Molitor presented alleged instances to French tariff increases, apparently with the deliberate intent to create the impression that the agreement was violated."

This statement conflicts with the record. I stated, "Incidentally, I am aware of a possibility that the increases were effectuated with the acquiescence of the State Department as they followed almost immediately an exchange of letters with our Department of State."

That statement would not indicate a claim by me of violation of the agreement.

3. Mr. Taft has selected three duty rates of 341 quoted to prove the inaccuracy of the contention, b and c. I must truthfully admit that two of these are incorrect, the cases of grapefruit and canned fruits. In the investigation of over 1,000 duty rates in transposing these, a clerical error has been made. The duty on canned pineapple, however, had been increased slightly to 287.25 francs from 285 francs, the agreement rate.

(Reference: Bureau of Foreign and Domestic Commerce, Tariff Douanier Francais with modifications to January 1940, p. 248.)

(*a*) This is not true with the duty on cash registers quoted.

While duty on cash registers weighing 50 kilograms and over was reduced under the agreement, the French tariff on this item in January 1940, was the rate quoted by me, namely 1,200 francs per 100 kilograms for all cash registers weighing 30 kilograms and over.

(Source: Bureau Foreign and Domestic Commerce, N. Y., Tariff Douanier Francais, p. 244.)

4. As to Mr. Taft's contention that French duties were not increased above trade agreement rates, I note the following evidence:

(Source: Bureau of Foreign and Domestic Commerce Tariff, Douanier Francais, pages are also noted.)

French tariff number	Unit	Trade-agreement rate	French tariff rate effective in January 1940
73 (p. 244)	*Kilos*	*Francs*	*Francs*
Buckwheat	100		
Buckwheat grains		15	47.50
Buckwheat crush grains and Bran meal		18.20	64.00
Buckwheat flour		20.80	72.00
614 Ter A (p. 511)			
Automobile chassis weighing less than 850 kilos	100	415.00	855.00
850 to 1,250	100	480.00	985.00
1,250 to 1,500	100	545.00	1,120.00
84 A (p. 246)			
Oranges	100	36.40	80.00

The above circumstances certainly do not support the statement, "These duties were not increased above the rates provided for in the trade agreement." The source page numbers and French tariff numbers will facilitate their verification. There are many other such instances as appear in the record of Ways and Means Committee hearings as well as others not noted therein.

Respectfully submitted.

CHARLES B. J. MOLITOR,
Representing Amalgamated Lace Operatives of America, American Lace Manufacturers Association.

STATEMENT OF C. W. CARLSON, PRESIDENT, UNITED STATES GLASS CO., TIFFIN, OHIO, REPRESENTING THE HAND-MADE SECTION OF THE AMERICAN GLASSWARE ASSOCIATION AND NATIONAL ASSOCIATION OF MANUFACTURERS OF PRESSED AND BLOWN GLASSWARE

Senator WALSH. Your full name is C. W. Carlson?

Mr. CARLSON. Yes, sir.

Senator WALSH. You represent the American Glassware Association?

Mr. CARLSON. Yes.

Senator WALSH. You may proceed.

Mr. CARLSON. Mr. Chairman and members of the committee: In appearing before the members of the Senate Finance Committee today I represent the manufacturers who produce hand-made, illuminating, table and ornamental glassware. They are members of the American Glassware Association or National Association of Manufacturers of Pressed and Blown Glassware and comprise in excess of 90 percent of that industry by volume.

There are about 15,000 persons employed in this branch of the industry which, in 1939, produced about $22,000,000 of ware at factory selling price levels. Their sales are now about $30,000,000 since there is no appreciable foreign competition due to the war.

Senator McMAHON. That might also be due to the greater purchasing power in this country and due to the fact there is not any foreign competition.

Mr. CARLSON. Obviously, the greater purchasing power is the contributing factor. If we export all the jobs we also export purchasing power.

Senator McMAHON. I just want to make sure that you get the other reason in the record, too.

Mr. CARLSON. The workers and owners are greatly disturbed over the possibility of further reducing tariffs on hand-made glassware. They know that the industry cannot continue in this country if it is forced to meet the low prices of foreign manufacturers.

At this point I want to answer the statement made by Mr. Carey, of CIO this morning. He suggests that we continue to cut prices and increase volume and thereby create profits. I do not know where Mr. Carey gets his economics but his statement is not true. If you are already selling a product at below cost more volume will not help you. In fact, the more you make the more you lose.

American workmen receiving an average hourly rate of 80 cents cannot compete with Czechoslovakian labor receiving 14.73 cents per hour, Italian 13.93 cents per hour, and Swedish 27 cents per hour.

This is clearly demonstrated by a comparison of costs of a Czechoslovakian goblet brought into this country in 1938–39 with the costs of the same goblet made in this country. The Czech goblet cost 13.6 cents to produce, and the American made goblet cost 75 cents to produce. A break-down of the costs is as follows:

	American	Czechoslovakian
Total labor for making	0.16	0.024
Raw material	.015	.011
Fuel and power	.025	.02
Cutting and polishing	.40	.048
Selling, administration and profit	.15	.033
Total	.75	.136

This wide difference in costs is consonant with the differences in costs of other articles such as vases, bowls, glass lamp parts, decanters, oil and vinegar bottles, cut ash trays, and illuminating ware. It is obvious then that the American manufacturer and the American workman cannot compete with the foreign manufacturer and foreign workman. We are not only compelled to compete with organized glass manufacturers abroad but also with the hundreds of foreigners decorating, cutting, and etching glass in their own homes. It is not uncommon to find entire families, including very young children, employed in the decoration and sometimes making of glassware. How can American workmen, receiving American wages, compete with this sweat-shop labor?

It is alleged by those who would perpetuate the reciprocal trade agreement experiment that the hand-made glass industry has not been injured. Nothing is further from the truth or so lacking in intellectual integrity. Even an ardent supporter of the bill before you, the Honorable Wilbur D. Mills, said in interrogating me when appearing before the Ways and Means Committee, "Mr. Carlson, I think your industry is one that clearly cannot continue to operate without some degree of protection." Undoubtedly, Mr. Mills was familiar with the alarming increase of imports of hand-made glass. Imports of hand-made tableware increased from a low of $1,374,210 in 1933 to a high of $4,202,854 in 1937, and during the same period imports of illuminating ware increased from $185,394 to $663,015. This increase took place without the aid of tariff reductions. Is it not obvious that if the foreign manufacturers could sell $4,202,854 against our $13,377,195 in 1937 without tariff reductions that we cannot remain in business when they export glass under lower tariffs? The situation is so alarming that American manufacturers are precluded from expanding or making definite plans for the postwar period.

The proponents of reciprocal trade agreements who endeavor to make statistics to fit their desire say that glass imports actually declined following the Czechoslovakian trade agreement. That is true but definitely misleading. They do not tell you that American production in 1938 was only 72.1 percent of the 1937 production and that imports maintained their position and retained 71.8 percent of their volume. They likewise fail to state that Czech production was seriously affected by German activities within the Czech borders so that buyers were hesitant in placing orders. Then to make their statements even more nebulous, they talk about 1939 when the Germans had already taken Czechoslovakia. Even in 1939 the imports of hand-blown ware amounted to 46.1 percent of the American production. The real effect of reciprocal trade agreements upon the hand-made glass industry has not been felt. If the Germans had not entered Czechoslovakia, importations of Czech glass would have increased greatly. The Czechs were making a wider range of products. More and more Americans were learning that they could buy more advantageously in Europe.

Even when we tell you that in 1939 the imports amounted to 46.1 percent of our production, it is difficult to comprehend the disastrous effect of these imports. $2,698,317 of foreign ware represents many times the number of pieces of ware that $2,698,317 would buy in this country. Seventy-five cents will buy one goblet in this country while 75 cents will buy five similar goblets in Czechoslovakia.

The proponents of the bill before you, in an attempt to show imports of hand-made glassware represent but a small portion of the production of this country, combine the production of machine-made ware with hand-made ware. This is indeed deceiving. The foreign manufacturers export a negligible quantity of machine products. They send into this country their hand-made products, thereby displacing large numbers of American workers. It is, therefore, deceiving to compare hand-made imports with American production of both machine and hand-made ware. In the testimony of Charles P. Taft before the Ways and Means Committee, we find a typical example of misleading information disseminated by the State Department. Since the wording of Mr. Taft's testimony and that found in the pamphlet entitled "United States Tariff Policy and Imports and Exports of Glassware" is identical, we can credit the State Department with the paternity of the deception. In the testimony and the pamphlet, it is stated that in 1937 exports consisting almost wholly of machine-made products amounted to $1,750,018 and that imports were valued at $1,373,028. Thus exports exceeded imports in value and imports equaled only 10 percent of the domestic production of tableware. These figures are only partially true, but they very carefully avoided any reference to imports of art and ornamental ware in the amount of $1,560,695, which includes vases, bowls, decanters, and so forth. These articles are reported by American manufacturers as tableware. Therefore, Mr. Taft was incorrect in comparing $1,373,028 of imports with $13,377,195 of American hand-made production. Actually, imports amounted to $2,925,722, or 22 percent of American production instead of 10 percent as stated by Mr. Taft.

Senator LUCAS. That was on a special type of glassware, was it?

Mr. CARLSON. No, it was on tableware. Mr. Taft's very cleverly prepared statement omitted these items of tableware. Mr. Taft compared $1,373,000 imports of tableware with our total production of $13,377,000, but when we compiled our figures to reach the total of $13,377,000 we included the production of plates, bowls, decanters, and other articles which Mr. Taft very carefully omitted, and these imports which we include in tableware figures amounted to $1,560,000. So, instead of the import being only 10 percent as he says, they actually amounted to 22 percent.

Senator LUCAS. Where did Mr. Taft get his figures and where did you get your figures?

Mr. CARLSON. All these figures are taken from Government records, principally the biennial census. I have no idea where Mr. Taft obtained his figures. I imagine someone in the State Department prepared them for him. They have been spreading this type of propaganda all over the country, in letters to our workers and to other opponents of this bill.

Senator WALSH. It was a difference of classification, wasn't it?

Mr. CARLSON. They deliberately omitted a portion of that which we consider tableware.

Senator LUCAS. What did they consider?

Mr. CARLSON. They evidently consider nothing except goblets, saucer champagnes, tumblers, cups, and saucers and other stemware items. Incidentally, it is that blown part of our production that suffers the most from imports. After the Czechoslovakian treaty that type of ware dropped from $7,200,000 in 1937 to $5,018,000 in 1939. That is the type of production which, in this country, dropped to the extent of 30 percent because the Czechs were sending in chiefly blown ware.

Senator RADCLIFFE. Mr. Carlson, it is my impression you stated a little while ago of the amount of glassware used in this country only about 5 percent was imported, but you thought attention should be directed to the fact that very little machine-made glassware is imported but a considerable amount of man-made or hand-decorated glass is brought in. Have you any figures to show what percentage of the glassware, the hand-made or hand-decorated glassware, used in this country is made here and what percentage is imported?

Mr. CARLSON. Yes.

Senator RADCLIFFE. You mentioned the fact that the 5 percent is misleading because so little machine-made glassware is brought in. I thought you might want to supplement your statement by saying what percentage of hand-made and hand-decorated glassware is made here and what is imported.

Mr. CARLSON. I should like to be permitted to file a very short brief which gives all of these figures. It shows the relationship between the hand made and the machine made products.

Senator MCMAHON. Of course, there is no agreement with Czechoslovakia now. Hasn't that been terminated?

Mr. CARLSON. We understand it has.

Senator MCMAHON. A new treaty would have to be renegotiated if this law goes into effect, under the amendment adopted in the House.

Mr. CARLSON. That is right.

Senator MCMAHON. A new agreement would have to be negotiated.

Mr. CARLSON. Of course a new agreement would have to be negotiated. But Senator, do not overlook this: There has been a tremendous infiltration of refugee Polish, Czech, and German workers into the low-wage countries of South America. Many of them have already entered the glass business. They are making all kinds of ware down there. Imports from these South American countries will seriously affect us after the war.

Senator MCMAHON. Has it reached any proportions now?

Mr. CARLSON. Obviously the lack of bottoms has limited the shipment of glass. I have recently been informed that the production of glass in Chile has reached sizable proportions. The number of glass plants and the value of production in South America can be obtained through the Bureau of Domestic and Foreign Commerce. If my memory serves me correct there are about 160 glass plants in South America.

Senator McMAHON. Do we export any to Chile?

Mr. CARLSON. We export some machine made ware, but we cannot export any hand made ware because the European prices are so low that we just cannot meet the competition.

Senator LUCAS. Of this $2,000,000 item that you are complaining about, what do you figure to be the export of that same type of glassware out of the country?

Mr. CARLSON. I am making a guess, Senator Lucas, but I should think there was a negligible amount except perhaps to Canada. The only reason we got the Canadian business was because England was at war and they were not sending glass over.

Senator LUCAS. Was that in 1939?

Mr. CARLSON. He is using the year 1937.

Senator LUCAS. In 1937, I have some figures here that show that the total production in dollar value in 1937 in this country was $425,212,000, and all our imports at that time were $10,167,000, and our exports $10,121,000.

Mr. CARLSON. Senator, they are just the type of figures we want to talk about. The figure of $425,212,000 includes the production of plate glass, window glass, bottles, containers, tubing, chemical ware, and it might include glass cloth, I don't know. We are not talking about all forms of glass. We are talking about hand-made glass. I told you that in 1939 imports of blown tableware was equal to 46 percent of our production. We are talking about the hand-made industry today and not all forms of glassware.

Senator LUCAS. And that alone?

Mr. CARLSON. And that alone, and that is the branch of the industry that is the largest employer of labor.

Senator WALSH. You may proceed.

Mr. CARLSON. Mr. Taft was also incorrect in stating that exports exceeded imports. In fact, the imports exceeded exports by $1,183,705. Mr. Taft also failed to state that exports of hand-made glass amounted to only $117,000 or 1.2 percent of all glass exports. I think that answers you, Senator.

Senator LUCAS. Yes.

Mr. CARLSON. The Department of State has consistently followed a plan that would confuse the casual observer regarding the relationship of imported glass to glass produced in this country by comparing imports, which they admit consist almost wholly of hand-made articles, with the total production of hand and machine articles made in this country. This is clearly evidenced by a letter addressed to one of our employees by Mr. H. Gerald Smith, Assistant Chief, Division of Commercial Policy, Department of State. In this letter, Mr. Smith says, and I quote:

> Imports consisted almost entirely of hand-made products amounting in all cases to a small proportion of domestic production. Competition with domestic hand-made glassware came instead principally from the growing domestic production of glassware by machine methods.

Senator LUCAS. Let me put in the record right here a summation of the figures given by Mr. Carlson. You are speaking of 1937. This table shows $15,337,000 production in this country of hand-made glassware, while the imports at that time were $3,100,000. In 1938 the table shows $10,600,000 production, and imports $2,054,000. In 1939 the production, $11,655,000——

Mr. CARLSON. May I interrupt you, Senator? Pardon me.

Senator LUCAS. Yes.

Mr. CARLSON. What was the 1938 figure?

Senator LUCAS. In 1938, the production was $10,600,000 and imports $2,054,000.

In 1939, $11,655,000, and imports $1,537,000.

Then, of course the war was on. In 1940, the production was $13,900,000, and imports $849,000. In 1941, $19,300,000, and imports $438,000. In 1942, 1943, and 1944 your production increased and imports decreased.

Mr. CARLSON. Obviously the imports decreased. They could not ship the stuff over here because the world was at war.

Senator LUCAS. That is right.

Mr. CARLSON. Senator, we will insert all of those figures in our brief which we propose to file. They are adequately covered.

Senator LUCAS. All right, sir.

Mr. CARLSON. The figures are explained there. [Continuing:]

We agree with Mr. Smith that imports have consisted almost entirely of hand-made products, but we do not agree that imports amounted to but a small part of domestic production. In 1938 we produced $9,650,000 of hand-made tableware. In the same year there was imported $3,018,281, including ornaments. That is not a small part of domestic production. Neither do we accept Mr. Smith's statement that competition with domestic hand-made ware came instead of the production of glassware by machine methods.

We are the largest producer of blownware in the United States. We also make considerable quantities of hand-pressed ware. I have also discussed this with all of the principal manufacturers of hand-made ware, and I have never found any hand manufacturer who considered machine-made ware to be competitive or in any way lessen their market. There are thousands of items that cannot be made by machine methods. There are hundreds of other items that can be made by machine methods but not on a profitable basis, because the runs are not long enough. It is utterly ridiculous to compare imports of hand-made ware with the total production of hand-made and machine-made ware produced in this country.

Mr. Taft also makes the assertion that imports of Christmas tree ornaments and other ornamental glassware have always supplied all, or practically all, requirements of domestic consumption. We admit that this is true in the case of Christmas tree ornaments. We do not admit that it is true with other ornamental glassware. We in this country make vases, bowls, cornucopias, book ends, and many other items that are considered ornamental glassware. We can supply any and of the all requirements for ornamental glassware. It is, therefore, incorrect for Mr. Taft to assert that ornamental glassware was supplied chiefly through imports. As a matter of fact, in the last 6 years we have developed the art of making these fine pieces to a point where we pass all Europeans, and we certainly can supply whatever demand there is in this country.

The hand-made glass industry is in reality a small-town industry. Most of the plants are located in towns of 25,000 or less. Local merchants and service establishments depend on the pay rolls of glass companies. Small-town prosperity and the welfare of small business has been the subject of special interest and considerable discussion in Congress. Yet the House passes a Trade Agreements Extension Act which will destroy small-town prosperity, for it is in them that most handcraft industry is located.

It just does not make sense to spend money to stimulate small-town business and on the other hand pass legislation which will greatly impair volume, eliminate profits, and perhaps eliminate entire handcraft industries upon which the small towns are dependent.

At this point, I should like again to refer to Mr. Carey's testimony in which he makes the assertion that we cannot point to a single industry or a single company that has been put out of business as the result of the reciprocal trade agreements. I want to call to your attention that there are at least eight glass companies that passed out of business because they could not compete with importations. I have in mind particularly the Morgantown Glass Co., of Morgantown. I think, Senator Radcliffe, in your district, they had one, the Maryland Glass, in Cumberland. We have given that information in our testimony before the House.

We believe that Congress should, in some way, amend the Trade Agreements Act so that handcraft industries will not be subjected to sweat-shop competition. The small handcraft industries cannot compete because of the vast difference in wages paid here and the low wages paid in foreign countries. The War Labor Board has already announced policies which, if accepted by the glass industry, will make the difference in wages even more than it is today. The Government tells us that we must shorten work hours, increase wages, give paid vacations, pay shift differentials. It tells us we must do all this and still compete with foreign manufacturers paying low rates, working longer hours, and who are not required to pass out gratuities to maintain industrial peace.

We suggest that consideration be given by the Senate to amending the Trade Agreements Act to, in some way, protect handicraft industries in this country which are unable to compete with the low labor rates paid in foreign countries.

We seem to have gone volume crazy in this country on exports. They are very desirable, but they are desirable only when they can be attained without wrecking profits on domestic production, which competes with imports upon which tariffs have been cut. The handmade glassware industry's experience has been that the selling prices of domestic business were reduced to the point where the industry operated at net losses—that is, during periods of importation. If we bargain on that basis with foreign countries, we will destroy our profitable operation in this country simply to create a volume of imports to support an export program. The net result of such trading is to financially weaken one group of United States manufacturers just to support the export market of another.

Because of the irreparable harm that a further reduction of tariff rates would cause the hand-made glassware industry, we definitely oppose the passage of this bill.

To fully state our position in regard to differences of our opinion with the statement Mr. Taft has presented to the Ways and Means Committee, I seek permission to file a brief to be made a part of the records of this hearing in order to obviate the possiblity of misunderstanding of the facts in respect to the hand-made glass industry.

Senator WALSH. That may be done.

Mr. CARLSON. Yes, Senator.

Senator WALSH. How many industries do you represent—I mean, different units of the glass-manufacturing industry?

Mr. CARLSON. I represent the members of two associations, the American Glassware Association, and the National Association of Manufacturers.

Senator WALSH. How many companies?

Mr. CARLSON. I should think there must be 70 companies in the two.

Senator WALSH. Where are these industries located?

Mr. CARLSON. These industries are located in about 7 or 8 different States. We have one in your State, Senator.

Senator WALSH. Where is the one in my State?

Mr. CARLSON. At Bedford; the Gunderson Glass Co.

Senator WALSH. Are most of the companies small companies?

Mr. CARLSON. Yes, sir. I told you we are the largest producer of hand-blown glass. We have two plants, but in that particular plant, where we make this large volume of blown ware, we employ but 530 people.

Senator WALSH. How many employees are employed in the industry that is affected by this legislation, approximately?

Mr. CARLSON. We are using a figure of 17,000 presently in the American Flint Glass Workers Union.

Senator WALSH. Thank you, Mr. Carlson.

(The brief submitted is as follows:)

STATEMENT REGARDING THE EFFECT OF TRADE AGREEMENTS ON THE HAND-MADE GLASSWARE INDUSTRY IN THE PERIOD 1937–39, INCLUSIVE

In the majority report of the Ways and Means Committee on the extension of the Trade Agreements Act, all evidence presented to the committee by several members of the hand-made glassware industry was considered as answered by Hon. C. P. Taft's testimony appearing in part 19, pages 055 to 060 of the hearing record.

In order to clarify some of the carefully worded statements made by Mr. Taft, summaries of hand-made, table, illuminating, art, and ornamental glassware production imports and exports are submitted herewith. Comments regarding each of these summaries follows the factual information. All the basic figures appearing in each tabulation are from the United States Department of Commerce publication, Commerce and Navigation of the United States, and from the United States Biennial Census of Manufactures except the industry production totals for the year 1938. There was no biennial census of manufacture compiled for that year. In order to secure information we were compelled to base our facts on individual company reports of operations, which were made to the American Glassware Association. We believe that these figures very accurately reflect production for the year 1938.

Production of United States hand-made table, ornamental, and illuminating glassware

	1937	1938	1939
Table, art, and ornamental:			
Hand-blown tumblers, goblets, and barware	$7,382,744		$3,863,060
Hand-blown, other	897,748		1,155,458
Total hand-blown	7,280,492	$4,750,000	5,018,518
Hand-pressed tumblers, goblets, and barware	1,419,627		2,400,011
Hand-pressed plates, dishes, cups, and saucers	1,428,304		1,583,646
Hand-pressed, other	3,248,772		2,653,287
Total hand-pressed	6,096,703	4,900,000	6,636,944
Illuminating glassware:			
Shades, globes, and reflectors	9,160,030	7,786,000	9,165,733
Lamp chimneys	1,380,614	1,000,000	817,489
Lantern globes	462,194	500,000	520,817
Total illuminating	11,002,838	9,286,000	10,504,039
Total production of United States hand-made table, art, and ornamental ware and illuminating glassware	24,380,033	18,936,000	22,159,501

Source: The years 1937 and 1939 are from the United States Biennial Census of Manufactures. There are no Government totals for 1938, and these totals are conservatively estimated from individual company reports made to the American Glassware Association.

Comment: The foregoing tabulation conclusively shows that sales volume declined during the year 1938. Whether it was caused by the operation of the Czech trade agreement or by general business conditions, no one can factually determine, but we are sure that general consumer goods did not decline as much as the hand-made glassware industry did. Another element that we can definitely state is that the factory net profit on sales of hand-made, table, and art ware declined from plus 4.7 percent in 1937 to minus 3.59 percent in 1938 and began to come back in 1939 when the factory net profit increased to plus 1.74 percent. In other words, just as soon as the pressure of low selling price levels of importation in this country ceased on account of the European war, the industry again returned to a slightly profitable basis. The industry net losses of 1938 were due to the low selling prices on imports, and if United States manufacturers had been compelled to meet these prices for any length of time they would have been forced to close. We emphasize the fact that sustained sales volume is only one part of successful business and that profits are just as essential as volume.

The Czech trade agreement definitely caused injury to the hand-made glassware industry from the point of view of profits, and we believe that it also caused a reduction in sales volume.

United States imports of hand-made table, ornamental, and illuminating glassware

	1937	1938	1939
Total glass imports, all classifications	$10,171,000	$6,528,000	$5,156,000
Total glass imports in Czechoslovakian trade agreement, less containers (Mr. Taft's statement, House Ways and Means Committee, May 12, 1945)	$5,017,007	$3,786,898	$2,817,316
Par. 218 (f):			
Table, art, and ornamental:			
Tableware	$1,365,027	$966,320	$839,277
Art and ornamental	$1,560,695	$1,041,246	$688,789
Total	$2,925,722	$2,007,566	$1,528,066
Percent of Taft's total	58.3	53.0	54.2
Christmas tree ornaments	$1,277,132	$1,010,715	$788,648
Total par. 218 (f)	$4,202,854	$3,018,281	$2,311,714
Percent of Taft's total	83.8	79.7	82.1
Total par. 218 (d), cased glass	$1,065	$39,931	$12,263

United States imports of hand-made table, ornamental, and illuminating glassware—Continued

	1937	1938	1939
Par. 218 (c), illuminating glassware:			
Prisms	$50,410	$234,007	$198,887
Lamp chimneys	$30,038	$20,752	$8,650
Globes and shades	$151,413	$131,389	$60,013
All other	$431,154	$222,777	$106,790
Total par. 218 (c)	$663,015	$608,925	$374,340
Percent of Taft's total	13.2	16.1	13.3
Total par. 218 (c) (d) (f)	$4,866,934	$3,666,227	$2,698,317
Percent of Taft's total	97.0	96.8	95.8

Source: All totals are from Foreign Commerce and Navigation of U. S. Department of Commerce.

Comment: The importance of imports to the hand-made glassware industry is clearly evident in the foregoing tabulation, since they are over 40 percent of total glass imports, including glass articles of every type.

The hand-made, illuminating, table, art, and ornamental glassware imports are over 95 percent of the total imports of this ware made during the life of the Czechoslovakian trade agreement, and it clearly indicates that it was the intention of the State Department negotiating committee to reduce tariffs on hand-made glassware. Just why it should have ever been considered is difficult for United States manufacturers of this ware to understand since, without any tariff aid, foreign manufacturers had increased their United States business by nearly 250 percent since 1932 and were able to undersell American manufacturers throughout this period without any tariff reduction. This is particularly disturbing since throughout this period only meager profits had been made by the United States hand-made glassware industry.

In 1938 imports of glassware of this type did decrease, but at no faster rate than United States manufacturers' business did, and imports definitely held their position in the United States market. It might be said that the United States manufacturers were no worse off during this period from a volume standpoint, but the profits in the industry were greatly reduced, going from plus 4.57 percent in 1937 to a loss of 3.59 percent in 1938. This branch of the industry, therefore, was definitely injured.

The very day that Hitler invaded Czechoslovakia, members of the hand-made glass table industry were in conference with the Committee on Reciprocity Information, and when the announcement was made that the Germans had overrun Sudetenland, the remark was made that "certainly the Czechs would import but very little more glass because United States would probably declare the Czech trade agreement nonoperative.

That imports decreased cannot logically be used as evidence that trade agreements did not injure the hand-made glassware industry.

United States export of hand-made table, ornamental, and illuminating glassware

	1937	1938	1939
Total glass exports, all classifications	$9,784,000	$8,332,000	$10,422,000
Hand-made tableware, tumblers, stemware, ornamental, and art-ware [1]	$117,000	$106,000	$132,000
Percent of total glass exports	1.2	1.3	1.3
Hand-made illuminating ware:			
Globes and shades	$373,106	$323,840	$369,397
Lamp chimneys and lantern globes	$199,697	$81,199	$103,588
Total	$572,803	$405,039	$472,985
Percent of total glass exports	5.9	4.9	4.5
Total exports of hand-made glassware	$689,803	$511,039	$604,985
Percent of total glass exports	7.1	6.1	5.8

[1] The last 6 months of 1939 U. S. Department of Commerce reports show 6.7 percent of the total exports, both machine and hand-made, of tumblers, tableware, etc., was hand-made. Applying this percentage to the total imports of this class for the years 1937 to 1939, inclusive, develops these totals. Hand-made sales during the last 6 months of 1939 in the export trade were more active than in previous years due to the war in Europe which precluded shipments from glass-producing countries so that these totals are conservative estimates.

Comment: The hand-made table glassware industry for many years has tried to sell its ware in foreign markets. However, because of the low prices at which foreign glass-producing countries supplied ware, it has been impossible to create an export market for United States hand made table, ornamental, and art glassware. The only place where United States manufacturers of this ware can sell it is in this country. Losses in this market due to tariff reductions mean definitely that much less business with no other market to turn to to make up their losses. We point out that not over 1.3 percent of the exports of this type of ware is hand-made while approximately 30 percent of all glass imports is hand-made table, ornamental, and art glassware. These figures are exclusive of Christmas-tree ornaments. Reduction in tariffs due to trade agreements exposes this industry to a serious handicap which undoubtedly will develop into a hardship.

Comparison of United States production of hand-made table, ornamental and art glassware and imports for 1937 to 1939, inclusive

	1937	1938	1939
United States production, hand-blown	$7,280,492	$4,750,000	$5,018,518
Percent of 1937		65.2	68.9
United States production, hand pressed	$6,096,703	$1,900,000	$6,636,944
Percent of 1937		80.4	108.9
Total	$13,377,195	$9,650,000	$11,655,462
Percent of 1937		72.1	87.1
United States imports, table, ornamental, and art, excluding Christmas-tree ornaments [1]	$2,925,722	$2,007,566	$1,528,066
Percent of 1937		68.6	52.2
United States imports, Christmas-tree ornaments	$1,277,132	$1,010,715	$783,648
Percent of 1937		79.1	61.4
Total	$4,202,854	$3,018,281	$2,311,714
Percent of 1937		71.8	55.0

[1] United States imports of table, ornamental, and art glassware are almost all hand-blown.

Comparison of imports with United States hand-blown production

	1937	1938	1939
United States hand-blown production table, ornamental and artware	$7,280,040	$4,750,000	$5,018,518
Imports, excluding Christmas-tree ornaments	$2,925,722	$2,007,566	$1,528,066
Percent of United States hand-blown production	40.2	42.3	30.4
Imports, including Christmas-tree ornaments	$4,202,854	$3,018,281	$2,311,714
Percent of United States hand-blown production	57.7	63.5	46.1

These comparisons clearly show why hand-blown manufacturers of table, ornamental, and art glassware are so apprehensive regarding any cuts in tariff which would expose them to loss of the United States market and ultimate liquidation of their plants.

Percentage of imports to United States, total production of hand-blown and pressed table, ornamental, and art glassware

	1937	1938	1939
United States production	$13,376,943	$9,650,000	$11,655,462
Imports, excluding Christmas-tree ornaments	$2,926,722	$2,007,566	$1,528,066
Percent of United States production	21.9	20.8	13.1
Imports, including Christmas-tree ornaments [1]	$4,202,854	$3,018,281	$2,311,714
Percent of United States production	31.4	31.3	19.8

[1] Christmas-tree ornaments are hand-blown ornamental or artware. They are not electric light bulbs or other illuminating ware.

Comment: In all tariff discussions regarding glass table and other decorative ware, there always is confusion in statements because of the tendency to include machine ware in the over-all statistics. Hand- and machine-made glass manufacture are just as different in their methods of production and distribution as hand-made cabinets are from building lumber. To include machine-made glassware in discussions of hand-made glassware is not sound. It is not a fact that "competition with domestic hand-made glassware came principally from growing domestic production of glassware by the machine method" (quotation from Mr. Taft's testimony). Machine-made glassware production has increased largely in supplying tumblers and tableware for the huge increase in restaurants, soda fountains, hotels, and other commercial enterprises.

There are just as many hand-made articles now used in homes as ever but there is more use of glassware in the home than ever before. The cheapness of the automatic machine-made tumbler, for instance, has made the American public less careful of their glassware; it therefore is used much more often. No longer do we see the jelly glass tumbler of former days used for drinking purposes because a nice looking machine-made tumbler is much more attractive and inexpensive. Automatic machine-made glass service has found a ready market in the American home but it has not displaced the beautiful hand-pressed berry dishes, compotes, center pieces, nor the hand-blown dinner tumblers, goblets, and cocktail glassware. To keep confusing these two industries and bracketing them in one classification creates a false impression.

The facts developed by the above comparisons show that the hand-made table, ornamental, and art-glassware industry was injured by the cutting of tariffs in the Czechoslovakian trade agreement for hand-blown production dropped in 1938 to 65 percent of the 1937 production and, relatively, imports (excluding Christmas-tree ornaments) did not decline at the same rate. Despite all shipping and producing difficulties in Czechoslovakia due to German aggression within and near that country in 1938, the Czechs were able to maintain their position in this market. We therefore look with apprehension at what will happen when manufactures in that country are not hampered by these outside influences, particularly as their labor will be far below the ever-increasing wages paid in this country.

We further point out that imports of this type of glassware (excluding Christmas-tree ornaments) was 40 percent in 1937 and 42 percent in 1938 of the United States hand-blown production of this ware. In 1939 it was 30 percent and that, with the great Czechoslovakian production completely excluded from shipping ware to this country because of German occupation. When imports reach an average of 40 percent of total production of an industry, there certainly is reason for considerable apprehension when its Government attempts further to encourage the sale of foreign merchandise of the same class.

Due to the method of presentation, the statistics shown on page 58 of part 19 of the hearings before the House Ways and Means Committee create an erroneous impression although, in fact, they are correct, with the exception that ornamental and art glassware of more than 1½ billion dollars is omitted.

If tariffs on hand-made glassware are cut further, United States manufacturers and employees will be subject to a distinct hardship, both in loss of sales volume and in profitable operation of their plants.

Christmas-tree ornaments can be made in this country; in fact a few were made in 1937 to 1939. The reason they were not produced here is because manufacturers in this country could not compete with the European sweatshop labor and methods in their production. Many United States manufacturers would have been glad to make them but abandoned the market because they were forced to owing to these conditions, not because of lack of skill. Finally an electric-bulb manufacturer in this country started making them on machines about 1940. It must not be overlooked, however, that foreign manufacturers have enjoyed the profits from this business which could have accrued to United States manufacturers if they had not been compelled to pay high wages, conform to wage and hour laws, and other governmental controls. We do not complain about upholding our standard of living, but it certainly increases our cost of production as compared with foreign cheap labor and long hours of employment.

Comparison of United States production of hand-made illuminating glassware and imports for 1937–39, inclusive

	1937	1938	1939
United States production	$11,002,838	$9,286,000	$10,504,039
Percent of 1937		84.4	95.5
Imports	$663,015	$608,925	$374,340
Percent of 1937		91.8	56.5
Percentage of United States production	6.0	6.6	3.6

Comment: Imports declined in 1938 less than United States production, which indicates that the illuminating glassware industry was adversely affected during the 7½ months of the existence of the Czechoslovakian trade agreement in that year. The Czech trade agreement was declared nonoperative April 22, 1939, after Germany had invaded that country. Most of the imported illuminating glassware comes from Czechoslovakia and the decline in imports for 1939 is attributable to the war.

Already Czechoslovakia has trade scouts in this country soliciting business for illuminating glassware. Even under existing tariffs foreign manufacturers can produce this glassware and sell it in the United States at less than United States manufacturers can supply it. These imports create price levels which our manufacturers must meet and often far lower than their cost. These imports not only affect volume sale but often force United States manufacturers to operate with no net profit. If tariffs are cut further by trade agreements, manufacturers in this country will be denied more of the American market and, finally, a large percentage of the United States market will be furnished by foreign glass-producing countries attracted to this market by the favorable conditions created by lower tariffs. The United States manufacturers will be exposed to serious reductions in their business volume and profit, which now is very modest due to increasing wages and material costs.

Answering some of the points made in Mr. Taft's statement before the House Ways and Means Committee, lamp chimneys were not machine-made until late in 1938 and, therefore, do not apply to any great extent to these figures. Automatic machine production of shades and reflectors also were not an important item in 1937 and 1939 and even now are but a small part of this type of business. Domestic machine-made methods of producing this glassware are not highly competitive with hand-made methods nor is it constantly encroaching on the market to any great extent. Technological trends in producing this type of ware do not account for the declining production of hand-made illuminating glassware.

Senator O'MAHONEY. Senator, may I interrupt to ask whether it would be possible for the committee to hear me tomorrow morning for 15 or 20 minutes?

Senator WALSH. Yes.

Senator O'MAHONEY. I should like very much to discuss the amendment which I introduced requiring congressional review of all trade agreements.

Senator WALSH. We are familiar with that amendment. We would be glad to hear you.

Senator O'MAHONEY. I want to point out particularly the danger of permitting the State Department to negotiate secret pacts, because that is what they are, as we are entering the most critical period of foreign relations in the postwar world.

Senator WALSH. Mr. Abbott, please.

STATEMENT OF C. WEBSTER ABBOTT, JR., PRESIDENT, C. W. ABBOTT & CO., INC., BALTIMORE, MD.

Senator WALSH. Mr. Abbott, your name is C. W. Abbott, Jr., and you represent C. W. Abbott & Co.?

Mr. ABBOTT. Yes.

Senator WALSH. What do you manufacture?

Mr. ABBOTT. Abbott's Bitters.

Senator WALSH. Where is your factory located?

Mr. ABBOTT. Baltimore, Md.

Senator WALSH. You may proceed.

Mr. ABBOTT. My name is C. Webster Abbott, Jr. I am president of C. W. Abbott & Co., Inc., of Baltimore, Md. The firm was established in 1865 by my grandfather, and we have been engaged in the manufacture of Abbott's Bitters since 1872. Our business, which was incorporated in 1907, is typical of the small American family business.

We are not appearing here today in opposition to the principle of reciprocal trade agreements. It is my belief that such agreements, when instituted under limited authority, and when truly reciprocal, can well be beneficial to American industry and to world economy.

We are, however, definitely opposed to the continuation of existing conditions under which the effective tariff may be reduced substantially below the congressional intent, and even negative tariffs or import bonuses created. This condition is the result of increased excise taxes on the one hand, and decreased duties on the other, on those imported products which are not subject to excise taxes in addition to the import duties. The effective tariff on certain products including our own, due to these changes has now been completely eliminated, and in its place, a penalty imposed on the American manufacturer.

I shall now present a table showing the extent of effective protection afforded our product or the penalty imposed upon it during the past 20 years.

(The table referred to is as follows:)

Table showing: (1) Taxes and import duties applicable to alcoholic nonbeverage bitters from passage of Tariff Act of 1922 to spring of 1945; (2) protection afforded or penalty imposed on domestic manufacturers

	Domestic manufacturer—Tax per proof gallon			Importer—Duty per proof gallon			Effective protection	Effective penalty
	Gross	Draw-back	Net	Duty	Internal revenue tax	Gross		
Sept. 22, 1922, to Jan. 1, 1927	$2.20	None	$2.20	[1] $5.00	None	$5.00	[5] $2.80	
				[3] 2.60		2.60	[4] .40	
Jan. 1, 1927, to Jan. 1, 1928	1.65	None	1.65	[1] 5.00	None	5.00	[5] 3.35	
				[3] 2.60		2.60	[4] .95	
Jan. 1, 1928, to Jan. 18, 1930	1.10	None	1.10	[1] 5.80	None	5.80	[5] 3.90	
				[3] 2.60		2.60	[4] 1.50	
Jan. 18, 1930, to Jan. 12, 1934	1.10	None	1.10	[2] 5.00	do	5.00	3.90	
Jan. 12, 1934, to July 1, 1938	2.00	None	2.00	5.00	do	5.00	3.00	
July 1, 1938, to Jan. 1, 1939	2.25	None	2.25	5.00	do	5.00	2.75	
Jan. 1, 1939, to July 1, 1940	2.25	None	2.25	[6] 2.50	do	2.50	.25	
July 1, 1940, to Oct. 1, 1941	3.00	None	3.00	2.50	do	2.50		$0.50
Oct. 1, 1941, to Nov. 1, 1942	4.00	None	4.00	2.50	do	2.50		1.50
Nov. 1, 1942, to Apr. 1, 1944	6.00	3.75	2.25	2.50	do	2.50	.25	
Apr. 1, 1944, to date	9.00	6.00	3.00	2.50	do [7]	2.50		.50

[1] "Bitters of all kinds (except Angostura) containing spirits" schedule 8, par. 802, Tariff Act, 1922.
[2] Tariff Act of 1930, schedule 8, par. 802.
[3] Angostura bitters, schedule 8, par. 802, Tariff Act, 1922.
[4] Over Angostura bitters.
[5] Over all bitters except Angostura.
[6] United Kingdom (T. D. 49753).
[7] Imported beverage bitters made with spirits carry the gross internal-revenue tax in addition to the duty. Nonbeverage alcoholic bitters do not carry even the net tax. Reference (342.02): Schedule of customs duties and internal revenue taxes payable on imported alcoholic beverages and other alcoholic preparations.

Mr. ABBOTT. In this table it shows from the year 1930, when there was an import duty of $5 under the Smoot-Hawley tariff we had an effective protection of $3.90. That went down to $3, down to $2.75, down to 25 cents, even down to a penalty of 50 cents, and then to a penalty of $1.50, and then when they instituted the draw-back law it came up to 25 cents protection, and now we are in a 50-cent penalty class.

Senator WALSH. To what extent were these reductions due to the tariff?

Mr. ABBOTT. Well, it was mainly due to the difference of having the tariff on the one hand and the excise taxes on the other.

From this table, which may also be found on page 5246 of the Congressional Record of May 26, 1945, it may be noted that since January 1, 1939, the effective date of the reciprocal-trade agreement with the United Kingdom (T. D. 49753), our effective protection has never exceeded 25 cents per proof gallon and that during approximately half of this time, we have been subject to a penalty, in that the total tax imposed on competing imported products has been less than the net tax collected from the domestic manufacturer.

Attention is also directed to the fact that the effective protection following the passage of the 1930 Tariff Act varied from a high of $3.90 to a low of $2.75 per proof gallon until the effective date of the trade agreement with the United Kingdom. While under the agreement the rate of duty was only reduced 50 percent, the effective protection to the domestic manufacturer was reduced from $2.75 to 25 cents a proof gallon, or approximately 91 percent. Eighteen months later, this protection was completely wiped out by an increase in domestic excise taxes, and we have been on a penalty basis since July 1, 1940, except for the period from November 1, 1942, to April 1, 1944, during which, as a result of an amendment to section 3250 of the Internal Revenue Code, we were again afforded an effective protection of 25 cents per proof gallon.

Senator WALSH. What do you mean by effective protection?

Mr. ABBOTT. Effective protection is the extent to which the total of the import duty and the internal-revenue tax, if any, paid by an importer exceeds the net internal-revenue tax paid by the domestic manufacturer of a similar product.

Senator RADCLIFFE. Isn't it true, Mr. Abbott, whenever the excise taxes are raised that cuts out the measure of protection there, and the tendency of our Government has been to raise excise taxes? When the reciprocal trade agreements become operative then you get in a squeeze between the two. I think the hardship is very obvious. The question is how it can be cured and handled.

Mr. ABBOTT. Yes, sir.

Senator WALSH. Did the British agreement lead to an increase in imports?

Mr. ABBOTT. Definitely.

Senator WALSH. To what extent?

Mr. ABBOTT. A similar situation apparently exists with regard to other products which, when manufactured domestically, are required to pay excise taxes but when imported do not pay such taxes.

For example, in 1935, the import duty on beer was $1 a gallon or $31 a barrel and the excise tax was $5 a barrel, leaving an effective protection of $26 a barrel.

Senator WALSH. In your case, do you claim the State Department did not take into consideration the fact that you had an excise tax?

Mr. ABBOTT. They have got to work together cooperatively between the Internal Revenue and the tariff.

Senator WALSH. Did that take into account the British treaty?

Mr. ABBOTT. I do not believe I can answer that.

Senator WALSH. You say the British trade agreement led to more exports in competition with your business, is that correct?

Mr. ABBOTT. Yes. One of our principal competitors moved out of the country because he could import cheaper than he could manufacture here where he had to pay excise taxes.

Senator WALSH. In the meantime excise taxes were levied under the different tax laws.

Mr. ABBOTT. Yes.

Senator WALSH. I inquire, did the State Department that negotiated the treaty with Great Britain have in mind or give due consideration to the fact that you had an excise tax to pay which added to your burden of competition with imports?

Mr. ABBOTT. We brought this very question up with the Ways and Means Committee back in 1941 when our protection was dropped very fast and the increase in excise taxes was rising in this country.

Senator WALSH. What was the extent of the reduction in the British agreement?

Mr. ABBOTT. Fifty percent; from $5 to $2.50.

Senator WALSH. You claim at that time you were under heavy excise taxes that ought to be considered in connection with any effort to reduce the import duty?

Mr. ABBOTT. There ought to be some correction so this cannot happen again.

A similar situation apparently exists with regard to other products which when manufactured domestically are required to pay excise taxes, but when imported do not pay such taxes. For example, in 1935 the import duty on beer was $1 a gallon or $31 a barrel, the excise tax was $5 a barrel, leaving an effective protection of $26 a barrel. At the present, the excise tax is $8 a barrel and the import duty 25 cents a gallon or $7.75 a barrel, leaving a penalty of 25 cents a barrel.

We have discussed this situation with certain Members of Congress, and with various officials of the Government bureaus and departments concerned. Without exception, it has been agreed it is not the policy of the Congress to penalize the domestic manufacturer and favor the foreign manufacturer and that the situation has arisen as a result of the generally held but incorrect assumption that excise taxes always apply to both imported and domestically produced products.

Officials of the Tariff Commission, particularly Mr. Martin, who is sitting with your committee today, have been most helpful and cooperative in discussing the matter with our firm and with its consultants. Last Saturday morning we had a rather lengthy conference as to the best means of correcting the existing situation and preventing its recurrence in the future. Because of Mr. Martin's familiarity with Government procedure and his thorough knowledge of the various factors concerned it would be well if Mr. Martin at this time would give to the committee a brief summary of the possible procedures, which by full coordination between rates of import duties and excise taxes will not only correct existing inequalities, but prevent their recurrence in the future.

I am accompanied today by Mr. Hiram W. Woodward, consulting engineer, who is one of our directors, and by Mr. Fletcher H. Rawls, who is our consultant on foreign trade problems. Both Mr. Rawls and Mr. Woodward are thoroughly familiar with the problem. They have also been present at the meetings with Mr. Martin and I am sure that they will be glad to answer any questions which the committee may desire to ask.

In closing, I wish to stress the fact that unless the present intolerable position is corrected either by amendment to the pending bill, or by the passage of other appropriate legislation, our company is opposed to further extension of the Trade Agreements Act. With such correction we favor extension.

Senator RADCLIFFE. Mr. Hiram Woodward, who is in the audience and who is very familiar with this situation, would like to be heard for a few minutes. He can throw some additional light on it.

Senator WALSH. All right. Mr. Woodward.

STATEMENT OF HIRAM W. WOODWARD, CONSULTING ENGINEER, C. W. ABBOTT & CO.

Senator WALSH. Your name is Hiram Woodward?

Mr. WOODWARD. Hiram W. Woodward.

Senator WALSH. You are consulting engineer with C. W. Abbott & Co.?

Mr. WOODWARD. Yes.

Senator WALSH. You wish to make a brief statement on this subject?

Mr. WOODWARD. Yes.

Senator WALSH. Let us have your views.

Mr. WOODWARD. Mr. Abbott, myself, and several other people have discussed this situation with certain Members of Congress, Senator, and also with various officials of the Government bureaus concerned.

Without exception they have agreed that it is not the policy of the Congress to penalize the domestic manufacturer and favor the foreign manufacturer, and that the situation which has been described generally as completely intolerable has arisen as the result of the generally held but incorrect assumption that excise taxes always apply to both imported and domestically produced production.

Now, that, unfortunately, is not the case. One is led to believe that it is the case, in general, sir, because paragraph 801 (b) of the Tariff Act of 1930 states that the duty shall be in addition to the excise taxes which may be imposed now or hereafter. But due to certain apparent inadvertencies in the Internal Revenue Code there are various items, the most notable of which are extracts and preparations similar to Mr. Abbott's Bitters, where the situation has now reached the point where an actual import bonus exists.

That import bonus is a combination both of the excise taxes and of the lowering of the tariff.

If the excise taxes had not been raised the intent of Congress in allowing a 50-percent reduction would have been followed, but as Mr. Abbott brought out here, at the time the treaty was passed with Britain his protection was reduced from $2.75 to 25 cents. Immediately following that the excise taxes went up and he was thrown over into a penalty situation.

Exactly the same thing happened with regard to the beer when the Mexican tariff was put through. At the time, we discussed this matter with the Tariff Commission, which I will lead up to in just a minute, it was pointed out that when the treaty with Mexico was signed beer still had a slight effective protection. Immediately thereafter, however, the passage of the Revenue Act of 1943 changed this slight protection to a penalty.

The officials of the Tariff Commission and other gentlemen in Government employ with whom we have met have all been most helpful and cooperative. Last Saturday morning we had a rather lengthy conference with the Tariff Commission at which time——

Senator WALSH. We have to suspend here for 15 minutes. We must go to the floor because the bell just rang. Senator Radcliffe and myself, because of those bells, have to do bellhopping as well as sit in these hearings. We will be back in 15 minutes.

Mr. WOODWARD. Certainly.

(Whereupon, the committee took a short recess.)

Senator WALSH. The witness will come forward. You may proceed where you left off.

Mr. WOODWARD. Mr. Chairman, when we recessed for a few minutes, I was at the point of stating that our unofficial meetings with the various Government officials concerned in this matter had been most helpful. In order not to take up the committee's time, I will merely summarize these meetings to the extent of stating that the proper corrective measure seemed to enact legislation which would make imported products pay the same excise taxes as were imposed on domestic products.

From our conversations, it appeared that the most acceptable course was not to amend the Reciprocal Trade Agreements Act, but to enact an entirely new section of the Internal Revenue Code, probably entitled "section 3370, chapter 28 of title 26." Such an amendment would read somewhat as follows—and this is merely a suggestion:

> Any and all excise taxes now or hereafter imposed on products of domestic origin, growth or manufacture shall apply to all similar products imported into the United States irrespective as to whether the section of the code stating the rate of the excise tax does or does not specifically state that the tax is applicable to the imported product.

Such an amendment will definitely correct the situation caused by the elimination, either by design or by chance, of the phrase "imported into" from certain sections of the code.

Because the suggested amendment only applies where the imported article has not changed its character, a further amendment will be necessary to prevent items which individually are subject to excise taxes from avoiding the payment of excise taxes when mixed with other products or when a component part of another product. It is suggested that this additional amendment read somewhat as follows:

> All articles imported into the United States which have been produced, in whole or in part, from products upon which an excise tax is imposed when originated, grown or manufactured in the United States, shall pay an excise tax on the quantity of such product or products contained in the imported article.

Senator WALSH. Very well, sir. Thank you.

Senator RADCLIFFE. Mr. Chairman, I would like to say I think it is very obvious there is a gap here that ought to be filled in. It is just a question primarily of procedure. It would probably require special legislation.

Mr. WOODWARD. Thank you.

Senator WALSH. Mr. Marsh.

STATEMENT OF BENJAMIN C. MARSH, EXECUTIVE SECRETARY, THE PEOPLE'S LOBBY, INC.

Mr. MARSH. My name is Benjamin C. Marsh, and I appear in behalf of the People's Lobby, with offices here in Washington, as executive secretary.

I will try to condense my statement because I know you are crowded for time.

At the end of the war, American industry and agriculture must discard their economic swaddling clothes.

Protective tariffs under "Old Deal" and subsidies under "New Deal" resulted in making both industry and agriculture semiparasitic.

We have tried to keep every special privilege nurtured, while denouncing it softly between elections and stentoriously just before elections.

During the 6 years 1939 to 1944 net income of corporations after taxes was almost $47,000,000,000, due to Government's capitulation to patriotic greed, while agriculture as a whole made enormous profits, and landowning farmers have seen the selling price of their land increase about $14,000,000,000 according to the Department of Agriculture. Industry and landed farmers hope to see war's Midas touch continue, but it can't.

America is probably about at the peak of its prosperity—except for a brief postwar splurge—and of its influence in the world.

You will forgive me if I now refer to a democratic principle and say we have got to end special privileges in the United States, and stop looting the next generation to keep up a front—and get down to brass tacks or our jig is up.

The bill passed by the House may not greatly increase our foreign trade, though it probably will. It will almost certainly force American industry to end the tribute of six to eight billion dollars it pays every year to speculators in land and other natural resources, to beneficiaries of patents and nonuse of patents, to fictitious capitalization and to manipulators of credit.

This bill will probably help American consumers as much as OPA, whose service has been phenomenal—under its handicaps.

I would like to say at this point, Mr. Chairman, it seems to me that reciprocal trade agreements have heen considered, both before the House committee and this committee, primarily from the standpoint of maintaining profit. That is to say, most of the people who have appeared before you—not all—have represented either industries which, as I point out, want to keep up their profits—and you cannot blame them—or labor, and labor's chief function today seems to be to get a little larger cut of the capitalist swag. I am afraid they are going to be badly disappointed.

But here is a point which I tried to emphasize before the House Ways and Means Committee and would like to refer to very briefly here: Anything which reduces the cost of production here in America and thereby facilitates foreign trade, by the very act of reducing the cost of production in the United States benefits American consumers right here at home quite as much as any foreign consumers.

American manufacturers and farmers won't throw up the sponge when this bill becomes law, any more than they did when it was first enacted, though they have grown used to a Government crutch from the cradle of infant industry to the grave of private monopoly.

They will develop more efficient methods, and that seems to me one of the very important inevitable results of this bill.

Now, I have been following the making of tariffs here in Washington since I came here in March 1918. It is a logrolling proposition. I have not yet seen any committee or any department of the Government go into the question of how efficient are these various manufacturers, and how efficient is agriculture in its method of production.

I do not want to burden, and I made a point not to bring in extensive tables to this committee because I had them read as part of my testimony into the record of the House Ways and Means Committee, and I do not want to duplicate the tables.

Senator WALSH. We appreciate that.

Mr. MARSH. I know you do, Senator, and there is no use duplicating, as I say.

I hope before long, as an incentive to industry and to agriculture to be efficient, the Senate and House committees considering identical legislation will, as I say, give a good example of efficiency and hold joint hearings. I think it would save your time and the time of the witnesses. But in the hearing before the Ways and Means Committee I gave figures of conservative British sources showing the relative productivity of American labor and British labor in various lines of both heavy industry and light or consumer industry, which I think will answer some of the questions which were raised by Senator Taft this morning.

The manufacturers, in my judgment, will not only develop more efficient methods but they will also realize that to maintain peace, a job much harder than defeating the Triple Axis, we must have what the British Labor Party has advocated for many years, international allocation of the world's commerce and carrying trade.

Now, that may sound like a theory, but I think it is a situation we have got to confront.

I spoke for about an hour and a quarter I think last week before the Joint Senate Judiciary Subcommittee and Committee on Petroleum on this bill of Senator O'Mahoney's, S. 11, to register cartel agreements, and I elaborated my testimony and read into the record the position of the British Labor Party. It can be obtained there. But that point is emphasized by some of the questions raised this morning, as to whether or not it was the intention of those in charge of administering reciprocal trade agreements and decreasing tariff rates of protection, whether it was their purpose to—I think "exterminate" was not the word, it sounds a little hard, but to put out of business inefficient business. One thing is absolutely certain. The world is going to be cartelized. There are either going to be private cartels or Government cartels, and in writing these reciprocal trade agreements I think the committee will want to keep in mind the fact that in our foreign trade from here on, with at least the major countries we are going to have to deal with Government corporations.

Russia, of course, has a completely collectivized economy, all of its industries are monopolized by the Government, and Britain is coming to that very fast, and France is coming to that, and of course all of the eastern part of Europe is going to be under the—well, I won't say under Russia, but it is going to be in the Russian orbit and probably sphere of influence and probably operate through these great corporations.

Our first job, however, is to set our own economic house in order, and this bill will help to expedite that.

I referred to corporations being more efficient, and the tribute the consumers are paying to overcapitalization. One of the best illustrations of that is an order reported February 26, of this year by the Federal Power Commission requiring the Montana Power Co. to make accounting adjustments to the tune of nearly $52,000,000 which, as it states, is 80 percent of the original cost.

I filed with the House Ways and Means Committee a letter which I sent to the majority and minority leaders of the Senate, Senators Barkley and White, giving facts and figures on the overcapitalization of corporations here in the United States, and specifically giving the balance sheets for the latest year available of some large corporations, which also indicates how overcapitalized our big corporations are who want more protection and high tariff duties.

I do not want to repeat that, but it is available in my testimony there.

Nor is this suggestion of international allocation of foreign markets made by the British Labor Party entirely confined to the British Labor Party. I would like to read a very few lines from the report, unanimously made by the United States Department of Agriculture interbureau and regional committees on postwar programs. The report is dated January 1944, and says:

> The agricultural production of the United States should be adjusted to national requirements, with due regard for export demand and desirable imports.

Mr. Chairman and members of the committee: It seems to me that the same principle has got to obtain as to all our foreign exports and all our production. We have gotten used, during the war, to having the Government underwrite things and pass the bill to the next generation, which I think is going to repudiate it. We have got to get over that concept that all you have got to do is issue bonds and everything is settled.

We have amended that commandment, "Thou shalt not steal," to read by adding to it "Except from the next generation." That is not a permanent method of operation.

Now, two points very briefly that came up in this hearing. It seems to me that if any country with which we have a reciprocal trade agreement, after such agreement is made—and I am referring to the suggestion made here and the amendment presented on the House floor to this bill, which was not adopted—that if after entering into a contract any foreign country does manipulate its currency, that it would not be inconsistent with the purposes of the reciprocal trade agreement to have that fact, which is in effect an evasion of the terms of the agreement, operate to rescind or abrogate the reciprocal trade agreement.

I realize, as was mentioned, through the stabilization fund to be set up under the Bretton Woods proposal, that you might get at it, but this other method of checking on that would not impair the effectiveness, it seems to me, of the Bretton Woods arrangement; it would make more easy the operation of the stabilization fund.

Then there is one thing, and my concluding suggestion is this: I have watched the tariffs as they were being made here. I realize that no member of the Senate or the House, busy as all of you are—and only people who have been here, as I have, know how busy you are—can possibly go into all of the details. I remember what uproar there was here when it was found that a Republican member of this committee was using as a clerk for the committee a representative of the Connecticut Manufacturers Association. I won't go into details. Well, somebody had to have the facts.

Now, as I understand it, you are going to escape all that inevitable logrolling, and the issue seems to be: Is it constitutional first; and, second, is it beneficial to the country, because things may be constitutional but very unsound economically. Is it beneficial to the country for Congress to delegate to Government agencies the task of preparing different rates on, as it will be, hundreds of commodities I assume in the aggregate?

The argument is made that it is unconstitutional. I am not a constitutional lawyer, but I cannot see how a delegation of power to the administrative body is any violation of the injunction that Congress shall write the tariff rates, because in the last analysis representatives of the five Government departments which I believe constitute the committee, representatives from each pass on these rates and they are just as anxious to have a prosperous America as the Members of the Senate and House of Representatives, and they are all anxious to see that.

It seems to me that the argument that it is not constitutional has very little validity. I am sure that it is a much more efficient method, in view of the many other problems Congress will have to face, than to attempt to write a new tariff bill, and that is what you have got to do, as I see it, if you do not extend these reciprocal trade agreements.

Therefore, not regarding this as a final solution—there is no finality in dynamic democracy—but as a measure to make democracy more efficient, we sincerely hope that the Senate will pass substantially the bill that the House adopted.

Senator WALSH. Thank you, Mr. Marsh.

Mr. MARSH. Thank you.

Senator WALSH. I submit for the record the statement of the CIO Maritime Committee.

(The statement referred to is as follows:)

STATEMENT OF THE CIO MARITIME COMMITTEE TO SENATE FINANCE COMMITTEE ON H. R. 3240, THE RECIPROCAL TRADE BILL

(The CIO Maritime Committee represents 180,000 seamen, longshoremen, radio operators, marine engineers, inland boatmen, fishermen and allied maritime workers who are members of the following unions: National Maritime Union of America, International Longshoremen's and Warehousemen's Union, Marine Cooks' and Stewards' Association, Inlandboatmen's Union of the Pacific, National Marine Engineers Beneficial Association, International Fishermen and Allied Workers of America, American Communications Association)

Half a million jobs in the allied maritime industries and a 25,000,000-ton merchant marine can be gained from enactment of H. R. 2652, a bill to extend and broaden the reciprocal trade powers.

At the present time the Merchant Marine and Fisheries Committee has before it a ship-sale bill. Members of the committee, the Maritime Commission, and other agencies of the Government, the industry and the maritime unions are devoting their full energies to the establishment of a policy which will foster an expanded, soundly financed, and prosperous merchant marine, necessary to national defense and vital to foreign commerce. But in a large measure the success of this program depends more on what you do in this committee for shipping exists only because of and for trade.

In our postwar program, published a year ago next month, we recognized that the basis for full employment at decent wage levels for seamen, longshoremen, and allied maritime workers depends on a "freer exchange of goods between all nations."

"Four-fifths of the world trade moves by sea. The amount of active tonnage is governed by the physical volume of trade. The world will emerge from this conflict with a trade potential never before imagined. Restriction must give way to expansion. We recognize no past trade level as our norm. Our sights are set much higher."

The authority contained within the bill now before this committee is the key to an ever-widening horizon of economic opportunity.

Tariffs have been pictured as dikes protecting the fruitful valley that is America. Reduce these tariffs and you open the floodgates some have said. It is important to repeat again and again that there are no floodgates in this bill. The reciprocal-trade program is not free trade. It is trade-bargaining program. It is a program of gradually and orderly replacing the walls around our fruitful valley with gateways to a more abundant life.

The seamen, the longshoremen, and all the other maritime workers have been thinking about this trade potential and this is what they see in 1939:

Cargo tons of American imports and exports	92, 635, 000
Percentage carried in American bottoms	22. 2
The vessels active in foreign trade	319
The dead-weight tonnage active in foreign trade	2, 804, 000
The seamen employed in foreign trade	17, 500

They have two aims. One is to increase the proportion of American foreign commerce carried in American ships up to 50 percent. The other is to double, triple, quadruple, and keep multiplying our foreign trade. With the immediate objective as a tripling of prewar export-import trade, a prospective well within the realm of early attainment, this is how the picture looks:

Cargo tons of American imports and exports	277, 905, 000
Percentage carried in American bottoms	44. 4
Vessels active in foreign trade	1, 914
Dead-weight tonnage active in foreign trade	16, 824, 000
The seamen employed in foreign trade	105, 000

Thus our seamen see over 100,000 secure jobs founded on a continuation and extension of the reciprocal trade program. Our longshoremen who will be needed to load and unload these cargoes also see additional jobs. There will be work for the shipbuilders and the ship repairmen. The effect will be felt all along the line from the ship chandler to the producers of fuel oil, bunker coal, steel, and hundreds of other products. Our inland boatmen will prosper because one tow in every four moving on the Mississippi River system is import or export cargo.

Maritime workers know full well that trade is a two-way proposition. They know from experience that no shipping line can prosper on one-way cargoes. They know that imports make jobs.

Our ships carry a higher portion of our imports than of our exports. In 1935 a little over 23 percent of our exports were carried in American bottoms, while nearly double that percentage, or 42 percent, of our imports came in American bottoms. In 1940 the respective percentages for exports and imports were 21 and 39. We will probably always carry a larger portion of our imports because the buyer names the flag of the carrier. Thus, imports mean jobs aboard ships.

Imports also make direct jobs for our workers on the docks, in the warehouses, in the processing plants and in the distribution industries. Imports make jobs in other industries because they encourage exports. Imports also guarantee a better standard of living for all our people and conservation of our natural resources.

Admiral Land, speaking of the future of our merchant marine, has said: "The only alternative to taking smaller pieces than we would like to have is to increase the size of the pie. We have not scratched the surface of our foreign-trade potential. I recommend that we bake a bigger pie." The reciprocal-trade program is a proven method of attaining this prospective. The additional authority contained within H. R. 2652 will enable us to dig a little deeper into the foreign trade potential.

The maritime industry is joined with the maritime unions in recognition of the need for prompt action on the bill now before this committee. The Grace Log, organ of the Grace Line, says editorially:

"If we want to export—and do not want to repeat the short-lived 'boom and bust' cycle of the 1920's—we must import. Nothing can be gained by denying that all this will involve some readjustments in our internal economy. Fine phrases and ideals may be an inspiring guide, but it takes action to build anything. Certainly some domestic industries will be adversely affected. But if tariff reductions are wisely conceived and administered, we can handle these industrial readjustments in our stride. That they can and should be made is the only point of view worthy of a maturing and responsible nation in the world family."

We must grab the opportunities when and where they exist. Failure to do so immediately will mean missing the boat. We must now allow a sharp drop in our imports and exports to set in with the end of hostilities. Nothing is so hard as moving against the stream. This committee has a great opportunity to channel the stream in productive paths. A half a million postwar maritime workers who want jobs, peace, and security, urge a prompt and favorable report on H. R. 2652.

Senator WALSH. We will meet again at 2 o'clock.

(Whereupon, at 12:55 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2 p. m., pursuant to recess.)

Senator WALSH. The committee will come to order. Mr. Taylor?

Mr. TAYLOR. Yes, sir.

Senator WALSH. Will you take the witness stand, please? Your name is Fred G. Taylor and you are vice president of the United States Beet Sugar Association?

Mr. TAYLOR. That is right.

Senator WALSH. Your residence?

Mr. TAYLOR. Presently in Washington.

Senator WALSH. Are you in this business yourself, or are you appearing as attorney or representative of the association?

Mr. TAYLOR. I am associated with the industry in a private capacity also, as vice president of a company.

Senator WALSH. Will you make your statement as brief as possible because we have a large number of witnesses?

Mr. TAYLOR. Yes, sir.

STATEMENT OF FRED G. TAYLOR, VICE PRESIDENT, UNITED STATES BEET SUGAR ASSOCIATION

Mr. TAYLOR As a vice president of the United States Beet Sugar Association, I submit the following statement with respect to the pending bill, on behalf of the members of: The American Sugar Cane League; Farmers and Manufacturers Beet Sugar Association; Hawaiian Sugar Planters Association; and United States Beet Sugar Association.

The domestic producers of sugar, for whom I speak, have supplied more than 40 percent of the consumption requirements of the United States during the war years 1942, 1943, 1944. In peacetimes they supplied a considerably greater portion. If you add to this the Puerto Rican supply, the average domestic production even for the war years has exceeded 52 percent and for the normal prewar years was substantially higher. The economic wellbeing of the industry is a matter of importance not only to each of the 21 States and the Territory of Hawaii, where it is established, but also to the entire population of the continental United States who depend to such substantial extent on the domestic sugar supply.

This evidence of the importance of our domestic sugar industry should be a sufficient answer to the recent statement submitted by a representative of Cuban interests to the House Ways and Means Committee in which he said—

> * * * the only source (of sugar) which has helped us through a war emergency has been Cuba, the target of our sugar tariff policy since the end of World War I.

This point of view ignores some impressive facts. Even in this year when we are threatened with an unprecedented sugar shortage it is estimated that our domestic supply will reach 3,250,000 tons of the inadequate 7,000,000 tons we hope to receive from all sources.

The domestic sugar industry has rendered a significant service in war as well as in peace. In 1942, after the Philippines had been lost and when enemy submarine attacks greatly restricted the volume of sugar shipments from the Caribbean areas, distribution of the large inventories of beet sugar was extended to the Southern and Atlantic States to relieve a situation that otherwise would have been extremely distressing. The domestic cane and beet-sugar industry has continued under difficult circumstances to supply a substantial part of our total wartime sugar requirements. In the area between the Mississippi River and the Pacific coast, all but a fraction of our sugar requirements are being furnished by domestic producers and if this supply had not been available, a sugar famine rather than a sugar shortage would have existed there from the commencement of the war.

The peacetime functions of the industry are no less important than in war. Its operations assure the United States of a diversity in its source of sugar supply—Cuba is now suffering a drought that will reduce its 1945 crop by one-fourth to one-third—it also encourages effective competition among producers, and prevents foreign producers from monopolizing American markets.

Sugar, we believe, presents a special problem in the consideration of the pending legislation because the industry operates under a system of Government supervision unique in American agriculture. In 1934 Congress first enacted sugar quota legislation which placed controls on the supplies of sugar, and since that time there have been four reductions in the rates of duty on sugar. The rates now in effect—and in effect on January 1, 1945—represent a reduction of 50 percent from the rates prevailing at the time of the approval of the Foreign Trade Agreements Act, and a reduction of 62½ percent from those specified in the Tariff Act of 1930.

The first of the four reductions, effective June 8, 1934, was made by the President under the flexible provisions of the Tariff Act of 1930. By that action the rate of duty on 96° raw sugar imported from foreign countries other than Cuba was reduced from $2.50 to $1.875 a hundred pounds, and the duty on Cuban 96° raw sugar was cut from $2 to $1.50 a hundred. Domestic producers of sugar beets and sugarcane were not, however, left without compensation against the impact of the lower rate of duty. On the same day the President signed the Executive order reducing the rate of duty, he also approved the so-called Jones-Costigan amendment to the Agricultural Adjustment Act of 1934, which established a system of quotas and specified that a processing tax should be imposed on sugar at a rate not greater than the reduction of the duty. Proceeds of the tax were used to make benefit payments to growers of sugar beets and sugarcane so that the protection afforded domestic sugar producers might be maintained and, to quote the President, they might obtain "a fairer return for their product." Except for a brief interval in 1939 quotas remained in effect from 1934 until shortly before the attack which brought the United States into the war, and they have been the principal stabilizing influence in the sugar industry.

The second reduction in duty became effective September 3, 1934, in the reciprocal trade agreement between the United States and the Republic of Cuba. Under that agreement the rate of duty on Cuban raw sugar was reduced from $1.50 to $0.90 a hundred pounds. However, the agreement also contained a certain measure of protection for the domestic producer since it provided that the duty would revert to $1.50 a hundred pounds whenever sugar quotas became imperative. The value of that provision was demonstrated in September of 1939 when, with the outbreak of the war in Europe, it was deemed advisable to suspend quotas temporarily. The duty reverted to $1.50 and continued at that level until the quotas were reinstated on December 26, 1939.

The third reduction in duty came with the proclamation of a supplemental trade agreement with the Republic of Cuba, effective January 5, 1942. In that agreement the rate of duty was reduced from $0.90 to $0.75 a hundred pounds, and the requirement that a higher rate of duty must prevail when quotas became imperative was completely eliminated.

The fourth reduction in the duty was written into the reciprocal trade agreement between the United States and Peru, effective July 29, 1942, which reduced the rate of duty on 96° raw sugar imported from foreign countries other than Cuba from $1.875 to $0.9375 a hundred pounds. The rates of duty in the Peruvian agreement were applicable to all most-favored nations.

The current rates of duty on sugar, considered alone, are wholly inadequate to maintain domestic production.

In recent years differences in costs of production, once a yardstick for measuring tariffs, have been completely ignored. Nevertheless, it is worth while to point out that the last investigation by the United States Tariff Commission, completed in 1934, indicated that the difference in costs of production between the United States and Cuba was $1.50 a hundred pounds. In view of higher wage rates, higher taxes, and higher costs of all kinds in all domestic sugar producing areas, it is a fair assumption that the differences in costs today are greater than they were at the time of the Tariff Commission's study. Yet the enactment of the Doughton bill would permit a reduction in the rate of duty on Cuban sugar from $0.75 to $0.375 a hundred pounds——

Senator McMahon (interposing). And by like token it would permit an increase from 75 cents to $1.12½ a hundred?

Mr. Taylor. Well, that is agreed.

Senator McMahon. Isn't that so?

Mr. Taylor. The law provides that it may increase or reduce.

The latter amount, or 37½ cents per hundred pounds, is only 25 percent of the difference in costs of production, as determined by the Commission, and 18.375 percent of the rate established by the Tariff Act of 1930.

The need of protection for the domestic industry against foreign sugar arises from a number of causes, but greater efficiency on the part of foreign producers is not one of them. Foreign producing areas have advantages in lower wage rates, cheaper land, and lower taxes, but they can claim no superiority over domestic producers either in the yield of sugar per acre or in the utilization of labor. Our agricultural technology is also much further advanced. An average acre of cane or beets in the United States produces as much or more sugar as an acre of cane in Cuba, and the domestic sugar is produced with more efficient use of higher-priced labor. Minimum wages for field labor in the domestic sugar industry are established by the Secretary of Agriculture, and these minimum rates on the average are several times the minimum wages in Cuba. Factory wage rates are subject to the standards established by Federal law, and in most cases are far higher than the legal requirements. As an example, minimum wages for unskilled labor in beet sugar factories, operating under union contracts, average 66.5 cents per hour, with arrangements for time and one-half for overtime.

In the face of successive reductions in duties, the continued operation of the domestic sugar industry has been possible only because of the maintenance of the quota system, now embodied in the Sugar Act of 1937, as amended. The Sugar Act expires on December 31, 1946, and domestic producers have no assurance that it will be continued beyond that date. A further reduction of the tariff in these circumstances—or even a continuation of the present inadequate tariff in the absence of quotas—is a matter of grave concern to the domestic industry. We have, as a consequence, no alternative but to oppose that part of section 2 (a) of the Doughton bill which authorizes a reduction of 50 percent in the rates of duty prevailing on January 1, 1945.

That completes my statement.

Senator TAFT. Mr. Taylor, supposing the quota is estimated wrongly so that the quotas add up to more than the current consumption, is the price then affected?

Mr. TAYLOR. Immediately, Senator, and that is another reason why we particularly feel that the present tariff shouldn't be disturbed. Under ordinary circumstances it is a difficult thing to estimate the amount of sugar that this Nation is going to consume in a given year. But with the uncertainty in front of us, and the possibility of a depressed period when our consumption may fall, even as it did in 1931 and 1932, we could find ourselves surfeited with sugar and our prices depressed to a point where we couldn't even get costs out of it.

Senator TAFT. We have constant pressure, don't we, from the Philippines and Puerto Rico, to increase their quotas?

Mr. TAYLOR. Yes, sir.

Senator TAFT. And new countries are beginning to produce sugar, and they want quotas?

Mr. TAYLOR. I haven't heard of them specifically, but it is a fair assumption.

Senator JOHNSON. Senator Taft, may I interrupt just a moment here? I don't understand that the price of sugar has fluctuated up and down in accordance with the actual supply of sugar, Mr. Taylor, at all. Of course, you can't work out a quota system and have it come out in even pounds, that is absolutely impossible, and I don't think it is true at all that the price of sugar has fluctuated in the United States because we haven't been able to establish precisely accurate quotas. I think your answer to Senator Taft was in error, if I may be permitted to say so.

Mr. TAYLOR. Maybe I didn't make myself clear, Senator, but the fact remains that when we are operating under quotas we are, substantially, in a free market. Enough sugar presumably is estimated under the provisions of the Sugar Act to supply the needs of this Nation and to keep the price at a level that will sustain the domestic industry. Every time there was a change in those quotas, traders in sugar——

Senator JOHNSON (interposing). Oh, a change in the quotas, that is something different. You were speaking of where they didn't have the right adjustment in the quotas.

Mr. TAYLOR. That is what I mean—either when you added, you never did subtract anything, from the quotas—if there was too much sugar estimated and submitted in the quotas, it had a depressing effect on the market.

Senator JOHNSON. I can't agree with you that it did. Under the quota system as set up in the Jones-Costigan bill we not only had quotas—that was one thing—but we had a ceiling price to protect the consumer. We had the quotas, a ceiling price, and then we had a third thing—we had payments to the producers to support the industry.

Mr. TAYLOR. You did, but you didn't have a floor price, Senator, and if there appeared to be too much sugar estimated there was a tendency for the market to be depressed.

Senator JOHNSON. How much has it varied?

Mr. TAYLOR. No one has ever known—or knows even now—what the Government regarded as a fair price. They left us to guess at what might be a fair price, and we went out with our usual selling methods, in competition one with another, to try to get business, and if there seemed to be too much sugar available—as often was the case—competition became very keen and the prices were depressed. That happened under a situation where there was no violent fluctuation in either the sugar market or the general markets of the country.

Senator JOHNSON. Do you know of any commodity, Mr. Taylor, that has had as even a price structure as sugar has had?

Mr. TAYLOR. No; I do not. I grant you, Senator, that it has been well stabilized. I was talking to a possibility rather than to an actual experience.

Senator TAFT. I want to make clear that I wasn't attacking the quota system. I was only asking whether, if the tariff were removed completely, the quota system was a completely adequate safeguard of price. That is the question that I was asking.

Senator JOHNSON. I am glad to know the import of your question, but sugar is handled by a very complicated system, and the tariff and the support price and the quota have all got to be considered together. The support price that has been given to the industry is to take the place of a reduction in tariff. If we are going to cut sugar down another 50 percent, cetainly there will have to be a support price to take the place of that tariff, or the sugar-beet industry, and probably the domestic cane industry, will have to go out of business. Now I raise that point, and want to stress it, for the reason that we have members of this Finance Committee who object strenuously to the support price being paid to the sugar industry, and they seem to feel that it is some sort of a hand-out by the Government to the sugar industry, whereas it is merely taking the place of the protection that is given the industry by the tariff. Isn't that so, Mr. Taylor?

Mr. TAYLOR. That is correct, Senator.

Senator BUTLER. You are quite certain in your own mind that the sugar producers here in our country produce as efficiently or considerably more so, than they do elsewhere?

Mr. TAYLOR. Yes, I am, Senator.

Senator BUTLER. I heard recently that there was a new method of planting seed. Heretofore it has been a very complicated thing, and a very expensive and wasteful procedure. Do you know anything about that—the sugar-coated seed that they now use?

Mr. TAYLOR. Well, we have had some recent developments in the technology of sugar-beet agriculture which are literally revolutionary, Senator. They probably signify a more important development in this one field than has occurred in the previous 200 years of the history of this business, and I will try in just a few words to tell you what that has resulted from.

The conventional sugar-beet seed which we formerly purchased from Europe, principally from Germany, consists of a seed ball in which there are multiple germs. There may be anywhere from two germs up to five or six germs. It was our custom to plant that conventional seed in its original form of seed balls. When these plants emerged there were two or three or more plants emerging from one seed ball, and it required a very careful, even a meticulous effort, to get down and separate all of the plants except one, in order that it might properly develop.

Senator BUTLER. And that all had to be done by hand?

Mr. TAYLOR. Yes. In recent years we have discovered a way of segmenting that seed, breaking it up into segments, and then following that discovery by a remodeling of our planting equipment, we are now able to plant single germ seeds and get single plant emergence from that seed, which enables us to thin them by mechanism and we are thereby saving about one-third of the amount of labor that was formerly invested in that particular process of producing a crop.

Senator BUTLER. And it is only by such savings that we have been able to keep in the game at all?

Mr. TAYLOR. Well, the threat was always there that if we couldn't do something like that, that some day we were going to be put out of business.

There is one other thing I would like to tell you in connection with that, however, about seed. We have developed one of the most efficient seed-producing industries in the world here in America. We not only discovered how to produce our own seed of better quality than we ever got from Europe but we are producing a seed that is immune to certain diseases that used to destroy wide areas of sugar beets in the West. That is known as resistance seed. It was bred in a project led by the Department of Agriculture, through a period of about 12 years, and finally, when commercial quantities were available, we learned that this particularly ravaging insect known as the white fly had been conquered, these beets grew on smilingly in the presence of this pest and they were unable to destroy them.

That was a project that Secretary Wallace referred to as one of the finest scientific jobs ever done in agriculture. It was a due compliment to a part of the organization that he formerly directed.

Senator BUTLER. We have also developed in our western area, in Nebraska and Colorado, beet-harvesting machinery that is just beginning to show some beneficial results in labor-saving that may help us to continue a while.

At this point in the record, Mr. Chairman, I would like to insert some letters that I have received from several employees' unions in Nebraska. We haven't heard from very many workers in connection with these presentations here. This is one industry that is very well organized, and I think they have made a fair presentation, in these letters, in connection with the sugar problems in our area.

Senator WALSH. They may be inserted in the record, Senator Butler.

(The letters referred to are as follows:)

BEET SUGAR REFINERY EMPLOYEES UNION, No. 21407,
Mitchell, Nebr., April 26, 1935.

Re H. R. 2652.

Senator HUGH A. BUTLER,
Washington, D. C.

DEAR SIR: Several weeks ago the above bill was introduced in the House to extend for a further period of 3 years from June 12, 1945, the power of the Executive to enter into foreign trade agreements.

The members of Beet Sugar Refinery Union, No. 21407, have gone on record as being opposed to some of the provisions of the above bill, especially in regard to the further lowering of tariff on sugar. During the past 10 years, tariff on Cuban sugar has been reduced from $2.10 to 75 cents per hundredweight and on other foreign countries the tariff has been reduced from $2.50 to $0.9375 per hundredweight in a trade agreement with Peru in 1942. If sugar is not removed from the provisions of this bill it will be still further reduced to $0.375 per hundredweight on Cuban and a little more than 45 cents per hundredweight on other foreign sugars, which rates are certainly no protection for American sugar.

Any further reduction on sugar imported into the United States will have a tendency to tear down the higher standard of living which we have built up over a period of years and we should not be expected to compete with foreign labor.

We hope you will use your good influences in seeing that this provision is eliminated from the bill.

Very truly yours,

BEET SUGAR REFINERY UNION, NO. 21407,
J. H. RICHARD, *President.*

SUGAR REFINERY WORKERS UNION,
LOCAL NO. 21414,
Bayard, Nebr., May 3, 1945.

Hon. Senator HUGH BUTLER,
Washington, D. C.

DEAR SENATOR: No doubt you have been contacted on this same issue before. However, as it is of vital interest not only to the people of this locality, but to the entire State and Nation, we feel free in asking our representatives to work to have sugar exempted from the provisions of House bill No. 2652.

It is useless for us to take up your valuable time by quoting figures that you already have. You are well enough acquainted with the sugar business in Nebraska to know that any further lowering of the sugar tariff would mean the elimination of the beet-sugar industry or the complete demoralization of the living standards of farmers, livestock feeders, and labor in the sugar-beet-growing areas.

If we, as individuals or as an organization, can be of any assistance in having sugar exempted from this bill, will be more than pleased to do so.

Respectfully yours,

SUGAR REFINERY WORKERS UNION, LOCAL NO. 24114,
C. D. SPANGLER, *Secretary.*

BEET SUGAR REFINERY EMPLOYEES,
UNION 21401,
Scottsbluff, Nebr., April 25, 1945.

Hon. HUGH BUTLER,
United States Senator from Nebraska.
Senate Office Building, Washington, D. C.

DEAR SENATOR: There is now pending before a committee of the House of Representatives H. R. 2652, which is designed to extend for a further period of 3 years from June 12, 1945, the power of the Executive to enter into foreign trade agreements. This bill contains a provision for the reduction of 50 percent in any duty, however established, existing on January 1, 1945, and, were this provision applied to the duty on imported sugar, the tariff on such sugar would be reduced to 37½ cents per hundred pounds on Cuban sugar and approximately 46 cents per hundred pounds on sugar from other foreign countries.

It is to be remembered that prior to 1934 the beet-sugar industry within the United States operated under a duty of $2 per hundred pounds on Cuban sugar and $2.50 per hundred pounds on sugar from other foreign countries. This has since been reduced to 75 cents on Cuban and 93¾ cents on sugar from Peru and other foreign countries. Another reduction of 50 percent of the existing duty would serve to make the entry of sugar into the United States practically free and would be highly disadvantageous to the operation of the beet-sugar industry.

During the last 40 years the beet-sugar industry has grown from nothing to a very great industry and has built for itself a very effective place in the economy of the vast irrigated sections of the Middle West and the Rocky Mountain region. It contributes greatly to the prosperity and well-being of the rural communities in which it is established, and sugar-producing communities are conspicuous for their high standard of living, both as to the rural residents and the urban citizens. The workers in the industry have conditions under which they maintain a standard of living comparable with workers in other industries of the communities.

It appears to us that further reductions in the duty on imported sugar, without some adjustments to compensate for difference in costs of production, would force the lowering of the standard of living of the employees of the beet-sugar industry within the United States, if not make it impossible to meet the competition of cheap-labor countries, and thus eliminate entirely the beet-sugar industry from the country.

We are bringing this matter to your attention and ask that you consider it and use your influence toward securing an exemption for sugar from the provision allowing further reduction in duty. We definitely think that the beet-sugar industry should not be forced to operate under more difficult marketing conditions than those under which they now operate, and we do not wish to have our members, the sugar workers, compete with the cheap labor of tropical countries on an even basis and their standard of living reduced accordingly.

Thanking you for your consideration and support in this matter, we remain

Respectfully yours,

BEET SUGAR REFINERY EMPLOYEES UNION,
No. 21401, A. F. OF L.,
P. W. SNYDER, *President.*
GEO. W. LUCE, *Secretary.*

BEET SUGAR REFINERY EMPLOYEES UNION, NO. 21392,
Gering, Nebr., May 5, 1945.

Hon. Senator HUGH A. BUTLER,
Senate Office Building, Washington, D. C.

SIR: Several weeks ago there was introduced in the House, bill No. 2652, to extend the period from June 12, 1945, for 3 years, the power of the Executive to enter into foreign trade agreements. As I understand this bill, it authorized reductions of tariffs by the trade agreements to the extent of a full 50 percent in any duty, however established, existing January 1, 1945.

Under the reciprocal trade agreements with Cuba and other foreign agreements as early as the year 1934, and the supplemental trade agreements made up to the year 1942, has reduced the duty on sugar to as low as 75 cents a hundred pounds on Cuban sugar and 93¾ cents on other foreign sugars.

If the authorized power sought for now is granted, the tariff on Cuban sugar could be cut to 37½ cents and against other foreign sugars to some over 46 cents per hundred pounds. This means a 50-percent reduction in tariff existing January 1, 1945, on sugar imported into the United States.

I was appointed to draft a letter of protest by our local union representing some 350 process sugar workers at this one particular sugar factory, and request sugar be exempted from the provisions of House bill 2652. The expressions are from a common worker among workers, in a willing effort as concerned to the welfare of all American workers producing sugar, our standards as workers, as comparable to the standards of workers producing sugar that is imported to the United States.

Our reasons are a common approach to the fact that a further reduction on sugar imported into the United States will have a tendency to tear down the higher living standards which have been built over a period of years through the efforts of the unions of this country.

American people are striving as always to benefit a better standard of living which is necessary achievements to even greater democratic people and government. It is not necessary to dwell upon the question that our Nation can so readily compete our higher standard of living by disrupting the wage scale that we possess to that of wages paid to Cuban sugar-factory workers, and other foreign workers.

The proposed reduction in the House bill 2652 means practically no tariff at all on Cuban and other foreign sugars, and that proposed reduction will measure out a difference in the higher standards of living of the American workers producing sugar here to that of sugar imported to the United States.

At the present time the bill 2652 is up for hearing before a committee of the House of Representatives in Washington. While still pending, before approval by the committee, before reaching the House of Representatives, we are acting in this form of protest.

We highly endorse with all sincerity, in behalf of American labor, American people, efforts for the keeping of a higher standard of living which democracy means to us all to keep and hold always, and to steer all elements that have a tendency to mar or disrupt our builded plans by keeping it into the channel of itself.

We pledge that you request sugar be exempted from the provisions of House bill 2652.

Very truly yours,

GEO. A. HOWARD, *Secretary.*

Mr. TAYLOR. May I say another word or two, responsive to the Senator's question about the efficiency of our domestic industry?

Senator WALSH. Yes.

Mr. TAYLOR. I projected my thought directly to sugar beets, because that is my field, but having the honor to represent other segments of the industry this afternoon, I should like to say a word or two about them, and particularly about Hawaii.

The other morning at the hearing before the Ways and Means Committee, a certain proponent of this bill came in and attacked the beet sugar industry as being uneconomic. He said it was so easy and so natural to produce sugar in Hawaii, for instance, and in Cuba, that it was rather ridiculous to hope, that we could ever compete in Michigan or Utah or elsewhere with sugar beets.

Now I think that may be in the minds of many people, and it seems important at this moment to just say a few words about it. Hawaii is probably the most efficient sugar-producing area in the whole world. They produce three to four times as much sugar—well, I will say two to four times as much sugar—per acre in Hawaii as we do in Cuba or in the Philippines, or in the beet area of these United States. And on the face of it that looks like a tremendous advantage. Why should Hawaii need any protection or any help under such enormous production? Here are qualifying things that people should understand who think in terms of the sugar business in the Western Hemisphere.

Hawaii has limited acreage. It hasn't increased its acreage more than 15 or 20 percent in 30 years. It has, however, conducted such splendid, such scientific agriculture, as to constantly increase its production from that same acreage. It is producing three times as much cane, by weight, even though of a lower sugar content, as it did 30 years ago. To do that, however, they have to grow that cane from 18 to 23 months. Their crop is really a biennial crop instead of an annual crop. It takes them 2 years to produce a crop of sugar which we on the mainland produce in 7 or 8 months. And all during that period they have some kind of cultivation work and expense going on.

They also have to spend enormous sums for fertilizer, because of the constant use of this same land, and the great tonnage of cane material that is taken off to produce their sugar, as high as 60 and 70 tons per acre. They have to irrigate by expensive irrigating systems all through those 2 years to get a crop of sugar. They have to handle three times as much raw material as we people continentally handle to get our sugar crop.

I think that should be understood because so often we are told that it seems ridiculous to support such a natural cane-growing area as Hawaii with subsidies and protection, when they grow the greatest amount of cane of any area in the world.

I have the best reasons for believing that Hawaii cannot produce sugar any cheaper than we can in the other sections of the continent. I feel that we have all made enormous progress in recent years, both technically and in agriculture through our agronomists and geneticists and our entomologists and our agricultural engineers, and are still carrying on that work. It is only the limitation of our ability to get materials with which to build up this mechanization program now that we haven't gone faster and farther than we have, but we haven't been able to go very far in that direction.

Senator JOHNSON. Mr. Taylor, the continental United States is not self-sufficient and cannot be made self-sufficient so far as sugar is concerned, can it?

Mr. TAYLOR. Not in any early period of time.

Senator JOHNSON. We import about 70 percent at the present time, do we not?

Mr. TAYLOR. Thirty percent is about as high as we ever produce, Senator Johnson. Of course we often hear people talk about our ability to produce all our own sugar. Even if it were desirable from the viewpoint of our general commerce, to do it, I don't think we could do it, and I don't think it would be desirable.

Senator JOHNSON. So this commodity is peculiar in that respect also, that we import about 70 percent of our needs, at least 70 percent of our needs?

Mr. TAYLOR. From off the continent; yes. However, part of that, you must remember, is our sugar; Puerto Rican and Hawaiian sugars are domestic sugars——

Senator JOHNSON. I said continental United States.

Mr. TAYLOR. I know you were distinguishing, but I am pointing out that this domestic sugar industry is not only a great need, it is a necessity if we are to have the comforts of ample supply.

Senator WALSH (interposing). How much of our consumption does Hawaii produce?

Mr. TAYLOR. Ordinarily a million tons.

Senator WALSH. And what percentage is that of our consumption?

Mr. TAYLOR. Our normal consumption is about 7,000,000 tons now. We beet fellows normally produce more than a million and a half tons. Louisiana and Florida a half million tons. Puerto Rico produces a little less than a million tons.

Senator WALSH. Thank you, Mr. Taylor.

Mr. TAYLOR. Thank you.

Senator WALSH. Mr. Goss?

Mr. GOSS. Yes, sir.

Senator WALSH. Your name is A. S. Goss?

Mr. Goss. Albert S. Goss, master of the National Grange.

Senator Walsh. Very well, Mr. Goss, you may proceed.

STATEMENT OF ALBERT S. GOSS, MASTER OF THE NATIONAL GRANGE

Mr. Goss. Mr. Chairman and members of the committee, I was asked to be brief, so I will not repeat any of our testimony which was given by our Mr. Brenckman in the House.

Senator Walsh. We appreciate that.

Mr. Goss. The position of the National Grange with relation to the tariff has been developed over a good many years and is rather clear-cut. It may be summarized in a few brief statements:

(*a*) Tariff-making is constitutionally a congressional function.

(*b*) Whether tariffs are high or low, all classes must be dealt with equitably. We say briefly "Protection for one, protection for all."

(*c*) Tariffs should be based on the difference in cost of production between home and abroad.

(*d*) We believe in the American market for the American farmer and workingman. By this we mean that if our production conditions are sound and reasonable, the American farmer and the American workingman ought not to have to compete for the domestic market with the lowest standards of living on earth.

I wish to enlarge on some of these points for they affect the legislation under discussion.

Tariff-making is constitutionally a congressional function.

Our Constitution is probably the most carefully thought-out and the most skillfully assembled system of governmental checks and balances ever arranged. The basic theory is that policy-making shall at all times be kept close to the people through their deliberative body, the legislative branch of Government, which is constantly under the control of the people. The framers of the Constitution very wisely kept policy-making out of the hands of the executive branch, realizing that otherwise it would be telling Congress what to do, and not only would the people lose the advantage of a representative form of government through which the desires of every section of the Nation could be made known, but also, if the President were permitted to engage in policy making, he would become in fact the ruler, our Government would become one of men rather than of law, and the powers given to the executive branch to administer the laws passed by the Congress would be apt to be used for political purposes.

It was no accident, therefore, that the very first power given to the Congress in the Constitution was the power to lay and collect duties, and the third power was the power to regulate commerce with foreign nations. The exercise of these powers affects every citizen of the Nation, and each is assured the right to have his representative participate in every decision with reference to them.

We believe it to be a most dangerous course for Congress to tamper with this sound principle of democratic government. A democracy needs an active, strong legislative branch constantly responsive to the needs of the people from every section of the land, and the tendency of recent years to permit the executive branch to do more and more policy making is one which every true democrat should view with real concern. We believe the power to lay duties and regulate our foreign commerce is a responsibility that Congress has no right to delegate to the executive branch and no right to dodge.

We are quite aware of the fact that in our far-reaching economy the making of tariffs by the same methods we pursued a century or more ago is no longer practical. When the tariff is to be revised, it has often become so much a matter of bargain and trade that the rates are sometimes not scientifically established, and whenever an item needs revision there is so much danger of opening up an endless list of trades and deals that revision is seldom attempted. The result is that we have a tariff structure which constantly resists needed changes. The answer is not for Congress to renounce its responsibility and hand it over to the Executive because that is the easiest way out, but rather to find a practical way which will preserve for the people their direct rights and interests in these vital powers of Government.

We believe Congress would be entirely within its rights if it established some definite guiding principles and then authorized some agency especially equipped for the purpose to ascertain the facts, and formulate tariffs or tariff agreements applying the facts to the principles established by Congress. Congress should never surrender control, however, but should retain the right to receive and review reports from such agency and to reject them if, in its judgment, the proposals do not comply with its prescribed policies.

For example, Congress might well say that certain items would be subject to certain definite tariff rates, but that these rates might be modified from time to time, either without limits or within certain prescribed limits, when it was found that they were either more or less than the difference in the cost of production of that commodity between this country or any other country; that the rates might be so modified in their application to all countries or to any specific country; and that unless disapproved by the Congress within 60 days of a full report having been rendered to it, the same agency, or the State Department, or any other agency Congress might desire to name, would be authorized to take whatever steps were necessary to make the change effective. The right to modify tariff rates to compensate for manipulation of a nation's currency could well be included. Other principles or policies might be established. The point is that the policies with reference to duties and foreign trade would be constantly under the control of the Congress. No deals or trades could be made which were contrary to the wishes of the Congress, and the agency would have a definite guide to follow in carrying out the wishes of the Congress.

It strikes us that this is a very different matter from giving to the President power to act "whenever he finds as a fact that any existing duties or other import restriction of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States." Under these powers, the President might find that we could bring butter or watches into this country from a nation which had a labor standard of 30 cents a day, or 20 cents or 10 cents—for there are such. He might find that our tariffs prevented such competition, and were therefore, "restricting foreign trade." Under the proposed bill he could reduce the tariffs 75 percent below the last rate without regard to what it would do to our dairymen or our watchmakers. Or suppose the President made up his mind that he wanted to double our trade, and determined that the tariff protection was restricting him in carrying out that ambition, he could almost abandon our tariff policy without regard to its effect on our producers, for that is not a necessary consideration. The practical effect of the proposed bill, and existing law, is to delegate the making of tariff policy to the President.

Senator WALSH. We regret very much that we must appear in the Senate and show there as a quorum to transact business. I will have to ask you to suspend for 10 minutes.

Mr. GOSS. Very well.

(Whereupon, the committee recessed for 10 minutes.)

Senator WALSH. Mr. Goss, we are sorry for the interruption. You may proceed.

Mr. GOSS. Will the other Senators be coming back?

Senator WALSH. Yes, but they will read your testimony in the record anyway. It would be better if they were here, I agree with you, but they will read it in the record; and also, they each have a copy of your statement.

Mr. GOSS. We have never felt the procedure was constitutional, and do not think so now. The only way it could be made constitutional is to treat each agreement as a treaty and have it confirmed by the Senate. We have consistently opposed this abrogation of congressional power, for we feel it is extremely dangerous.

On the other hand, we favor reciprocal trade agreements if constitutionally made in accord with definite policies laid down by the Congress. It would be so easy to establish sound policies to follow, and to do this in a constitutional manner, that we are at a loss to know why there is such a drive for Congress to surrender its powers to the executive branch of government. There is no emergency which in our judgment justifies such dangerous practices.

We favor a tariff structure which can be readily modified to meet changing cost conditions. As fast as we are able to reduce our costs of production through developing more efficiency in production, we believe any protective tariffs which were designed to protect us from the impossible competition of extremely low living standarsd should be modified to meet the changed conditions. An agency such as we have suggested, operating under definite policies prescribed by the Congress, could accomplish such a purpose. Our last National Grange session called specifically for "bona fide agricultural representation" on such an agency, and as I have said it also advocated the right of Congress to reject any proposed trade agreement within a reasonable time after its tentative approval. In case Congress might not be in session we asked the right to revoke such an agreement within a reasonable time after its adoption.

There is another feature of the bill which we do not like but which we do not feel is nearly so serious as the feature we have discussed. We refer to the most-favored-nation clause. We have always thought that we got the short end of this operation, and the further we went the worse we got stuck. Of recent years when most trade has been flowing in reverse of normal trends, the effects are not apparent, but wait until commodities again start to seek the market, instead of the market seeking the goods, and we will see the effect.

To illustrate, suppose we enter into a trade agreement with Canada, each nation granting the other some tariff concessions on an entirely equitable basis. Next we enter into an agreement with Mexico, making other concessions, and with Brazil, making still other concessions.

Under the most-favored-nation clause, the concessions made to Mexico must also be made to Canada, and those made to Brazil must be made both to Mexico and to Canada. If we made a fair bargain in the first place, with each succeeding concession the fairness of the bargain becomes more out of balance. We have never been able to see any equity in such an arrangement.

I might take the time to point out how farm exports have gone down and farm imports gone up under reciprocal trade agreements, and point out a number of trends which we feel have been adverse. These were covered in our testimony before the House committee and I will not repeat. There have been some beneficial results, too, which should not be overlooked, but we call attention to the fact that every benefit received could be attained in an entirely legal manner, and many of the disadvantages screened out. These points, however, are of so much less importance than the fundamental question of building a tariff structure on a sound and constitutional basis that I prefer to put my full emphasis on the dangers of doing this thing wrong and the advantages of doing it in an entirely legal and constitutional manner.

However, there is one point in establishing tariff policy which we believe has not been adequately treated. I refer to the simple basic principle of protecting our people from impossible competition. Last March I had an opportunity to find out at first hand what many South and Central American countries were paying for farm labor. I found wages ranging from 6 cents to 50 cents a day, but very few over 25 cents. More recently I had an opportunity to ask a number of representatives from the Near East, from Asia and from Australasia, about the same problem, and found a somewhat wider range of wages but a shocking percentage below 25 cents a day, and some as low as 6 cents and 10 cents. Of course, the standard of living under such conditions is terrible. It is also true that such labor is not nearly as efficient as ours, but in many instances the difference in price is no measure of the difference in efficiency.

I have always felt our farm labor was paid too low on the average. It is better now, but still too low to permit a desirable standard of living. Roughly, farm wages would run from $50 to $200 a month, with a few below and a few above these rates. On those items generally requiring much hand labor and those running of high value per pound so that transportation is not too great a handicap, the American farmer cannot compete with this starvation-wage level. One of the difficult features of the situation is that in many foreign countries, an increase in commodity prices affects the living standards of the workers very little, for the profits are mostly retained by a few landowners, anyway. The American livestock man and dairy man, and farmers in some other lines, cannot compete with such living conditions.

There are those who say, "then let the American farmer get into some other line, but let us have food where we can get it the cheapest." We do not concur with that philosophy. That nation is strongest and most prosperous which is able to maintain a well-balanced economy, producing, processing, and fabricating the largest part of the basic wealth upon which its economy is built, and compensating those who build and maintain it in proportion to their contribution to the general welfare. We have learned to produce wealth in greater abundance than we dreamed of a short half century ago. Only by the equitable distribution of that wealth will we maintain a purchasing power sufficient to keep our wealth-producing machinery in operation. Over 40 percent of our people are either engaged in agriculture or directly dependent on farm trade for a livelihood. There is no segment of our economy more important to our prosperity. Our price structure must be maintained at a level such that they can share equitably in the wealth they produce. There are plenty of crops and commodities which can be produced more advantageously elsewhere than in America, due to natural advantages. Such should form the basis of trade, but when trade is based upon cheap labor, we are undermining the standard of living which has made us the most prosperous nation on earth.

All this can be controlled by a sound tariff policy which recognizes these different production conditions. There will always be plenty of competition at home to assure maximum efficiency in production, and items not needing protection should have the protection removed, but all action should be based on established fact.

We have stated that the Grange believes that tariffs should be based primarily on the difference in cost of production between home and abroad, and we have suggested that this might be the basis of a tariff policy which Congress might enunciate. We realize that such costs are not determinable with complete accuracy, and we also realize that it might be unwise to adopt a tariff policy which would try to overcome any natural advantages which one nation might enjoy in production costs. On the other hand, any advantage which one nation might acquire through low or starvation wage levels or living conditions should not be allowed to affect the living conditions of farmers or wage workers in this country.

It seems the least the Congress could do to protect our citizens from this form of economic attack would be to incorporate a section in the law declaring it to be the policy of the Congress to establish and maintain protective tariffs in those cases where other nations are able to invade our markets by reason of low wage scales or low standards of living prevailing among their producers. Then, if the President were required to find as a fact that any trade agreement was in keeping with the principles expressed in such a section, he would still have plenty of leeway for action, but would have at least the beginning of a tariff policy to use as a guide in making tariff adjustments. This is not submitted as a complete tariff program, but merely as a badly needed stop-gap until Congress could develop a comprehensive tariff policy. We feel that any contemplated renewal should not only have this protection, but also should be not longer than 1 year—a time sufficient for Congress to work out a tariff procedure which is economically sound and of unquestioned constitutionality.

If Congress would set up definite sound rules for establishing tariff rates, we would favor delegating the details of rate-making under such rules to some executive agency. Unless this is done we would have to oppose any further extension of the blanket authority now granted, and most vigorously oppose any broadening of these questionable powers.

In any event, the findings in connection with any proposed agreement should be reported to the Congress before becoming effective, so that it can pass upon and reject any proposal if it so desires.

Senator WALSH. There may be some questions to ask if the other Senators come in later. You might wait a little while, while we proceed with the other testimony.

Senator TAFT. I notice that there has been a large importation of corn from the Argentine in 1944. Do you know anything about that?

Mr. GOSS. No, I don't have the figures, Senator.

Senator TAFT. I understood that 8 to 10 million bushels of corn were imported into probalby New Orleans, mostly for the purpose of making alcohol.

Mr. GOSS. Well, I have understood there was, but I have no figures on it.

Senator TAFT. What is the price of corn in the Argentine compared to the domestic price?

Mr. GOSS. I can't tell you, Senator.

Senator WALSH. All right, thank you, sir.

Mr. GOSS. Did you say that I might be called back for further questioning?

Senator WALSH. I thought that perhaps Senator Johnson or one of the other Senators might want to ask further questions. He expressed an interest in hearing you.

Mr. GOSS. Very well.

Senator WALSH. Mr. Abraham?

Mr. COLBURN. Mr. Chairman, on behalf of Mr. Abraham I wish to inform the committee that he is ill in the hospital and unable to appear here today, and on his behalf I ask permission to file a brief tomorrow morning.

Senator WALSH. Very well, you may do so.

Mr. Cowen, I understand, does not care to appear.

Is Mr. Frost here?

Mr. FROST. Yes, sir.

Senator WALSH. Your name is O. D. Frost?

Mr. FROST. Yes, sir.

Senator WALSH. And you represent the Crompton Co?

Mr. FROST. Yes, sir.

Senator WALSH. Where is that located?

Mr. FROST. At Crompton, R. I.

Senator WALSH. What does that company manufacture?

Mr. FROST. It manufactures velveteens and corduroys.

Senator WALSH. Proceed, sir. Is your statement very long?

Mr. FROST. No, it is very brief.

STATEMENT OF O. D. FROST, REPRESENTING THE CROMPTON CO., CROMPTON, R. I.

Mr. FROST. I just want to explain in a preliminary way about our interest in this matter.

Senator WALSH. Very well.

Mr. FROST. We are one of the oldest cotton mills in the United States, having started our mill in Crompton in 1807, and have been in continuous operation ever since.

About 2 years ago we started to plan for postwar expansion, and in the process of those plans we purchased land and acquired water rights in the western part of North Carolina for a postwar mill.

Senator WALSH. You are leaving New England?

Mr. FROST. No; we are going to continue in New England.

Senator WALSH. You are joining the constant procession that is going South.

Mr. FROST. We have a considerable investment in New England, and we are going to try to keep that occupied. We also have a plant in Virginia and one in Georgia, and we hope to keep them all going, but it will depend somewhat on the outcome of this legislation whether we are able to do that or not.

We had just about completed the purchase of the land for our new plant in North Carolina when, in May of last year, Secretary Hull made a press statement, and I would like to quote that statement:

> I believe that the great majority of businessmen will recognize the need for choosing those lines of production that can stand on their own feet without heavy tariff protection or subsidies.

Now, that statement which he made on May 20, 1944, put us on notice that we had better be a little careful about investing capital, and we had planned to invest something like $2,000,000 in western North Carolina; and we felt we had better find out what was going to happen to the tariff before we went ahead with our investment.

Now we have the plans and the blueprints ready; they are being held in abeyance until after you gentlemen decide what you are going to do about this.

The latter part of last week, when it seemed doubtful whether we would be able to be represented here at the committee meeting, I sent a letter, a statement, to each member of the Finance Committee, outlining our views on this subject. I can do one of two things now: I can read that statement into the record, or with your permission I can file it for the record.

Senator WALSH. You are very considerate. It may be filed for the record, but if you wish to make a statement about it you may.

Mr. FROST. Well, I will be glad to read it, if you like.

Senator TAFT. Why not file it for the record, and let us ask a few questions?

Mr. FROST. All right.

The postwar objective upon which we are all agreed is full employment for our people. It is only by maintaining the present purchasing power of the country that we can hope to liquidate our debt and extend a helping hand to our less fortunate neighbors. If the Doughton bill will be a contributing factor in attaining this objective, it should be passed; if it will not, or if a better method can be devised of regulating our trade relations with foreign countries, it should be defeated.

Our conviction is that if the intent of the Doughton bill is carried out by the executive department, it will disrupt our domestic economy, curtail employment, discourage the investment of capital and technological improvements in our own country, and force the migration to foreign countries of risk capital and managerial experience and ability. Our own plans for a postwar plant in western North Carolina, as I have just stated, are being held in abeyance pending the result of this legislation.

The Tariff Acts of 1922 and 1930 established in section 336 the fundamental principle that tariff rates should be adjusted to compensate for differences in cost of production here and abroad. This section was in effect until 1934 and is still in effect with respect to such dutiable items as are not included in any existing trade agreement.

As opposed to this principle, the amendment of 1934 seems to be in accord with a report of the National Planning Association which advocates, in effect, relocation on a global basis of protected industries. For capital losses resulting therefrom that report suggests government compensation "if administratively feasible." For displaced employees it suggests "retraining and vocational guidance."

Of these two fundamental principles, we choose the former as being more nearly in conformity with traditional American principles and in conformity with the Atlantic Charter, which promises "to further the enjoyment by all states, great and small, victor or vanquished, of access on equal terms to the trade of the world." We interpret the word "equal" to mean cost equalization at the point of delivery of imported goods. The reciprocal trade agreement amendment abandons the principle of cost equalization and substitutes a policy which, in our opinion, will produce the results referred to above.

We prefer that the fate of our industry be determined by you gentlemen, rather than by any individual of whatever political faith in the executive department. Would the Democrats on this committee be willing that the power which Congress has delegated to the Executive be inherited by some future Republican Secretary of State?

Senator WALSH. Being the only Democrat present, I am embarrassed.

I don't want to delegate anything to either a Democrat or a Republican. I want Congress to keep its constitutional prerogatives.

Mr. FROST. In the President's letter to the Speaker of the House dated May 25, 1945, he promises that no action will take place under his Presidency which will endanger or trade out segments of American industry. We concede that this promise was made in all sincerity, but no President or Secretary of State can commit his successors in office to any course of action. We have had recently a tragic example of the sudden change which may come about in the personnel of the administration. If it is the intent of the executive department and of Congress to protect American industry against the results which we fear, why should not the President's promise be written into the law?

Serious questions have been raised as to the constitutionality of the amendment. In two well-known cases the Supreme Court of the United States declared as follows:

> Congress cannot delegate legislative power to the President to exercise unfettered discretion, to make whatever laws he thinks may be needed or advisable for the rehabilitation and expansion of trade or industry.

In response to this ruling, it may be contended that a trade agreement is not a "law." However, trade agreements are, in effect, treaties with foreign nations, and treaties override all Federal and State laws. As a matter of fact, reciprocal trade agreements override not only Federal and State laws, but they override also treaties formerly executed with the approval of two-thirds of the Senate. We have many treaties with other countries in which is incorporated a most-favored-nations clause reading as follows, and we quote from one of them:

> Except as otherwise expressly provided in this treaty, the high contracting parties agree that, in all that concerns commerce and navigation any privilege, favor or immunity which either contracting party has actually granted, or may hereafter grant, to the citizens or subjects of the contracting party gratuitously if the concession in favor of that other state shall have been gratuitous and on the same or equivalent conditions if the concession shall have been conditional.

This clause, which the Senate has repeatedly approved, provides specifically that concessions made to one country for a consideration shall not be enjoyed gratuitously by another country.

Under paragraph 2 of the original amendment, tariff rates granted to some 27 countries in return for reciprocal concessions are granted equally to all foreign countries, even though they may not have granted concessions in return. Thus the Congress has authorized the Secretary of State, representing the President to nullify, without the specific consent of the Senate, provisions in treaties which could only have been made with the consent of the Senate.

The wording of the amendment is such as to preclude any possibility of its constitutionality being tested in the customs courts. A domestic manufacturer who feels himself aggrieved is thus deprived of his day in court. We believe that our privilege of securing, before serious losses are suffered, a judicial ruling on the constitutionality of the amendment should be restored. This is the American way.

Setting aside for the moment the technical question of the constitutionality of the amendment, the question arises as to the wisdom of delegating to any single individual the power of life and death over many domestic industries. When the elected representatives of the people abrogate their constitutional functions and delegate them to the executive department, it constitutes a step in the direction of totalitarian government. The trend of thought in this country and in England appears to be in the direction of concentrating in the Executive, powers originally intended to be exercised only by the representatives of the people and, unless this trend is halted now, we may be drifting into a form of government which, by whatever name, has resulted in disaster to the Axis countries.

Proponents of the Doughton bill contend that we must "export" in order to "import." We agree that our exports should be expanded to the extreme limit possible without damage to our domestic economy. However, in the past, most industries of this country have depended for the major portion of their business upon the markets of our own country, and for many years, certainly during the coming 3 years, they must continue so to depend. These markets will not be available unless the purchasing power of the people be maintained at a high level.

While our exporters are planning to seek outlets abroad, paradoxically other nations recognize that the United States provides the riches market in the world for their manufactured products and they are planning vast programs of industralization to take advantage of it.

Already, just the prospect of continuing the amendment as a permanent governmental policy is halting plans for postwar expansion in this country of protected industries, and many of them are now seeking opportunities for the investment of capital in foreign countries.

Due to the war, in 1943 our per capita income payments were 180 percent above those of 1939 and 52 percent above the lush year of 1929. If we fail to maintain this rate of income and its corollary, the purchasing power of the country, those industries which are seeking an expansion of their foreign trade will find that they have lost more of their domestic trade than can possibly be compensated for by increased exports. Furthermore, even with this enormous increase in our purchasing power, we have not yet begun to develop the potentialities of certain sections of our own country.

In 1943 the per capita income of the 11 Southeastern States was only 63 percent of that of the country as a whole. If the income of these States alone could be raised to the average of the Nation as a whole, their purchasing power would be increased by more than $10,000,000,000. Our first interest, not only on our own behalf, but on behalf of our less fortunate neighbors, should be to raise the aggregate of our own income, our own standard of living, and our own capacity for consumption. This can be done only through production, particularly by industries, such as the cotton textile industry, which consume our own agricultural products.

In his letter of May 25 above referred to, the President states that the Trade Agreements Act is of the first order of importance for the success of his administration. We presume that Mr. Truman will measure the success of his administration in large part by the extent to which he is able to establish instrumentalities for the promotion of the peace of the world.

It has been contended that trade agreements will promote peace. In refutation of this contention, we should like to quote from a letter written by Mr. John Sherman, distinguished Secretary of State under President McKinley, to our then Minister to Argentina. Mr. Sherman's letter reads in part as follows:

> The allowance of the same privileges and the same sacrifice of revenue duty to a nation which makes no compensation that had been conceded to another nation for an adequate compensation instead of maintaining destroys that equality of market privileges which the most-favored-nations clause was intended to secure. It concedes to one friendly nation what the other gets only for a price. It would thus become the source of international inequality and provoke international hostility. The fact that such a concession is made would inevitably inure to the equal benefit of a third competitor and would often destroy the motive for, as well as the value of, such reciprocal concessions.

Mr. Sherman fortified his letter by quoting opinions as follows:

1. 1817, by John Quincy Adams, then Secretary of State under President Monroe.
2. 1821, by President Monroe, in his annual message to Congress.
3. 1823, by Albert Gallatin, famous promoter of peace, United States Envoy to England and France, and negotiator of the Treaty of Ghent.
4. 1843, by Edward Livington, Secretary of State under President Jackson.
5. 1853, by Caleb Cushing, Attorney General under President Pierce.
6. 1884, by Frederick T. Frelinghuysen, Secretary of State under President Arthur.

To entirely disregard the authorities quóted above is to substitute the judgment of this generation for the considered judgment of qualified officials since the beginning of the Republic.

To claim now that our tariff laws without trade agreements and those of Great Britain have been provocative of war is to admit that we must share with the Axis Nations responsibility for the present war. We do not think that the members of your committee are prepared to make such an admission.

Section 336 provided, under certain conditions, for a change to the American selling price as the basis for valuations. The amendment repealed this section so far as it pertains to items included in trade agreements and deprived American manufacturers of that partial relief to which they were formerly entitled in cases of undervaluation due to depreciated currencies.

Before the war, Japan was able to devalue her exports to this country to the extent of 70 percent by reason of currency manipulations. And by the way, we were seriously damaged by that Japanese competition. Four days after the trade agreement with the United Kingdom was signed and before it became effective, Great Britain depreciated the pound sterling from $5.05 to $4.63 and subsequently to $3.20.

Senator WALSH. Was that after the trade agreement with Great Britain that that depreciation took place?

Mr. FROST. Yes, sir.

Three months after the trade agreement with France was signed, she depreciated the franc from 6.6 cents to 4.6 cents, and subsequently to 2 cents. Despite the proposed Stabilization Fund recommended by the Bretton Woods Conference, depreciated currencies may again be the source of damage to American industry, and provisions should now be made in anticipation of such an eventuality.

From our point of view, one of the most objectionable features of the amendment is the so-called universal clause referred to above, which extends to all foreign countries, except those proclaimed by the President to be ineligible, rates of duty fixed by trade agreements without reciprocal concessions. It has been contended that this clause in the amendment was necessitated in order that the agreements might not conflict with the most-favored-nations clause in our commercial treaties. A contrary ruling on this point was made by the Supreme Court in 1887.

At that time there was in existence a treaty with Denmark which contained the general or indefinite form of most-favored-nations clause. An importer of Danish sugar claimed the right to import sugar from the Danish Island of St. Croix free of duty because the United States had conceded that privilege to the Hawaiian Islands. This case was taken to the Supreme Court and its decision was as follows:

> Our conclusion is that the treaty with Denmark does not bind the United States to extend to that country without compensation privileges which they have conceded to the Hawaiian Islands in exchange for valuable concessions (*Bertram et al.* v. *Robertson, Collector of the Port of New York,* U. S. Supreme Court Rep., vol. 122).

Of necessity, our opinion that concessions made to one country in exchange for concessions from it should not be extended gratuitously to other countries raises the question of a single column versus a multicolumn tariff schedule. Admittedly the single-column schedule has administrative advantages, but it works a hardship on those countries with relatively high production costs and living conditions and tends to perpetuate low-wage rates and substandard living conditions in the low-labor-cost countries.

By adjusting our tariff rates to compensate for differences in cost of production between this country and each competing country, we would be doing what we now claim to do, that is, treat all nations alike. Under those conditions, we could promise competing countries with low production costs that, as their wage rates and living standards are adjusted upward, our tariff rates will be correspondingly adjusted downward. Such a system could only be operated under the flexible clause administered by a Tariff Commission with adequate facilities to enable it to carry out its functions promptly and continuously.

In making this plea for defeat of the Doughton bill, we do not ask for protection for inefficiency, nor do we hold any brief for tariff excesses of the past. We ask only three things: First, that Congress recapture its constitutional right to formulate its own tariff policy; second, that American industry have access on equal terms with industry of other countries to American markets; and third, that we be given the green light by Government to proceed with our plans for the expansion of our industry within our own country.

Senator WALSH. Thank you.

You haven't discussed your own industry in that very excellent presentation you have made. Are the goods that you manufacture contained in any of the trade agreements already made?

Mr. FROST. Yes, sir.

Senator WALSH. In what trade agreements?

Mr. FROST. In the agreement with the United Kingdom which was executed on the 1st of January 1939.

Senator WALSH. What percentage reduction was made?

Mr. FROST. One reduction was made from 44 to 37½ percent, another reduction from 50 to 30 percent.

Senator WALSH. Did those reductions have any unfortunate effect upon your business, or do you feel they will in the future?

Mr. FROST. No, Senator; they couldn't have, because they did not go into effect until January 1939, and about that time we started on war work and we have been busy on war work ever since.

Senator WALSH. Do you anticipate that even those rates, without reference now to the new increased power granted, will be injurious to your business?

Mr. FROST. From what we can learn about the costs of production in other countries, I don't honestly think that we would be justified in asking for any increase, but we would certainly be seriously damaged if the present rates should be decreased by 50 percent.

Now one of the Senators referred, in another case here, to the fact that the amendment provides for an increase of 50 percent. Of course, I have always considered that as a sort of a joke. You don't extend your bargaining power by going to another country and offering to raise your tariff rates. No rate has ever been increased, and some 1,226 rates have been decreased.

Senator WALSH. Are there any other questions?

Senator TAFT. The difference in cost of production is what, mostly wages?

Mr. FROST. No; our raw material is a substantial part of our cost, because our goods are heavy; and, of course, our cost of cotton in this country is higher than the cost to our foreign competitors.

Senator TAFT. We actually subsidize our own cotton to your foreign competitors; do we not?

Mr. FROST. Our cotton farmers have been priced out of the world market.

Senator TAFT. But we are now subsidizing the export of cotton?

Mr. FROST. Yes, sir.

Senator TAFT. And of course, that operates to your disadvantage?

Mr. FROST. Of course. I had an opportunity in January to compare some figures with one of the largest, in fact the largest cotton mill in Cuba. In the course of the conversation I asked him about their cost of cotton, and found that at the time they were paying about 3 cents per pound under our price, they were buying Peruvian cotton of a longer staple than we were using, and they were importing it by shiploads.

Now Cuba formerly bought their cotton from us. If the cotton-textile industry—of which we are a small part, of course—should be seriously damaged, I don't know where the cotton farmer is going to find a market for his cotton, because we have never used much more—until the war, at least—we have never used much more than about 50 percent of our crop, and depended on the world market for taking care of the balance of it. I think the Department of Agriculture has quite a problem on their hands.

Furthermore, on account of the present price of cotton and the policy of the Government to subsidize the price, a great many of the cotton mills that I am familiar with are planning their fabrics to use rayon and synthetic yarns after the war, because they can be bought more cheaply than they can make cotton yarns of corresponding size and yardage.

Senator BUTLER. Mr. Frost, your presentation has been given from the standpoint of one who has an investment in the industry?

Mr. FROST. Yes, sir.

Senator BUTLER. And it is very easy to understand the uneasiness that you may have in connection with what policy we may follow in the future. I wonder if any of that uneasiness or fear extends to the people who work for you?

Mr. FROST. Well, I haven't talked with the rank and file. I have talked with a few of our employees, and the opinion is divided. Some of them are very loyal to Mr. Roosevelt's administration, and they feel that anything that he recommended must be right. There are others who recognize that their jobs depend on the success of the Crompton Co. and its continuous operation. I have no accurate idea as to what is going on in the minds of the rank and file of our people in the mills. I think the subject should be taken up with them, but we haven't been able to do it.

Senator BUTLER. Who should do it?

Mr. FROST. We should do it. I should do it.

Senator BUTLER. That is all.

Senator WALSH. Thank you, Mr. Frost.

Senator BUTLER. Mr. Chairman, I am sorry I was unable to get back before Mr. Goss finished his statement. Would it be agreeable for him to come back for just a moment?

Senator WALSH. I have asked him to stand aside so you could ask questions.

Mr. Goss, Senator Butler would like to make some inquiries, please.

Mr. GOSS. Yes, sir.

STATEMENT OF ALBERT S. GOSS—Resumed

Senator BUTLER. I did not get to hear all of your statement, but I was quite impressed with the outline that you gave us at the beginning of your presentation, and I wanted to ask you at least this one question.

What standards are now used in arriving at or determining the reciprocal trade agreements?

Mr. GOSS. That is just the point I was trying to make, Senator. I don't know the standards and I don't believe anybody else does. They are made by the State Department. Last week I had lunch with Assistant Secretary Clayton and three other members of the Department, and tried to find out myself just what the standards were, and I wasn't able to find out. I have asked Mr. Clayton if he would prepare a statement as to what those standards are. They do have some sort of standards. I don't think that there is complete agreement as to what they are, but those standards are not made by the Congress; they are made by the State Department rather than the Congress.

Senator BUTLER. I was asking the question with this thought in view: I am attempting to present an amendment, at the proper time, that might provide that for any further reductions, other than provided under the present law, some Government agency should make a recommendation and a study to advise Congress technically and let them then do the deciding, rather than a delegated agency of the executive department.

Mr. GOSS. Well, I have proposed—you didn't hear all my testimony—but I have proposed that Congress set up the guideposts, and then insist that they follow them; and that any proposed trade agreement be returned to the Congress so that Congress will find out whether they did follow the guideposts or not. We don't believe that it is up to the State Department to set the policies of tariffs; we are convinced that that is a congressional function, and we think that it ought to be done by Congress. I think that you were probably not present when I read that part of my testimony in which we proposed certain standards which might be set up, largely the standards which would protect our farmers and workmen and our producers from the impossibly low living standards which prevail in some sections of the world.

Senator BUTLER. You know, of course, how important soybean products were during this crisis, and how our production of the soybean has been one of the most remarkable productions in our agriculture during this war period. I suspect—I don't know a thing about the rate that we have now—but undoubtedly in the postwar years, without proper protection, we will stop producing soybeans on our land here.

Mr. GOSS. I think that our oil crops generally will have to have some recognition. I am not prepared to discuss all the schedules, but I do think that that one principle—that we ought not to be subjected to the competition of labor 10, 15, or 20 cents a day—is a sound principle that ought to be behind all of our tariff-making. I also suggested a review of this most-favored-nation clause, and told the reason why we took some exception to that.

Senator TAFT. This difference in cost of production has always worried me, when you extend it to an industry which is producing a very small proportion of the total. For instance, take magnesium, which I think can be produced in this country in many places, but it is a very expensive proposition and we never have produced more than a very small percent of the total.

Mr. GOSS. I covered that, Senator.

Senator TAFT. Do you think that in some way the difference in cost of production should be modified where we can't supply any very substantial part of our market?

Mr. GOSS. Yes. I stated that we ought not to try to protect our people to overcome the natural advantages which some other nation had.

For example, we can raise bananas in Florida, but it would be ridiculous if we set a tariff which would cover that cost——

Senator TAFT (interposing). You have the same thing in Puerto Rican coffee. Puerto Rico raises coffee, but it is much more expensive than Brazilian coffee, and you wouldn't try to put a duty on coffee to bring it up to the cost of producing Puerto Rican coffee, I suppose.

Mr. GOSS. Well, that particular commodity is a little different. The Puerto Rican coffee is about three times as strong as the Brazilian coffee, but it doesn't yield as much so it is more expensive to raise, but it is worth more, too. I rather think that it can find its way to market. We don't believe that we should protect our producers against a natural advantage that some other nation may have, but we do believe that we should protect them against a wage level of 10 cents, 15 cents, or 25 cents a day when, all things considered, wages and the living standard give them the advantage which enables them to enter our trade.

Senator TAFT. What about the synthetic rubber industry, for instance? As I understand it, if they paid in wages in Java such as we paid here, synthetic rubber would be cheaper than natural rubber. Would you start out in a new industry like that and try to build it up by a tariff?

Mr. GOSS. I am not sufficiently informed as to the difference in cost there to give what would be an expert opinion. I do think that new industries which have an opportunity or which may have an opportunity to become established, very often will merit protection. On synthetic rubber we have never taken a stand, and I don't have enough information, really, to venture an opinion on that particular item.

Senator TAFT. Well, I am only interested because I see a little difficulty in stating—which I think we ought to meet—in stating clearly in the law the standards which ought to be followed in imposing tariffs. It is going to take some time to work that out. That is one reason I would like to postpone this thing for a year or two and continue the existing treaties and try to work out some such thing.

Mr. GOSS. I suggested that very course, Senator, that this be extended for 1 year only, and that Congress devote itself to working out those standards. I suggested a basis of a standard which might be used as a stopgap.

Another thing I suggested was that in the matter of manipulation of currency, power ought to be given to modify the tariffs to overcome any manipulation.

Senator TAFT. As I understand it, that power is in the act. The trouble is it never is used.

Mr. GOSS. I don't know about that.

Senator LUCAS. Mr. Goss, have you ever at any time advocated the reciprocal trade program such as we have at the present time?

Mr. GOSS. Today in my statement I said that we would approve a reciprocal trade agreement if Congress could outline the rules of the game.

Senator LUCAS. That isn't what I asked you. Have you ever at any time, before you were connected with the Grange, advocated the reciprocal trade treaty program?

Mr. GOSS. Well, I have been connected with the Grange since before the Reciprocal Trade Agreement Act was passed; but the National Grange, for the last 2 years, has advocated the reciprocal trade agreement program under such conditions.

Senator LUCAS. Well, I don't want to press the question, but as an individual—that is what I am talking about, you as an individual——

Mr. GOSS (interposing). Personally, yes; I have advocated a reciprocal trade agreement as a better means of making a tariff than the system formerly employed by fighting it out in Congress. But I have said that it could be done constitutionally only, in my judgment, provided Congress outlined the rules of the game, and then insisted that whatever agency was given the power lived up to those rules.

As an organization we have insisted that since the rules of the game were not outlined, Congress could not constitutionally delegate those powers, and therefore a trade agreement could be made legal only if it were confirmed by the Senate as a treaty.

Senator LUCAS. Well, I appreciate your position on that. That is like the old law professor used to tell us, when he was up against a difficult question; if he didn't know how to answer it he would say, "Young gentlemen, there is much to be said on both sides of that question." There is much to be said on both sides of the constitutionality of the law. Some of the good lawyers tell you it is, and some of the good ones tell you it is not, and we may never know. But fundamentally—and that is what I want to get from you—it is my understanding from friends of yours that you, as an individual, favored the reciprocal trade agreements as a better means to adjust the tariff situation than through the old log-rolling methods that we used to have in the Congress of the United States. You have practically answered that question in the affirmative.

Mr. GOSS. Yes; but I want to make it clear that we do not approve the methods that are now employed.

Senator LUCAS. I am not talking about "we"; I am talking about "I."

Mr. GOSS. I do not approve, nor does the National Grange. It so happens that my opinions are the same as those of the National Grange with reference to reciprocal trade, Senator Lucas.

Senator WALSH. Mr. Russell Smith?

Mr. SMITH. Yes, sir.

Senator WALSH. Your name is Russell Smith?

Mr. SMITH. That is right.

Senator WALSH. And you represent the National Farmers Union?

Mr. SMITH. I am the legislative secretary of the National Farmers Union.

Senator WALSH. All right, you may proceed.

STATEMENT OF RUSSELL SMITH, LEGISLATIVE SECRETARY, NATIONAL FARMERS UNION

Mr. SMITH. Mr. Chairman and members of the committee, at its thirty-ninth annual convention, held in Denver last November, the National Farmers Union adopted a 1945 program containing a section entitled "The Making of a People's Peace." That section pledged the Farmers Union to support—

full participation by the United States in a world organization based on political and economic justice—

and urged—

full adherence to world trade policies that will give all peoples everywhere real opportunity to make a decent living.

The delegates to our convention then adopted this statement of policy:

Trade barriers contributed to World War II and, if permitted to continue, will bring on World War III. When peace comes, we must freely exchange substantial parts of our farm and industrial production with other nations, receiving from them products which we need.

It is pursuant to that statement of policy that I appear here today. The objective, above all others, that our convention delegates had in view in considering international affairs was the objective of a peaceful world. Nearly every delegate had a close relative or friend in the armed services. All of them feared above anything else the conduct of American foreign policy in such a way as to threaten another war. And all of them were convinced that economic and political policy are to all intents and purposes identical.

We believe that the bill now before the committee is an excellent translation into legislative terms of the words of our 1945 program. We, therefore, urge the committee to report the bill as it stands, and express the hope that the Senate will approve it in virtually its present form.

Senator BUTLER. I wonder if the witness would care to answer questions as we go along?

Mr. SMITH. Certainly.

Senator BUTLER. In your first paragraph, Mr. Smith, there is a quotation from a statement made at the Denver convention, that "trade barriers contributed to World War II." What trade barriers of the United States contributed to World War II?

Mr. SMITH. The Tariff Act of 1930 is one, I think.

Senator BUTLER. That was not in effect. The reciprocal trade agreements were in effect last year when you had your convention in Denver.

Mr. SMITH. I am afraid I don't get your point, Senator. Of course, under the Trade Agreements Act there have been some reductions of the rates fixed in 1930, but they haven't by any means eliminated them.

Senator BUTLER. Your statement starts out with something about making a people's peace and speaks of political and economic justice. Then you go on to say that "Trade barriers contributed to World War II." I would like to know what trade barriers or trade agreements or rates that we had in the United States, those were. Name one or two or any number that contributed to World War II.

Mr. SMITH. If you mean by that, Senator, to select a schedule of rates on a single commodity, I can't do it.

Senator BUTLER. Well, most of the witnesses who have testified here have used specific illustrations. The gentleman who just left here, representing the cotton industry, spoke of how it affected their firm and the people who worked for them, and I think it is that kind of testimony that we want. If I could be convinced that any of our trade barriers contributed to World War II, I certainly would be a more enthusiastic supporter for granting further powers for a reduction of the tariff than I would be if I don't think that way, and I want illustrations.

Mr. SMITH. Well, Senator, I would like very much to help you to be convinced of the desirability of the enactment of this bill, but I don't believe it is possible to make a case, either for or against the bill, or for or against the statement from our program, by the citation of a few commodities. I just don't think it works that way, and I believe it will appear to some extent in my testimony further on when I talk about the importance of the attitude generally of the people in the world, rather than of specific instances.

Senator BUTLER. The testimony that has heretofore been given here, or over at the House hearings, has indicated, I think, that the United States Government ranked somewhere near the bottom, rather than near the top, with reference to tariffs. In other words, I think we are about fifteenth from the bottom, rather than at the top, or even fifteenth from the top. So in a general way I think our position would be pretty good.

Mr. SMITH. Of course you have this element of volume too, and we are the greatest trading nation, I suppose, in the world.

Senator BUTLER. And every other nation wants our domestic trade and the reason that we have a high standard of living, higher than any other nation of the world, is because we protect our domestic trade and our domestic laborers, and I, for one, can't see why we should give that standard of living away to any other race of people in the world. I still want to be a good neighbor to them, but I certainly do not want to lower our standard of living in order to give them a higher standard of living.

Mr. SMITH. No, sir; I think we would agree with you perfectly on that last statement. I think the point there that we would stress as being most important is that while we were achieving the highest standard of living in the world under a tariff system, under a fairly high protective tariff system, we were not a creditor nation. In the last 25 years we have changed to the position of the largest creditor nation in the world. We don't believe we can maintain as high a standard of living with that changed position under the same kind of foreign trade policies which we had when we had the other position of a debtor nation.

Senator TAFT. Mr. Smith, I assume that you are expressing the viewpoint of the board of directors or the governing body of the National Farmers Union?

Mr. SMITH. This represents primarily the viewpoint of the delegates to our convention.

Senator TAFT. I was wondering about that. Your statement says:

> When peace comes, we must freely exchange substantial parts of our farm and industrial production with other nations, receiving from them products which we need.

That sounds like the Republican and Democratic platforms—it might mean anything as far as I can see. I don't see that that takes a position on anything. Of course, we want the products which we need. The question is, Do we want the products we don't need, that we can make in this country or that the farmers can raise in this country themselves?—and I question a little whether your delegates, in adopting that, intended to endorse the extension of the reciprocal trade agreements.

Mr. SMITH. I will be glad to file with the committee a more extended quotation from that program. I didn't want to burden the testimony with that, but I think the context will bear out my testimony.

Senator TAFT. When you say "must freely exchange" do you mean without any tariff—is that a "free trade" statement?

Mr. SMITH. I wouldn't take it to be that.

Senator TAFT. I would think it was a "free trade" statement, or that it wasn't anything, just offhand. You think there should be some tariffs, then?

Mr. SMITH. There is a difference between an ideal position and one that is practicable, Senator. We certainly would not want to make any changes in tariff levels so suddenly as to disrupt our economy.

Senator TAFT. You probably explain your position further on in your statement?

Mr. SMITH. I try to yes, sir.

Senator WALSH. Proceed.

Mr. SMITH. There appears to be little disagreement as to the desirability of extension of the reciprocal trade agreements authority for some period and in some form. Rather, principal differences seem to relate to the question whether extension should be for 1 year or for 3 years and to the question whether the authority should include the right to agree to reductions in some tariff rates of 50 percent less than existing rates, rather than that such reductions should be limited to 50 percent of the 1930 Tariff Act rates presently used as the base.

As to the former of these two questions, it is our feeling that a 3-year extension is the minimum that safely can be granted by Congress. Indeed, we should prefer a much longer period of time. The negotiation of agreements, under the very elaborate and precise machinery established under the guidance of former Secretary Hull, is a painstaking process, necessarily time consuming. It is doubtful if, in a single year, very much progress could be made toward the readjustments that inevitably will be needed even more in the wake of the great war than in a peaceful period of equal length.

Moreover, the negotiation of reciprocal trade treaties must be viewed as but one side of a many-sided attempt by this country to work cooperatively with other nations toward a world of peaceful abundance. For example, the Bretton Woods agreements now pending before Congress are also of inestimable importance to a peace worth the sacrifices we have made in war. The Bretton Woods agreements established an International Monetary Fund that will seek to stabilize the currencies of all nations and so help to put a stop to the catastrophic economic warfare that preceded the military war.

The progressive lowering of world trade barriers may be expected to be one of the positive accompaniments of currency stabilization and the present machinery should be working at its best at the time the Monetary Fund goes into operation. If it may be assumed that Congress will approve the Monetary Fund, then its beneficial results may be expected to be multiplied many fold if the lowering of trade barriers can proceed steadily and speedily. It would be highly undesirable, in our view, to conduct another great public debate upon the tariff just as this country entered upon the international undertakings expressed in the Bretton Woods agreements. That probably would be the result if the extension of the negotiation authority were limited to 1 year.

Such an event would create the greatest uncertainty in other nations, and this perhaps is the most critical of the reasons why we believe that the bill should extend the authority for at least 3 years. The actions of the American Congress at this time are fraught with the most far-reaching implications for good or for ill. Our organization has urged strongly that no measures be adopted by Congress that would cause the slightest doubt among the nations that we will wield our tremendous moral and economic force for what our convention termed a "people's peace." In our view, refusal to extend the trade agreements authority for more than 1 year would seriously weaken the United States leadership in world economic affairs and would cause grave suspicion of our intention to participate vigorously in international cooperation for a world of order and abundance.

Likewise, we believe that the bill's provision for reduction of rates by as much as 50 percent of existing rates is an essential provision. The other countries of the world know perfectly well that the passage of this bill without this provision will be to a considerable degree an idle gesture. They are well aware that the Tariff Act of 1930 was the highest in our history, and that such reductions as have been made since the Trade Agreements Act was adopted in 1934 have only begun the task of cooperative reduction of barriers. They know, too, that the additional progress that can be made will be limited to a very small proportion of our dutiable imports, unless the additional authority is granted.

This is true because there exists now only a very limited area in which the United States can bargain with other nations. In 1939, our dutiable imports from trade-agreement countries amounted to about $571,000,000 and of that amount 81 percent was of imports on which duties had been reduced under the Trade Agreements Act. Thus, there is only a small volume of imports where it is possible to bargain. This volume is further limited by the nature of the items remaining. On some of them we cannot afford to make concessions because of the immediate impact such concessions would have upon our economy. The same is true for other countries as to some of these commodities.

About 68 percent of imports into the United States in 1939 came from trade-agreement countries, but much of them came from the Philippines or the Canal Zone, where special considerations apply, or from countries that are or have been enemies in this war, with which it is unlikely that agreements will be concluded in the near future. If these be eliminated, then but about 17 percent of imports (at 1939 levels) remain. Nearly all of the non-trade-agreement countries from which these imports formerly came have been devastated or have had their normal productive processes disrupted. Large-scale relief programs, with the United States assisting, must be carried out in some of these. There will be no basis for negotiation of agreements, therefore, with many of these countries for some years.

It thus appears that the only opportunity for pushing ahead with a real program for expanding world trade through minimizing trade barriers lies in negotiation of new agreements with those countries with which we have already entered into such agreements, and that little can be done in this field unless authority is granted to use existing tariff levels as the basis for reductions.

There is no question, therefore, that the refusal of this committee or of Congress to allow January 1, 1945, levels of rates to be used as the basis for reductions would be interpreted as unwillingness to cooperate wholeheartedly toward a freer flow of world trade.

The issue thus is not by any means one that can be settled by reference to statistical tables of volume, of prices, of exchange positions—and this is the point to which I previously adverted, Senator Butler. The issue of overwhelming importance is an issue of attitude, whether we prove our words of cooperation by deeds of cooperation. The world will judge us by our actions, not by our professions. If we really mean to lead the way to a peace of freedom and abundance we cannot do it with words alone. People everywhere will know that we are hedging on these words if we adopt a Trade Agreements Act that means but 17 percent of what it is supposed to mean. When we entered this war we did not enter it with reservations. Let us not, then, enter upon our task of world reconstruction with reservations.

This is not to say that we overestimate the value or volume of American foreign trade in relation to total national income. We are well aware that this trade is less than 10 percent of national income. But we believe that this proportion can and should be increased, that an increase or decrease in foreign trade has sequential effects much greater than the bare figures show, and that the indication of national intent to trade is of very high importance.

Senator BUTLER. Mr. Smith, how much of our domestic trade do you think we could afford to turn into foreign trade? Our total commerce, of course, amounts to 100 percent; 90 or 95 percent, or something like that, is now domestic, and 5 to 7 percent is foreign. Do you think that the welfare of the people of the United States, especially the laborer and the farmer, is going to be improved if we increase that 7 percent to say 10 or 15, and reduce the domestic trade, which runs around 90, to 85 or 80 percent?

Mr. SMITH. Well, Senator, it seems to me that that is almost an unanswerable question because people do have jobs in exporting industries, you see. In other words, the larger your export industry, the more jobs there will be for people in that industry. Also people do use and consume imports. You will have imports coming in. So I don't think it is possible to work out any desirable percentage of that kind. I wouldn't know how to go about it.

Senator TAFT. Can you apply your principles stated to the agricultural industry so that you know where you are going to get the additional export jobs in agriculture to take care of the agricultural imports?

Mr. SMITH. I think my statement does it a little later on, better than I could explain it.

Senator LUCAS. What you really mean is that if we can increase our exports and still leave the domestic situation as it is, that is the goal you are attempting to achieve, not to take anything away from the local people and export it, but increase our agricultural production, primarily of wheat and cotton?

Mr. SMITH. That is correct. Of course it would be wholly possible to have a national production and income that would be 100 percent of what it is now, or was before the war, and still have a very large export trade, Senator.

Senator BUTLER. I was speaking on the basis of the percentage as it is, whether you would rather have 90 percent domestic and 10 percent export, or would you rather have it 85–15, or 75–25?

Mr. SMITH. I don't think that it makes any difference, just so that you have the physical product that is used, and just so you have national income, whether it comes from working in export industries or not.

Senator WALSH. Proceed.

Mr. SMITH. The operation of the Trade Agreements Act has been limited to this date principally by the abnormal state of the world during the time it has been effective. Nevertheless, it has resulted in direct gains for agriculture. On the average for the years 1938–39 as against 1934–35 agricultural exports to nonagreement countries fell off by about one-fourth, while exports to trade-agreement countries increased by about one-half. Moreover, the export market is of critical importance to many American farmers, and as peace draws near becomes of even greater import than in the past. More than 30 percent of domestic production of cotton, tobacco, prunes, and apricots is exported, and between 10 and 30 percent of our output of wheat, lard, apples, rice, and pears, and I will add that citrus fruits are nearly to that point.

Of all American crops, cotton is of course the most deeply concerned with the world market. And of all American farm products, cotton faces the most critical situation now. The cotton economy is at crossroads. Impending further mechanization of production, probable increased competition from synthetics, and the high general level of the American price structure as compared with the rest of the world—these are the central factors of the problem of cotton. Each of them is intimately involved with the general trading and financial relationship of the United States to the rest of the world.

In turn, any steps that are taken to enable cotton producers and the cotton industry generally to make a smooth transition from present to future must also have major implications for all of American agriculture. It seems certain that whatever solution to the cotton problem is found will include the devotion of fewer acres to its production than in the past. Such a change inevitably will put some cotton producers into the production of other agricultural commodities. Thus the position of cotton and the relationship of cotton to American foreign trade generally are not academic questions for farmers outside the South.

It is our view that whatever course is pursued by the Nation with relation to cotton will be made infinitely easier if it is pursued as part of a framework of expanding and harmonious world trade. This view is supported by the facts concerning American agricultural production during the war. The output of our farms has risen by about 6 percent during the war, and American farmers have largely favored the increased imports that have been necessitated in that period. In 1939, imports of feed stood at 5 millions of bushels. In

1942, even, they amounted to but 18 millions. Yet in 1943 feed imports had climbed to 246 million bushels, and in the first 10 months of 1944 amounted to 224 millions. These imports not only did not cause difficulties here, but in fact contributed largely to the increase in meat production that has occurred.

Senator BUTLER. Also to the production of synthetic rubber, principally, a lot more than they did to meat?

Mr. SMITH. I believe that that is correct.

Moreover, war experience has indicated that resources of American farms can be transferred from one commodity to another without important difficulty. An instance is at hand in the experience with wool and sugar beets, products that are at a competitive disadvantage in our economy. Wool production increased during the war but 6 percent, while sugar-beet production fell off by one-third, whereas the output of products competing with wool and sugar beets increased considerably.

Finally, it should be remarked that between January 1, 1940, and January 1, 1944, 6.66 million persons left agriculture, even excluding the 1.65 millions in military service, and yet that in this same period total production of our farms was at record levels. This is pretty good evidence that when production is expanding, American agriculture has a remarkable capacity to adapt itself and to change the use of its resources of labor, land, and technology.

Incidentally, it is very probable that increased industrial exports will be of direct benefit to farmers as producers in helping to reduce unit costs of equipment. For example, if a farm-machinery company, say, could double its output through increased sales abroad, it seems reasonable to assume, in a mass-production economy, that the doubling of output could be accompanied by a reduction in unit costs of production and so in unit prices to American farmers.

To sum up the direct stake of farmers in the expansion of world trade that the renewal of the act would promote, it may be said that they benefit from wider markets for their products and from the importation of commodities that promote economic and efficient production.

The indirect stake of American farmers in expanding world trade is even greater, however. By far the largest assurance of commercial farm prosperity is diffused buying power, the ability of all United States consumers to buy three square meals a day; and the ability of industry to use manpower leaving the farms. The National Farmers Union therefore has consistently supported all measures that appeared to work toward full employment, higher wages, and a better standard of living for wage earners in industry. To that end, we have urged the enactment of the full-employment bill sponsored in the Senate by Senators Murray, Wagner, O'Mahoney, and Thomas of Utah. To that end likewise, we support the bill before this committee.

Our reasoning is very direct and very simple. The United States is now the world's greatest creditor. It cannot export unless it imports, for there is no other way permanently to enable other nations to buy from us. Yet American industry and American agriculture require foreign markets if they are to produce abundantly. In view of the tremendous productive power we have demonstrated during the war, the need of markets for this production is likely to be more acute after the war than ever before. It is our belief that the pending bill will help greatly to promote full employment by assisting large segments of American business and industry to produce at times when they otherwise would be idle and consequently would employ no one.

In fact, we incline to the view that the chief preoccupation in future of our Government, so far as foreign trade is concerned, should be with ways and means of affording other nations the dollars with which to purchase our goods, rather than preoccupation with limited adjustments of duties, often accompanied by quota limitations. This means that we should try to increase imports to the greatest possible extent practicable. We believe that by further use of the excellent machinery developed under the Trade Agreements Act, it will be possible to do this. And we believe that selectivity of treatment can be carried to a point where no great or lasting injury will be done to any important segment of agriculture or industry, and where at the same time great and lasting benefit will accrue to agriculture and industry as a whole.

Senator WALSH. We thank you, sir.

Mr. SMITH. Thank you, Mr. Chairman.

Senator TAFT. Mr. Smith, I have one question that I would like to ask. Supposing that there is no tariff on corn—and apparently the price of corn in the Argentine is about half of ours—if that is imported, if that is free to come in without any tariff, won't it force down the price of corn in the United States?

Mr. SMITH. I should assume so, the way you state it, Senator, if that condition should exist.

Senator TAFT. Well, the condition exists today. I don't know whether it always will, but that has occurred before, in the early 30's.

Mr. SMITH. The demand for corn now of course is pretty high, and has been during the war.

Senator TAFT. I don't know how much has come in but I can't see why, if people could buy Argentine corn for half the present price, it wouldn't force down the price of our corn.

Senator BUTLER. It has done it already.

Senator LUCAS. When?

Senator BUTLER. About 4 or 5 years ago, Senator. When we were a little bit short in our corn it was unloaded in ships on the west coast and the east coast and went inland as far as the Chicago market in your good State, and some even got out to Nebraska.

Senator LUCAS. We needed it too.

Senator BUTLER. Well, it gets in here.

Senator LUCAS. We needed it at that time; we had the drought and the price of corn was plenty high at that particular time, even with the Argentine corn coming in. We feed 85 percent of the corn that we raise in this country back to our own hogs and cattle, and what comes in from the Argentine will have no effect whatsoever on the corn crop.

Senator BUTLER. At the time this was coming in it was pretty cheap.

Senator LUCAS. Four years ago?

Senator BUTLER. No; it was longer than that.

Senator TAFT. About 1937. But I think it is an inevitable law, I can't see how we can escape it, that if it can be produced more cheaply in the Argentine, and comes in here, it is bound to force our price down.

Senator LUCAS. They paid a 25-percent duty on that corn from the Argentine.

Senator BUTLER. Fifteen, as I recall it. And after they paid the duty and the transportation there wasn't very much left for whoever raised it in the Argentine.

Senator TAFT. I am concerned with the particular fact of saying that to bring in an agricultural product from a country that produces much more cheaply than we do, I don't see why it doesn't affect the price of our product. Maybe that should be, but it is going to make it much more expensive for us to guarantee parity prices and all those things as a part of our agricultural program, and it will cost the Government billions of dollars for this perhaps 2 or 3 years after the war.

Mr. SMITH. Of course, if you were a private trader bringing grain into this country you would try to get the prevailing price of corn, regardless of the cost in Argentina.

Senator TAFT. But you would undersell the other fellow to get the business and then he would come down, and you would go a little lower, and then he would come down. I don't say that the price would go down to the Argentine price, but it seems to me that inevitably you would thus have an effect upon the price of corn in this country.

Mr. SMITH. Volume is also a factor in the price. You might bring in 5,000,000 bushels and there wouldn't be enough to depress the American price; and on the other hand, if you brought in 100,000,000 bushels, that might depress it.

Senator TAFT. But in the year 1944 we imported about 8,000,000 bushels of Argentine corn. It was imported for the particular purpose of making alcohol, and was imported at New Orleans. But once the peace has come I can't quite see why the fact that that is possible isn't going to increase it far beyond that volume, as long as this is the most profitable place for them to sell the corn, and it will be.

Mr. SMITH. As I said, Senator, I wouldn't attempt to make out a case for or against any single commodity.

Senator TAFT. We are dealing with commodities, we can't deal in a global way, we are dealing with particular things that come in here and either put an industry out of business or knock the price down, and that is what it seems to me we have a responsibility to meet.

Mr. SMITH. I am afraid you will get back just to the business of writing a tariff bill if you do that. Our position is a little different, and that is that the Trade Agreements Act has been administered very well since it has been in effect, and if that kind of procedure is followed we are not disturbed about individual commodities and rates.

Senator TAFT. Well, I can't reconcile my duty by just handing this over and saying, "You can fix this the way you want to," without any standards of any kind. That is a delegation of authority beyond anything, I think, that Congress has the right to do.

Mr. SMITH. I think you are perfectly right in looking at them on the past-history basis and spelling out the way you think it should be operated, but it seems to me that any commodity is the subject of a long research job in itself and I am not prepared to try to debate on any one of them.

Senator BUTLER. But the fact remains—I am sorry I don't have the dates for the Senator from Illinois, but I can supply them if he wants me to—when corn prices were greatly depressed in our country because of the abundance that we had, and one of the principal markets for the corn that we produce in Nebraska is on the west coast, that our shipments to the west coast were cut in a very short period of time 15 to 30 cents a bushel because of the arrival of just one or two boatloads of Argentine corn. Maybe that is what we want, but American agriculture has not been overly prosperous. During the period just passed, prices have been at parity, but back of that prices have not been to parity for a good many years.

Another illustration of that is right to the point. We executed a trade agreement for the importation of a limited amount of live cattle from Canada. True, the over-all total didn't amount to much, but the arrival of a few hundred head in the Minneapolis and St. Paul markets, or in the Chicago market, has frequently caused a very great loss, has turned a possible profit into a deficit, into a definite loss on the part of the domestic shippers and feeders from all over the Central States where they try to manufacture beef out of corn and cattle, and if we make it easier now to increase importations of products like corn from the Argentine and cattle from Canada, we are certainly not going to improve our future outlook for agriculture in the United States.

Senator LUCAS. I just want to make this remark for the record. I come from the heart of the Corn Belt section of this country and I believe I know something about that one product. We fellows in the Corn Belt are not worried about reciprocal trade agreements affecting the imports of corn. It is unbelievable that two little boatloads of corn landing on the west coast would affect the price of corn. I presume those two boats didn't carry over a million bushels, and we produced in that same year around 3,000,000,000 bushels of corn in this country. It is unbelievable that two boatloads of corn could drive the price of corn down from 15 to 30 cents a bushel. If that happened we had better start investigating some of the traders of the country.

How many members do you have in your organization?

Mr. SMITH. About 145,000 or 150,000 families, and that makes over 400,000 members the way we count them.

Senator LUCAS. In how many States?

Mr. SMITH. Thirty-two, I believe it is.

Senator WALSH. Thank you, Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

Senator TAFT. I would like to put into the record at this point two tables of the United States Tariff Commission, showing the percentage increase for the period 1937 to 1943, over 1934, of domestic exports and imports, showing generally that there has been a very rapid increase in the imports of agricultural products, and no increase in the exports.

Senator WALSH. They may be inserted in the record at this point, without objection.

(The documents referred to are as follows:)

United States domestic exports, 1934 and 1937–43

A. TO ALL COUNTRIES

[Value in millions of dollars]

Year	Value			Percentage increase over 1934		
	All products	Agricultural products	Nonagricultural products	All products	Agricultural products	Nonagricultural products
1934	2,099	733	1,366			
1937	3,299	798	2,501	57	9	83
1938	3,057	827	2,230	46	13	63
1939	3,123	655	2,468	49	−11	81
1940	3,934	516	3,418	87	−30	150
1941	5,020	669	4,351	139	−8	219
1942	7,960	1,179	6,781	279	61	397
1943	12,591	2,074	10,517	500	183	670

United States imports for consumption, 1934 and 1937–43

A. FROM ALL COUNTRIES

[Value in millions of dollars]

Year	Value			Percentage increase over 1934		
	All products	Agricultural products	Nonagricultural products	All products	Agricultural products	Nonagricultural products
1934	1,635	821	814			
1937	3,010	1,579	1,431	84	92	76
1938	1,950	956	994	19	16	22
1939	2,276	1,118	1,158	39	36	42
1940	2,541	1,286	1,255	55	57	54
1941	3,222	1,668	1,554	97	103	91
1942	2,769	1,271	1,498	69	55	84
1943	3,381	1,514	1,867	107	84	129

Senator WALSH. Is there anybody here representing Matthew Woll? I believe he desired to file a brief.

Is Mr. Canfield here?

Mr. CANFIELD. Yes, sir.

Senator WALSH. Your name is R. E. Canfield, and you represent the American Paper and Pulp Association?

Mr. CANFIELD. That is correct; I am counsel for the American Paper and Pulp Association. I am also manager of one of its subordinate divisional associations.

Senator WALSH. What is that? Perhaps you mention it in your brief?

Mr. CANFIELD. The American Paper and Pulp Association represents the entire American paper industry, all grades and kinds of paper manufactured in the United States, and also pulp.

Senator WALSH. You may proceed with your statement. Do you have a prepared statement?

Mr. CANFIELD. It is semiprepared, but with a lot of interpolations.

Senator WALSH. Very well; proceed in your own way.

STATEMENT OF R. E. CANFIELD, COUNSEL FOR THE AMERICAN PAPER AND PULP ASSOCIATION

Mr. CANFIELD. The paper industry appeared before and filed statements with the House Ways and Means Committee, opposing enactment of H. R. 2652, and taking the position that the most that should now be done would be to extend the Reciprocal Trade Agreements Act for no longer than 1 year.

I don't want to rehash all the facts that were presented there. I do urge that you read them. They are not long and occur from pages 1999 to 2019 in the report of the House hearings, and questions from 2019 to 2029. That is only 30 pages altogether, and they contain all of the detailed facts which I won't restate for this record.

There are certain fundamental facts that were demonstrated, though that I think I should bring up here:

1. The only difference in cost of making paper in the United States and in foreign countries lies in labor rates, since manufacturing processes, machinery, and techniques are absolutely identical in all countries.

2. Wages in all paper-making countries are substantially lower than they are in the United States; and by "substantially lower" I mean 10 to 15 percent in the case of Canada, which is closest to the United States, down to one-fifth of what they are in this country in Finland, for example, and even lower than that in some other countries that aren't particularly important in the paper field.

3. Tariff rates under the act of 1930 were generally compensatory for this factor and not prohibitive rates. I know that the Tariff Act of 1930 has been called an extraordinarily high, prohibitive tariff. The paper industry, as the record of the hearings at that time will show, didn't ask for any increases on any major grades of paper over those that existed in the Tariff Act of 1922. All we were after then, all we want now, is ability to compete on an equal basis.

4. The rates established under reciprocal trade agreements have resulted, in many instances, in rates lower than ever before in history, lower than the Underwood tariff of 1913, considerably lower than the tariff that is applied by England on the same commodities—and England is supposed to be the great free-trade nation—so much lower than Canada, for instance, which is the next biggest paper-producing country, that the percentage is just fantastic.

5. Existing rates on printing paper, as just one example, are so low now that the duty paid on imports from Canada, which is the only country from which importations are currently coming, is more than offset by the currency exchange.

6. Shifts of production from domestic to Canadian mills, following the removal of the duty on newsprint in 1913, were of such magnitude that today over 75 percent of domestic-used newsprint is made in Canada. Sixty-two of the seventy mills in the United States which made newsprint in 1913, make it no longer.

Senator BUTLER. For what reason?

Mr. CANFIELD. The removal of the tariff on newsprint in 1913 and the subsequent and consequent migration of the entire industry to Canada. Five of the eight remaining mills making newsprint make other things as well as newsprint, and three of those five are definitely committed to going out of newsprint entirely. That is what happens when you take off the duty, and today there isn't any effective duty on printing papers because of exchange rates which are higher than duty rates.

7. Shifts of production from domestic to Canadian mills following the reduction of duty under the Canadian reciprocal trade agreement, in one grade of paper, have already been of even greater magnitude than the newsprint shift. Actually 95 percent moved to Canada. An over-all increase of approximately 400 percent in imports of printing papers from Canada indicates clearly the trend in other grades of printing paper.

8. Duty rates have been effectively minimized and trade in items on the free list made substantially less than free by cartel control of valuations upon which duty rates are applied, by depreciation of foreign currency, and by dumping, supported by cartel or Government subsidy.

I would like to point out just what I mean by those three different methods. I spoke of the control of valuations upon which duty rates are paid. For instance, under our present tariff acts, construed as they have been by court decisions, the basis for valuation for duty is the freely offered home market; that is, in the foreign country. If there isn't any freely offered home market, then it is the price at which the paper is offered for import.

In the Scandinavian countries all home markets are controlled by cartels. The courts have decided, therefore, that there is no freely offered home market value. Therefore, duty is assessed on the value at whatever rate the importer wants to put it into the United States at.

Secondly, I mentioned the depreciation of foreign currency.

Take pulp as an example, which is on the free list. Swedish pulp in 1931 sold at $55 a ton, one particular grade, in this country. In the following year it was down to $36 and a fraction. That sounds like quite a cut in price, but it wasn't. It was 205 kroner to the man who made it. In each instance he got exactly the same, but the American competitors got knocked down one-third in price.

I mentioned dumping, supported by cartel or Government subsidy Take, as an example of that, ocean freight rates. The normal ocean freight on pulp, for example, is five or six dollars a ton. That is less than the freight from the pulp-producing areas in this country to other consuming areas in this country. Right now there is a sellers' market for pulp. You can get anything the OPA will let you get, and no trouble about that, and when the Swedes are thinking of coming back into the market, in a sellers' market, they started talking of freight rates of $17.50 a ton. That is what happens when they can get any price they want, and when the shoe is on the other foot the freight is five or six dollars a ton. That is done by Government subsidy.

All of these facts are recited, not as arguments for higher tariffs or against lower tariffs but because they seem to us to be indicative of the need for Congress to reassert its constitutional right to determine tariffs upon the merits of each case, rather than to delegate, without establishing either advanced criteria or subsequent control which will assure the carrying out of the will of Congress.

Perhaps we are wrong, but it seems probable to us that Congress, acting on the merits, would not have created duties lower than ever in history, duties so low that, coupled with existing exchange rates, they actually result in import bonuses, duties so low that production of virtually all of a commodity moved to a foreign country, and all of this in an industry which, because of the fact that labor is the only difference in cost, either must have tariff or must reduce wages to levels below any that we like to think about in connection with the American standard of living.

Under the present and proposed Reciprocal Trade Agreements Act, no yardstick whatsoever is established which would tell the agency to which power to change tariff rates is delegated, under what circumstances or within what limits to exercise the power given them.

Under the Supreme Court decision in the Schechter case it is probable that such a blanket delegation of authority, without criteria or control, is unconstitutional. Yet, as somebody here said, we will probably never find out. The Reciprocal Trade Agreements Act denies access to the courts by anyone aggrieved. It has effectively precluded the possibility of any determination of its constitutionality. Not only that, but under the terms of the act it is even impossible for anyone concerned to ask the courts to determine whether or not the reduced tariffs agreed upon are actually being collected. You can't get into court for anything. In short, the Reciprocal Trade Agreements Act places in the hands of the executive branch power to legislate in a field specifically reserved by the Constitution to Congress, without possibility of control either in detail or by negation, by either the legislative or the judicial branches of the Government.

It is our firm conviction that this is neither good law, good government, good democracy, nor good policy.

Senator BUTLER. Could you tell us whether any other responsible government in the world has any such a situation?

Mr. CANFIELD. I couldn't give you an exhaustive dissertation on it. All I can say is that I know of none.

We believe that Congress itself should determine tariffs and should assure their effective application, free from the effect of dumping, depreciation of currency, and manipulation of markets. We feel that if Congress believes that it must delegate that duty, it should do so by legislation establishing criteria to be followed, which will assure that the general will of Congress is carried out, and also provide for judicial review of the propriety of actions taken.

We recognize that the writing of such legislation is an involved and time-consuming process, which perhaps could not be accomplished within the time available. We also recognize the over-all desirability of more international trade and the fact that it cannot be accomplished with prohibitive tariffs. In this case we feel that the paper industry has contributed its share, and far more than its share, to the fostering of international trade.

The markets in this country to which the paper and pulp industry sells its products have absorbed, in the 10 years preceding the war, which are the only figures that mean anything today, foreign goods in an amount of almost $2,000,000,000. On a net exchange—that is, imports less exports—it is almost 1¾ billion dollars in a 10-year period. That is quite a little bit of a boost to international trade. It happens to be substantially larger than any other commodity, more than double that of the nearest commodity produced in any substantial amount in the United States.

Senator BUTLER. What is that commodity?

Mr. CANFIELD. Chemicals.

Senator WALSH. The imports are mostly pulp?

Mr. CANFIELD. Pulp and paper; it is largely newsprint paper. I have the exact figures on the break-down.

Senatof WALSH. I mean the imports that you use in manufacturing paper?

Mr. CANFIELD. Oh, yes; the imports that we use in manufacturing paper are pulp, but what I am talking about——

Senator WALSH (interposing). I understand.

Mr. CANFIELD (continuing). Are importations of pulp and paper.

Senator WALSH. I understood that.

Mr. CANFIELD. Because we know that the kind of legislation that we think ought to exist probably cannot be drafted within the time available is the reason that we believe that the existing act should be extended for a period of time substantially shorter than that proposed, but long enough to permit considered study of the problem; that such extension should be a simple one, of the present act, without enlarging the area within which the power to cut duties, already lowered, would operate; and thereafter, the prompt drafting of legislation which meets the adjudicated standards for properly safeguarded delegation of congressional authority.

Senator WALSH. Thank you, Mr. Canfield.

Senator BUTLER. You spoke of the large number of mills that had gone out of the picture.

Mr. CANFIELD. Yes, sir.

Senator BUTLER. In this country, over a period of years.

Mr. CANFIELD. Yes, sir.

Senator BUTLER. Was any study ever made to see what became of the men who worked in that industry?

Mr. CANFIELD. Not specifically, sir; it is very hard to follow that. I can give you some examples, though, of communities. I can think of three or four offhand—Fitzdale, Vt., for example; and Raymondville and Felts Mills, N. Y. Originally there was newsprint made in those towns. When the Tariff Act of 1913 was passed they shortly went out of the production of newsprint and shifted to the production of ground-wood papers. They have ultimately gone out of that business entirely. There isn't, in any one of those three towns, any industrial source of income at all.

That is quite characteristic of the paper industry. Of necessity it requires water power and access to woods. Therefore, the mills are largely concentrated in small communities. Over 50 percent of all the mills in the country are in towns of under 10,000; and, naturally, a large manufacturing unit in a town of under 10,000 is the substantial form of income, if not the sole form of income, of that town. I would say, as an estimate that in 50 percent of the instances of mills in this country, that the communities that they were in were from 75 to 100 percent dependent on that one source of income. The three towns I mentioned are just three that come to mind; there are lots of others.

As to what happened to the individual worker, no study has been made of that.

Senator WALSH. Thank you, Mr. Canfield.

Mr. CANFIELD. Thank you, Mr. Chairman.

Senator WALSH. Is Mr. Potofsky here? (No response.)

Mr. Reid Robinson? (No response.)

Mr. H. L. Coe?

Mr. Coe. Yes, sir.

Senator Walsh. Mr. Coe, is your statement a brief one or a long one?

Mr. Coe. Very brief, sir.

Senator Walsh. Go forward, please. You are H. L. Coe, representing the Bicycle Institute of America?

Mr. Coe. That is correct, sir.

Seeator Walsh. You man be seated and present your statement.

STATEMENT OF H. L. COE, REPRESENTING THE BICYCLE INSTITUTE OF AMERICA

Mr. Coe. I want to plead the case for small business in the manufacturing line. I think that probably the bicycle industry is typical of what might be classed small business in manufacturing.

In considering the extension and enlargement of the authority granted under the Reciprocal Trade Agreements Act, we wish to present the position of the bicycle industry of the United States.

Bicycle manufacturing is, we believe, typical of what is now commonly known as small business, as contrasted with those industries enjoying the benefits of mass production and large volume. The 12 companies comprising the bicycle industry are relatively small, with an average employment in 1941 of 434 people each. Most of these companies are located in communities of twenty to thirty thousand population and are the main sources of industrial pay rolls in the mechanical lines.

These manufacturers and the 31 other companies supplying major components, such as tires, rims, brakes, saddles, and so forth, in 1941 employed 11,000 workers. This does not include some 50,000 other individuals deriving their livelihood in connection with the bicycle business throughout the country. We refer to dealers, jobbers, repair-shop operators, and so forth.

The production of bicycles and parts in 1941 represented a sales value of over $60,000,000, and the invested capital engaged in this manufacturing was in excess of $45,000,000.

The annual pay roll in 1941, in round figures, amounted to $26,000,000.

We submit that even though this is small business, it does make a considerable contribution to the economy of the Nation and is entitled to consideration.

The tariff history of this industry is as follows: Under previous tariffs the rate was 30 percent ad valorem, and foreign competition was not serious, with the exception of cheap Japanese models, which began to come into our market in the middle thirties.

However, following a promotional campaign running into several hundred thousand dollars, financed entirely by the American manufacturers, the demands for bicycles grew rapidly from 1935, when the volume of business increased to over twice that of the previous years, and by 1941 reached a total of approximately 2,000,000 bicycles, as compared to an average production in the early thirties of less than 350,000.

This attractive market did not escape the notice of the alert British manufacturers, who quickly took advantage of the opportunity offered by the adoption of the reciprocal trade agreements and requested a reduction in the tariff. This was granted, and the present rates are now approximately 50 percent lower than those under the former tariff.

As a result of this favorable situation, the British manufacturers immediately started developing models which would compete with those for which our domestic manufacturers had created a substantial demand and were prepared in 1938 and 1939 to make an aggressive campaign to capture a large share of our domestic business.

These plans now are being motivated with every indication that the British intend to utilize their advantageous position to the fullest extent possible.

The factual evidence of this statement is contained in the report of the Arnold, Schwinn Co., which has been handed to each member of this committee—I think you gentlemen all have copies. In the report you will note that the bicycle industry of Great Britain has all of the advantage.

They are the mass producers of bicycles with 3 times the potential capacity of our industry. One company alone can turn out 430 bicycles per hour, which is twice the size of our largest manufacturer.

Their technological processes are the equal of ours, and they have the advantage of volume production with a most favorable position in world markets.

Their average labor rate is less than one-half of ours.

There is no indication that the production per man is not equal to ours.

They have a substantial advantage over us in the cost of raw materials.

As a result, they can put bicycles into the hands of American dealers at substantially less than our cost of production. Furthermore, while all but three of our manufacturers had to entirely discontinue the production of bicycles during the war, the British industry has been running at a much higher level, and as of January 1 of this year was authorized to immediately step up to 50 percent of the prewar volume, while we were held to only 12½ percent.

Much has been said about using the authority granted under the Reciprocal Trade Agreements Act as a bargaining device, but it is interesting to note that while we were forced to take a 50-percent cut in our tariff, the British bicycle industry is protected by a 33⅓ percent ad valorem duty—approximately double our rate and higher even than the 30 percent effective under the former American tariff.

It is obvious that so far as bicycles are concerned there was no "reciprocity" in this deal, and that we are the victims of some astute maneuvering on the part of our cousins across the Atlantic.

It is because of this experience which we have had under the operation of the reciprocal trade agreements that we urge this committee to prevent the continuation of a procedure which surely will take from thousands of American workmen the opportunity to earn a living in their chosen occupation.

Every foreign-built bicycle which comes into the American market means one of our workmen being idle for a day and a half. One thousand bicycles coming in mean 1,500 idle man-days, which, at a time when American industry will be called upon for almost superhuman performance in meeting the unemployment situation, is bound to have a serious effect.

If this destructive competition is prevented, the bicycle industry of the United States will be able not only to contribute $26,000,000 annually to the Nation's pay roll, but is prepared for the next few years, at least, to increase this by 50 percent to meet the existing demand for bicycles.

Certainly until Great Britain has shown an inclination and put into operation regulations modifying the "sterling bloc," the Dominion preference, and other advantages, the benefits of which are denied to American manufacturers, it is no time to authorize still further reductions in tariffs in the hope that other countries will do likewise.

Small business, in the aggregate, is an important element in the American economy, and if others receive the same treatment as that experienced by the bicycle industry, the day of a strong America will be a thing of the past.

We have endeavored to outline briefly the position of this industry, and a more detailed presentation of this case will be found in the testimony presented before the House Ways and Means Committee on May 8 of this year, as well as in the brochure presented by the Arnold, Schwinn Co.

I have heard in the hearings before the House, and also read in the press, the statement that no industry could show that it had been hurt by the reciprocal trade agreements.

Possibly that is true. But I wonder if the same statement could not have been made before Pearl Harbor, that no American had lost his life? Have we got to go through the destruction of this industry, the impoverishment of the people that are in it, the ghost towns that will be created—here is Westfield, Mass., the main support of the town; the same is true in Glens Falls, N. Y.; Shelby, Ohio, where these industries have been seated for a long while, where the community is dependent upon them. Must we go through that experience to convince Congress that it is no time to put us in that jeopardy?

I don't believe it is a reasonable thing to ask, and I don't believe that the statement that nobody has been hurt is of any weight in this case at all. I don't think you have to suffer that to prove the case.

Senator TAFT. Your treaty didn't apply until the 1st of January 1939—it was the British treaty that affected you?

Mr. COE. It was the reciprocal trade treaty with Great Britain that affected us.

Senator TAFT. And from that time, Britain was on a war basis?

Mr. COE. That is right; we have had no time to judge the actual effect of the tariff reductions.

Senator BUTLER. It appears, though, from what you have said, that they have not only got our State Department trying to help them out, but they have got our WPB and the OPA also working for them.

Mr. COE. Certainly. I think we have just been outsmarted. I think those fellows are alert, they know their business, and the bicycle industry is an important industry in Great Britain; and they are alert to take advantage of every opportunity. When we came in here at the time our case was under discussion before the Committee on Reciprocal Information, we presented the facts as we had them, and so far as we knew that is as far as it went. I don't know, and our people don't know, to whom it was referred—that is, individually. They knew it went to some committee, and somewhere along the line it was decided, apparently, that they could afford to give away the bicycle industry for the benefit of some party unknown. That doesn't help us——

Senator LUCAS (interposing). Is it fair to say that they have given away the bicycle industry under the trade agreement?

Mr. COE. Mr. Lucas, our cost of production is about $32 on a bicycle that the British can put in here at $22 under the present tariff agreement. Up until the time that reciprocal trade agreement was entered into, the only bicycles that came in were, you might call it, the luxury trade, the light-weight bicycles for the gentlemen riders and the racers. But the minute that tariff was reduced, the British industry started right then delivering the type of bicycle that your youngsters and mine ride, the thing which we sell most. Ninety percent of our business is in that trade, which the British hadn't touched before. But the moment they saw the door open they proceeded to develop models to meet that competition, at a price scale which, if they do come in—and there is no reason to believe they won't because this is the most attractive source of revenue for the British to get immediately into—if they come in, then we are out of business, definitely; and that is not just my opinion, that is the unanimous opinion of the men who have spent their lives in the manufacture of bicycles, who know that industry intimately, who have traveled the world over studying world markets. They are the witnesses who are qualified to really give you the information that should be of value, and not the economists; not the people that deal in these great, over-all pictures of world trade and commerce and say, "Well, in the great, over-all picture, what is the bicycle industry?"

It isn't just the 11,000 people; it is the little grocer, the butcher, the department-store man, it is the dependents, and the dealers all over the United States that have built up a business established over years of operation under our present system.

Senator LUCAS. You definitely feel that under the trade agreement with England at the present time, that within a short space or period of time you will definitely go out of business?

Mr. COE. Yes, sir; that is very definitely the opinion. If the bicycle division of Great Britain—as I say, they have an estimated capacity, by their own statement, of 6,000,000 bicycles a year, and our maximum is about 2,000,000—if they——

Senator LUCAS (interposing). Where were they supplying all these bicycles before?

Mr. COE. Where were they before?

Senator LUCAS. Yes.

Mr. COE. They controlled a large part of the foreign trade in bicycles; they had outlets in India, they were shipping through all of Africa, and were competing with the Germans—the Germans really had the bulk of the competition in Czechoslovakia and that part of the world, but the British bicycles were a principal item of export.

Senator LUCAS. Were they making the same type of bicycle that you have been talking about, which is the standard type in this country?

Mr. COE. No, their bicycles were what is known as the light-weight.

Senator LUCAS. That is what I thought.

Mr. COE. South America was one of their big sources of output.

Senator LUCAS. As I understand, they didn't start making a standard type similar to our own until after this tariff went into effect?

Mr. COE. That is right, and that is the line of production which, from our indications, from the advertising and the offers that have been made to dealers in the United States, they are now preparing to come right into this market with—what we know as our standard, the heavier, more rugged bicycle that we sell to what we call the juvenile trade.

Senator LUCAS. Do I understand you to say that under the tariff agreement they can bring that bicycle on the market for $22?

Mr. COE. Yes, sir.

Senator LUCAS. And you get $32 for it?

Mr. COE. Yes, sir.

Senator TAFT. Is that the retail price?

Mr. COE. That is the price to the dealer.

Senator WALSH. Did I understand you to say that Great Britain had put a tariff on bicycles?

Mr. COE. Their duty is 33⅓ percent ad valorem.

Senator WALSH. What is our duty now?

Mr. COE. It is $2.50 a bicycle, which, compared to the 30 percent ad valorem which we had before, is about one-half—it would be around 15 to 18 percent ad valorem.

Senator WALSH. Was that duty put on after the trade agreement was made?

Mr. COE. I don't think so, I think that has been a standard duty which we have had right along.

Senator WALSH. In any event, in the trade agreement our tariff duty on bicycles was reduced?

Mr. COE. That is right.

Senator WALSH. And was there any reduction made in the British tariff duty?

Mr. COE. None at all.

Senator LUCAS. Up to this time the imports have been about 2 percent of the total number that have been used in this country?

Mr. COE. About 2 percent, sir, and that represents, on the basis of 2,000,000, about 4,000 bicycles, and that is 6,000 man-days that our people have been denied work.

Senator LUCAS. Well, you wouldn't complain about 2 percent, would you?

Mr. COE. I think, until we know the effect of the present tariff, and whether or not that 2 percent is going to be 20 or 30 or 40 percent under the present tariff, that no further reduction should be granted.

Senator LUCAS. Did any bicycles come in under the old tariff?

Mr. COE. Oh, yes; they always have come in at about that same rate.

Senator LUCAS. You are talking about so many man-hours being taken away from you because of a 2 percent importation. I take it that bicycles have always been exported to this country?

Mr. COE. Yes; I think that ratio of around 2 percent has been fairly normal, regardless of the tariff, but the thing we are disturbed about is not that 2 percent of the lightweight, gentleman rider type of bicycle, but it is the fact that because the tariff was lowered and this market is available in large volume for a different model, that the British have immediately started developing and are now aggressively promoting a model which won't be 2 percent, but it is liable to be our whole industry because with their labor scale and the advantages that they have in their materials, they can undersell us whether we sell our bicycles at $15, $20, or $25, because on competing models they will manufacture cheaper than we do, and sufficiently cheaper so that without a reasonable tariff there is no chance of competition.

Senator BUTLER. Senator Lucas was concerned about whether that 2 percent amounted to anything at all in the American economy. If it is 2 percent of the bicycle business and 2 percent of that, and 5 percent of that, and goes on through the thousands and thousands of commodities that might come in, it could pretty seriously affect the American economy, couldn't it?

Mr. COE. Very seriously.

Senator BUTLER. And if it is 2 percent in the bicycle industry there is no reason why it couldn't be 92 percent ultimately if we follow this policy?

Mr. COE. That is right; there is no limit to it.

Senator LUCAS. If we followed your policy we wouldn't trade with anybody.

Senator BUTLER. Oh, yes; we would make bicycles but we would make them at home.

Senator LUCAS. You would creep right in your own little shell and make your own bicycles and sell them right here.

Mr. COE. As long as we can produce all the bicycles that the American public needs, I don't see why they should be produced outside.

Senator LUCAS. You may have some argument there.

Senator BUTLER. And the only reason for letting them come in from the outside would be if you wanted to be a good sport.

Mr. COE. Don't you know there is a great benefit to be gained by somebody somewhere?

Senator BUTLER. The only argument that I have heard up to date for this bill is that kind of an argument.

Mr. COE. I don't know. Thank you, sir.

Senator WALSH. Mr. Charles W. Holman, secretary of the National Cooperative of Milk Producers Federation—is he present? [No response.]

There are certain briefs and documents which have been received by the committee in connection with this matter, and I will request the reporter to insert them in the record of these proceedings at this point.

(The documents referred to are as follows:)

BRIEF ON EXTENSION OF RECIPROCAL TRADE ACT, H. R. 3240, BEFORE SENATE FINANCE COMMITTEE

(By Paul Gemmill)

The concern that prompted me to appear before the Senate Finance Committee in defense of a protective tariff on zinc and other metals is not simply a feeling of impending doom for the small mining company. I am employed by or for the immediate community in which I live. Most of the State of Nevada will be depopulated if the State's foremost industry is not allowed to survive.

In the following discussion I have shown—

1. That Nevada is primarily dependent on its mining industry and workers desire to continue living in the State.
2. That labor costs have increased, available manpower decreased, and the need for premium payments does not reflect an inefficient mine.
3. That there is no foundation to the fear of our becoming a "have not" Nation through operation of our mines.
4. That reasonable tariff protection by law is necessary rather than any other form of subsidy controlled by men.

WHAT THE MINING INDUSTRY MEANS TO NEVADA

In our particular district, approximately 480 men are employed by the mining companies. This employment forms the backlog for support of approximately 2,900 persons in Pioche and vicinity. In 1940, which was prior to abnormal wartime conditions, Nevada had 7,100 persons employed in mining, with a population of 110,000. Using the 6.05 to 1 ratio applicable to our district, this would mean that mining supported 43,000 persons within the mining communities. Trade with ranching, farming, railroad, and other communities within the State would greatly add to the population dependent on mining in Nevada. Using an entirely different approach, Mr. Jay A. Carpenter, director of Nevada State Bureau of Mines, estimates that 64 percent of Nevada's population is dependent on our mining industry.

Families have made their permanent homes in our community, and wish to remain. They realize that our mines cannot pay good wages and compete with foreign mines paying low wages and low security benefits. Discussion of the tariff question is common on the streets. I draw attention to the attached clipping from our local newspaper, written by Clem Walker, president of the C. I. O. Local Union No. 407 in which Mr. Walker takes a strong stand in favor of tariff protection and expresses the sentiments of all our workmen I have talked with on the subject.

INCREASED COSTS

It has been argued that a mine requiring premium payments to operate must be either inefficient or the ore too low grade to justify continued operation under a normal peacetime economy. Obviously, this argument assumes that the correct price of zinc, for example, is 8.25 cents per pound without regard to increased labor costs, etc.

The following tabulation shows comparative wages and pay-roll taxes as of January 1 for each year since our operation started:

	Miners' base wage per day	Overtime average per day on 6-day week	Par-roll taxes, benefits, etc.[1]	Total cost per day
Jan. 1, 1942	$6.55	$0.554	$0.657	$7.76
Jan. 1, 1943	7.45	.621	.747	8.82
Jan. 1, 1944	7.70	.642	.772	9.11
Jan. 1, 1945	7.70	.642	.772	9.11

[1] Broken down as follows:

Taxes:	Percent
State employment insurance	2.7
Federal unemployment tax	.3
Federal old-age annuity tax	1.0
Total taxes	4.0
Accident benefit premium	1.25
Liability insurance	4.0
Total	9.25

Other variable fringe costs that are not reflected in the above figures include vacation pay, double time on Sundays when Sunday work is necessary, contributions of various kinds, and improvements in living conditions. These costs should be considered in making comparisons with the foreign producer.

The following tabulation reflects the effect of loss in workmen while showing an increase in efficiency on use of manpower:

	Man-shifts on mine operating and mine development	Recoverable pounds lead in ore sold—86 percent of total	Recoverable pounds zinc in ore sold—77 percent of total	Recoverable pounds lead plus zinc	Pounds metal per man-shift
1942	13,903	817,353	7,327,870	8,145,223	586
1943	12,609	781,458	6,732,251	7,513,709	596
1944	8,150	534,691	4,742,931	5,277,622	648
Total	34,662	2,133,502	18,803,052	20,936,554	

Increases in cost of metal produced on our over-all operation, due to loss of manpower and increased wages, while having to maintain overhead for pumping water, shop crews, hoistmen, and supervision, is reflected in the following tabulation:

	Pounds lead plus zinc in ore sold	Cost of ore sales exclusive of depreciation, depletion, and taxes	Cost per pound of metal
1942	8,145,223	$258,613.69	$0.0317
1943	7,513,709	264,413.03	.0352
1944	5,277,622	219,701.79	.0416

The above figures are for the purpose of showing comparative costs. Our operation is confined to mining only, and includes no milling or processing of the crude ore.

The small mine operator is greatly handicapped with numerous Government reports and unpredictable rulings that constantly place him in the position of not knowing whether he is subject to penalties for violating regulations that cannot be interpreted with certainty by the experts.

Not many years ago, a miner who wished to start production from his own prospect could carry his pay roll in his hip pocket, pay a flat sum for a shift's work, and know whether he was earning his grubstake or losing his shirt without hiring a lawyer, tax expert, and certified public accountant. Is it any wonder that few new lead and zinc mines have been opened up? This brings us to the subject of conservation and self-sufficiency.

CONSERVATION AND SELF-SUFFICIENCY

It is argued by many that we should drastically curtail our metal production in order to prevent becoming a have-not nation.

Many very good arguments against closing down our mines or drastically curtailing production have been advanced, which include the need for a going industry with trained men in times of emergency, loss of ore through caving of mine workings, loss of employment, and loss of a home market for manufactured goods.

In my opinion, the most damaging evidence in the hands of those wishing to close down our mines or create measures to curtail production, has been the statistics published by Elmer W. Pehrson, Chief, Economic and Statistics Branch, Bureau of Mines.

I have no argument with Mr. Pehrson's estimate of commercial reserves, which shows 19 years of zinc and 12 years of lead ore reserves. In fact, this indicates a healthy condition, considering the drain of our wartime production.

In this connection, I was directly in charge of one operation producing lead-zinc-copper ore for a period of 7 years, and rarely had over 1 month's ore reserves to work on. Still we maintained a continuous production from this mine of between 1,500 and 2,500 tons per month, and I was not concerned over losing my job through running out of ore as long as the industry, as a whole, had sufficient price to keep it going.

I left that company to help start a new operation at an old mine where I am now located. When we started this operation, engineers in responsible position argued over whether we had 5,000 tons or 75,000 tons of ore reserves. After operating 3 years and 3 months and producing 120,000 tons of ore to January 1, 1945, our reserves now stand 46,600 tons. This is about 18 months' production at the present rate, and under present conditions it would not be advisable to spend money for maintaining ore reserves greater than this amount. At a fixed rate of development, reserves will naturally fluctuate with varying degrees of luck in finding ore, but most base-metal mines operate for long periods maintaining roughly the same reserves through systematic development and exploration. Periods of depression or sudden increases in production are inclined to reduce reserves through reducing development expenditures per unit of ore extracted.

Therefore, I take sharp issue with Mr. Pehrson's table showing percentage depletion of ore reserves in which lead reserves are shown as being 83 percent depleted and zinc reserves 67 percent depleted.

Quoting from Mr. Pehrson, "To indicate the approximate degree of exhaustion that has occurred the estimates of remaining reserves are compared in figure 4 with the *original reserve, which was determined by adding the total production through 1943 to the reserve estimates of January 1, 1944.*" [Italics added.]

Obviously, we had no such reserve when mining in the United States was begun, since ore reserves are only what can be, in Mr. Pehrson's words, "measured, indicated, or inferred." Therefore, the figure has no meaning. With continued mining, Mr. Pehrson's percentage exhaustion would become progressively greater while reserves remained constant or even increased

The quickest way to deplete our ore reserves would be to allow import of foreign metal at a price below our cost of production. This would force individual mining companies to produce from developed ore in order to liquidate what they could of previous development expenditures.

But with a reasonable price for metals based on American wages, employment practices, and standards, there is no need for alarm over our ability to maintain normal peacetime demands and be prepared for expansion in times of emergency.

With respect to finding new lead-zinc prospects and going through the usual 10-year period of developing a prospect into a mine, I have mentioned above the present difficulties growing out of regulation by Government agencies. In addition, low prices naturally prevent anyone from even looking for a prospect, let alone spending money on development.

Under favorable conditions of price, ample manpower and freedom from unpredictable regulation, many new prospects will be found and developed into mines. Old mines will be reopened and made to produce again. For much longer than we need be concerned about, new production will offset loss of production from mines that close down for any reason.

Looking to the long-range future with unknown but certain improvements in prospecting methods, it is interesting to note that not over 15 percent of the area of Nevada is exposed bedrock, the rest being covered by valley alluvium, surface debris, or thick vegetation. Of the 15 percent exposed bedrock, probably half consists of lava flows that are of later date than the age of mineralization. In the remaining 7 or 8 percent available to current methods of prospecting, many known prospects have never been developed due to inaccessibility and high cost of transportation. Even this exposed surface has not been thoroughly prospected by current methods. In our district much has been learned in recent years that will greatly decrease the hazards of developing weakly mineralized outcrops.

SUBSIDIES AND PREMIUM PRICES

The present system of premium prices was no doubt created as a war emergency and as a means of exercising controls. I do not propose to voice any criticism. However, as a peacetime system of subsidizing the industry, this system would be most harmful, based as it is on allowing a monthly operating margin to each company in accordance with what is deemed necessary to cover operating costs, depreciation and depletion. This system automatically eliminates the incentive created by the anticipation of chancing onto a high grade ore body that would result in spectacular profits needed to offset the usual number of losses in undertaking to develop a prospect or reopen an old mine. In other words, the hazards, in a very hazardous business, are all for the account of the investor, whereas the amount he receives for his ore is based on his monthly operating statement, if and when he has developed a mine.

Any other form of direct subsidy in which the operator must deal with men instead of law, would make long range planning impossible.

We do not desire a prohibitive tariff wall, but must have tariff protection designed to compensate for the difference in wages and incidental wage costs in the United States as compared with foreign countries.

[From the Pioche (Nev.) Record, May 3, 1945]

Don't Try To Tell Me a Cut in the Zinc Tariff Won't Hurt the Zinc Miner

(By Clem Walker)

I am a miner in a Western State. There are lots of miners in this country, both east and west and north and south, but I work in the West.

I mine the ore from which zinc is made.

If I don't mine the ore, then there is so much less zinc.

They tell me zinc is called a critical and strategic metal in wartime. Those are big words but they tell me they mean that without zinc there can't be any brass for ammunition or dry batteries or galvanized steel or zinc die-castings or lots of other important things for the Army and Navy.

They tell me I am just as important in the war work as a lot of other workers you hear more about.

They tell me if we ever get in another jam, we've got to have a lot of zinc where we can get at it quick.

I get all this and it sounds good to me to be a zinc miner, now and after the war.

And then they say that when the war is over we've got to sell a lot of things to foreign countries so the men in the big cities in this country where they make things will have lots of work—important work, I guess, but work I don't know how to do because I'm a zinc miner. Besides my family and my house are here, near the mine, and not in a city.

However, it sounded good to me to have the big factories running full time because I figured they would have to use a lot of zinc and that would mean I would have lots of work mining the zinc ore.

But, Mister, I got a jolt when they told me these factories wouldn't need the zince ore I mine. "The hell you say," I said. "How can you make a lot of those things you're going to sell to those foreigners if you don't use any zinc?"

Well, sir, they said they would use zinc all right but it wouldn't be the zinc I mine, because they would use zinc from those foreign countries, because how could those foreigners pay for the things we sold them if they didn't sell us something; and they could sell our factories over here zinc very cheap because they don't pay such good eages over there in those other countries and they don't pay out much for safety work in the mines and they don't do a lot of other things for the zinc miners that cost money and the zinc miners work long hours and their zinc costs less. And on top of this they're going to cut the tariff on zinc to almost nothing a pound so that I won't be protected against this cheap foreign zinc as I ought to be. Thank you very much, but they won't need the zinc I mine. Ain't that something?

They call that bargaining with foreign countries so as to help them buy from us. I call it throwing me out of a job so I can't buy anything from anybody. They use long words like reciprocal trade treaties but when you get down to the guts of all the fancy talk it looks like I'm going to get trimmed; all I got to go on is that every time so far that they put zinc into one of those trade treaties, they cut the tariff and in the long run I get the worst of it.

"Where the hell do I come in," I said. "Oh," they said, "you don't count because the big manufacturers like the idea of cheap zinc and the workers in the cities like the idea of having lots of work and there are a whole lot of these people and there aren't as many zinc miners. Besides the boys in Washington who work with figures have got it all figured out. The zinc mines will close down and all the zinc miners will move somewhere else and do something else or go fishing or something."

"So I'm just a figure on a piece of paper, am I?" I said. Well, that don't sound good to me. Why should I lose my job of mining zinc to help some guy in some foreign country who works longer hours for lower wages so he can sell his zinc cheap over here? Why shouldn't somebody worry about me instead of worrying about some foreign guy and giving away the tariff protection I ought to have?

And if they close down the zinc mines and they fill up with water, and the timbers rot and there isn't any development work to find more zinc to mine and we all lose our jobs, what becomes of this mining town I live in? What happens to all the miners and to all the people who work in stores here and who work at a lot of other things around town? There just wouldn't be any town—and that goes for a lot of towns in this United States of America.

And then, some day when they want zinc in a rush because there is an emergency, as they call it, where is the mine and the mining town and where am I? Strictly out of sight—gone. And then everybody will rush around and holler for zinc.

Well, who not holler for zinc now, I say, and that's what I'm going to do.

I'm going to holler about losing my job and I'm going to holler so they can hear me in Washington and at my union headquarters and so they can hear me, a living human zinc miner, above the clatter of those adding machines on which I'm just a figure to the boys who work with figures and not with human beings.

How about hollering with me, you zinc miners, and telling those fellows they can't do this to us—they had better put the tariff up instead of down and out.

UNION MEETINGS PIOCHE MINE AND MILL WORKERS LOCAL 407

MEETINGS ARE HELD ON THE FIRST AND THIRD FRIDAY OF EACH MONTH AT UNION HALL AT 7 P. M.

Officers.—Clem Walker, president; Glen Davidson, vice president; Harvey Davidson, financial secretary; Murray Fullerton, recording secretary.

Trustees.—Joe Wright, Van Englestead, and Joe Radle.

WASHINGTON, D. C., *May 31, 1945.*

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

SIR: On behalf of the American Tungsten Association of San Francisco, Calif., I submit a brief statement as to why the tungsten industry is opposed to the passage of the bill to extend the period of foreign trade agreements, H. R. 3240.

The American Tungsten Association is particularly opposed to any reduction in duty. According to the statistics for 1941 as to comparative costs of tungsten in the United States and foreign countries, it conclusively appears that the domestic industry cannot compete with foreign markets unless the present duty remains.

While there is plenty of work for American labor and miners during the war, it is self-evident that, after the war is over and all servicemen return, we will again be faced with an unemployment problem unless some protection is given to American firms and to American labor.

Any reduction in duty on tungsten will seriously interfere with production in the United States because of the difference in costs of production here and abroad. In 1941 the most reliable information available showed that foreign tungsten concentrates of good grade could be produced and delivered to our seaboard from Asiatic countries, at an actual cost of less than $6 per unit, while in the United States the average cost was estimated to be in excess of $20 per unit, with no allowance for depreciation, interest, depletion, or for a reasonable profit.

Tungsten ores available from Asia are produced principally by coolie labor. Such laborers were paid the equivalent of 20 cents per day in United States currency; most of the tungsten ores mined in South America is by native Indian labor who are paid little more than coolie labor in China. A short time ago Indian labor in the mines in Bolivia were paid about 15 cents per day in addition to their food and shelter, which it is assumed cost about 8 cents per day.

It is obvious, therefore, that as against such labor competition as this, no comparison can be made with the standards of wages of American labor, both as to costs and hours of employment.

In the United States, before the war, the average hourly wages paid to miners was 90 cents per hour based upon a 40-hour week, with $1.35 per hour for overtime. The average weekly wage paid to miners in the production of tungsten was more than $46 per week, which has increased since the war.

Therefore, it is obvious that with American labor being paid at least five times as much as the average labor of foreign competitive tungsten-producing countries, it becomes apparent at once, that unless American labor is protected by the existing duty, the tungsten industry in the United States will be wiped out and will become a matter of history when the war is over.

Tungsten ore is classed as a "strategic" mineral and is necessary in the manufacture of steel and munitions. If the domestic industry is forced out of existence by reductions in duty, not only will American labor suffer, but in case of another war, it may be difficult for the United States to obtain a sufficient supply for wartime needs, and our Government may find itself in the same position as Germany was in during the present war.

The tungsten industry in the United States is relatively a new industry, having been started during the First World War. It has been found that there are sufficient tungsten deposits to supply our domestic needs during peacetime.

It is submitted that nothing should be done to seriously interfere with this industry, for the protection of the industry, American labor, and the Government of the United States.

Respectfully submitted.

AMERICAN TUNGSTEN ASSOCIATION,
By JOSEPHUS C. TRIMBLE,
Attorney, Washington, D. C.

JUNE 1, 1945.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: I am writing you this letter in my capacity as chairman of the international trade relations division of the world trade policy committee of the National Association of Manufacturers, to convey to you, for inclusion in the hearing record of your committee, the association's views upon H. R. 2652, providing for extension of the Reciprocal Trade Agreements Act.

I wish to very definitely state that the National Association of Manufacturers is intensely aware of the tremendous responsibility confronting the United States to assist by its acts in bringing to the world as a whole a higher economic status and a more stable international political order.

The National Association of Manufacturers is, therefore, opposed to economic isolationism either for this country or for any other country. In our opinion this means that there should be the maximum amount of trade flowing between nations which will not unduly disrupt the domestic manufacture and trade of this or other nations. So far as there can be increased production and exchange of goods and services between nations without such disruption, the standards of living of the peoples of the world will tend to increase.

These observations have constituted the premise of consideration of the reciprocal trade agreements program by the businessmen assigned by NAM to study the subject.

It is our conclusion that the existing Reciprocal Trade Agreements Act should be renewed, but for 1 year only. We oppose additional tariff-reducing authority at this time. In view of the economic uncertainties which are subsequently reviewed we strongly advise against general numerical increase in reciprocal agreements during the ensuing year.

In our opinion there is inadequate experience under peacetime conditions to judge the real operations and results under reciprocal trade agreements already made. We therefore believe there should be eliminated from the present bill the provision which would enlarge the power to change tariff rates in reciprocal trade agreements. Three years is surely the very minimum of time which ought to be used as a basis for judging the effects of any reciprocal trade agreement. There should be at least the complete years of 1936, 1937, and 1938 to use as a basis of comparison, with at least 3 previous years experience in connection with a country with which a reciprocal trade agreement was made. Using this basis of comparison we discover that there were only seven nations with which reciprocal trade agreements were made before the outbreak of the war in 1939, and concerning which this 3-year basis of appraisal would obtain. These countries were Cuba, Brazil, Belgium, Haiti, Sweden, Colombia, and Canada. In 1932 imports from these countries constituted 31.95 percent of all imports into the United States, and in 1938 they constituted 30.8 percent. Twenty-three and one-tenth percent of all United States exports went to these seven countries in 1932, and 25.6 percent in 1938. The change in percentage of either exports or imports from these seven countries was not sufficiently large to warrant any generalization as to the results of reciprocal trade agreements, or, on the other hand, to warrant an increase in the authority to make tariff reductions under reciprocal trade agreements until there has been greater peacetime experience under the agreements already made. Such further reduction authority should not be granted until greater peacetime experience is available.

In opposing further arbitrary reduction of tariff rates at this time we do not necessarily imply that such reduction in the future beyond that now in existence may not then be indicated. Our objection to renewal of the Trade Agreements Act beyond the limit of 1 year, and to further arbitrary tariff slashing and to a substantial numerical increase in agreements under the act, lies in the conviction that a commitment beyond that length of time in a period of world dislocation and economic flux is both unnecessary and unwise. The road ahead has many turns, it is poorly lighted, and lined with entrapments, and every impulse of common sense urges us to tread it warily.

As this is written we are engaged in war in the Pacific and the war in Europe is just over. The immediate after effect of peace in Europe is, to put it mildly, disorder. Governments must be rceonstituted. The work of rehabilitation will be staggering in its demands, and the character of these demands is far from apparent. There is every reason to believe that the 1-year extension which we endorse will little more than cover the period of victory in one hemisphere and the beginning of order in the other. We feel further that it is unwise to now attempt to determine a 3-year tariff policy for the United States before we know the amount of real international cooperation which may or may not be provided for at the present San Francisco Conference, and before we know the fundamental objectives and thinking of the International Economic Conference which, it has been announced, may be held this coming winter.

Under these circumstances, it seems to us, a pledge of 1 year is sufficient evidence of this Nation's devotion to a broad and freer trade policy. Committal to a period of 3 years, by the same token, seems to us a needless long-time espousal of a specific program which good sense and a desire to help ourselves and the world as well might impel us to amend.

Consideration of making and guaranteeing an effective world peace may conceivably indicate in the postwar world that the Reciprocal Trade Agreement Act is absolutely essential. It is equally true that the developments of the next year may lead us to the conclusion that some other form of relationship is better. We do not know, and only the events of the next few months, in part to be shaped by this Nation, can guide us.

We hope that the following summary of our studies, which have led us to the foregoing conclusions, may be of assistance to the members of your committee.

The nations, victor and vanquished alike, after the last war and a futile effort to grapple with postwar conditions, quickly turned to policies of self-containment. All of us remember the smug delusion of self-sufficiency which expressed itself in many countries and in various ways.

Tomorrow, after an even greater war, the nations of the world will almost be even more broken-backed and convulsive in their planning and in their policies. Roughly, they divide themselves into the victorious, the conquered, the relatively unscathed. We have surveyed most of them carefully. In none of them do we find heartening ecnouragement so far as the possibilities of mutually beneficial postwar international trade are concerned.

We shall mention only a few of them to give a glimpse, as we see it, of the nations with whom we formerly did business.

The United Kingdom, along with Canada, was our largest prewar export market. The British, as we all know, are the best traders in the world. They will emerge from this war with serious economic impairment occasioned by an overwhelming debt, much internal devastation, and with little foreign exchange. Reportedly they already have made bilateral trading agreements with certain continental countries of Europe—notably with Sweden and France—and plan to pursue their trade opportunities in Denmark even more intensely. They are active throughout Latin America. They are well ahead of this country in postwar trading alinements. Mr. Churchill has declared that there will be no retreat from the policy of Empire preferences.

China, potentially one of the world's great markets, will have little or no dollar exchange with which to trade with us when the war is over. India has an enormous foreign exchange balance blocked in London where it can be liquidated only through the purchase of English goods. The outlook is somewhat better in South America where most of the countries are entering the postwar period with increased amounts of foreign exchange. Argentina may be mentioned as an exception. Tradewise, Argentina, with huge beef and wheat surpluses, is naturally linked to the industrial nations of Europe. South Africa, one of our best markets, is in the British Empire, as are Australia and New Zealand, where increasing nationalistic trends cloud the future, and none of them looms up at this time as large postwar customers for our goods.

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Moreover, many of these potential markets depend primarily on a single commodity, such as coffee in Colombia and Brazil, rubber and tin in Malaya and the Dutch East Indies, oil in Venezuela, beef and wheat in the Argentine, wool and dairy products in Australia and New Zealand, minerals in Mexico and South Africa, sugar in Cuba and the Philippines, and so on. As nations they are, year on end, very much like our South when bumper cotton yields bring only low cotton prices. Greatly depressed purchasing power is often the result.

With reference to all of these nations, our former customers, whether victorious or conquered or, perhaps, as neutrals safe from war's direct contagion, it goes without saying that, if the United States is to become a profitable exporter again, exports to these buying countries must be financed.

The Reciprocal Trade Agreements Act obviously cannot provide an adequate financing system for international trade, and while it could work in close alliance with a broader national lending policy under State Department aegis, further amendment would be necessary.

Our past experience with foreign loans, both those made by the Government and those encouraged by the Government and made by private enterprise, is hardly a pleasant recollection. At the present time it seems inevitable that the United States will have to take the leadership in international financial arrangements and it also is quite evident that advantages and safeguards, nonexistent in the early twenties, must be devised before such financing will be considered reasonably safe.

Granting the truth of the above statement, we set forth the corollary that while it does not indicate that the Reciprocal Trade Agreements Act is not the proper instrument, it certainly suggests that the act is inadequate alone to meet the situation.

The quick vanishing of a period of relative peace and the immediate engulfment of the world again in war have obscured, or masked, the effect of most of those reciprocal agreements already made. There has not been a sufficient period of peace in which properly to judge them.

Finally, we need information about the economic conditions of our own Nation and that of every other nation with which we propose to deal as well. That information is not readily available. We in the United States have never had a policy or a system of Government effort in behalf of American business remotely approaching the British Board of Trade. The most striking illustration of our backwardness in this respect is a comparison of any competitive effort to sell in third countries between this Nation and Great Britain.

We do not feel that the agencies of Government dealing with other foreign governments, either in the past or at present, support American trade or export to the same extent that foreign businessmen of other nations have been supported, and we urge along with the consideration of these reciprocal agreements that the State Department and other foreign agencies of the Government use their best efforts to give our nationals abroad the same measure of help and cooperation as is furnished to their own nationals by the governments of other countries.

It is certainly not our intention to paint a picture wholly depressing and foreboding. Certainly, the United States has never been so strong, financially, materially, economically, in spirit and in manpower, in comparison with other nations. Debt-ridden, tax-laden, and confused though we are, the gap between our economic might and that of other nations is wider than it ever was.

In our past history a patchwork tariff has been our chief economic instrument of diplomacy and world trade. It was on the second day of the first session of the first Congress that Mr. Madison proposed a tariff measure, and with that act started a series of regulations which have never been complete, rarely soundly or scientifically arrived at, and seldom wisely applied. It is for this reason that, beginning in 1897, the National Association of Manufacturers has advocated the basic principle of reciprocal tariff arrangements between this and other nations and that we have endorsed the principles of scientific and nonpartisan tariff making and administration, no matter what the mechanics of effectuation may be.

However, the tariff alone is now an instrument of less stature than it has ever been in these days when we are confronted with the difficult job of building a postwar and interdependent world. Tariff is merely a part of it. Finance is another part of it. So are many other types of trade barriers, such as import and export quotas, cartels, blocked funds, and exchange manipulations. International good will is certainly a part of the pattern which must be evolved, and a thorough knowledge of ourselves and of the other nations of the world is necessary for the underpinning of the whole structure.

War, which brought disaster, may also have brought to our Nation the realization that sounder international relationship must be developed. In the light of the larger opportunity, the renewal of the Reciprocal Trade Agreements Act for 1 year seems proof enough of our good will and fair intent. It is our system at the moment, and we would be unwise to change it until the shape of things to come is made more evident to us. To extend and expand the act for a longer period in the face of the overwhelming international economic uncertainty immediately ahead seems to us like throwing away the caution that our dominant position impels us to heed.

Sincerely yours,

F. L. Hopkinson,
Chairman, International Trade Relations Division,
World Trade Policy Committee,
National Association of Manufacturers.

Statement of Matthew Woll, President, American Wage Earners Protective Conference (Tariff Group of the American Federation of Labor), Also President, Union Label Trades Department of the American Federation of Labor

(Presented to Senate Finance Committee, June 5, 1945)

Mr. Chairman, I appreciate the opportunity to present our views on the pending legislation, and, we trust that in view of the chaotic world conditions now existent, your committee will recommend, and that the Congress will adopt, any extension of these trade treaties or trade agreements subject to the limitations provided for in the Constitution of the United States.

Mr. Chairman, reference is often made to the morale or lack of morale of our people. To our minds the greatest stimulant to the upbuilding of the morale of the American people would be to have the Congress of the United States, as it now can make a start in doing, to reassert not only its powers, but, of greater importance, accept the responsibilities and the obligations each Member of the Congress accepted when he took office.

The greatest menace to the continuity of our form of government, a government of the people, by the people, and for the people, is first the surrender by the elected representatives of the people of their responsibilities to the Executive or appointed officials, and, second, to sit silent and do nothing while those who were not elected by the people not only usurp the powers and the responsibilities of the Congress, but, in addition thereto, irrespective of the sweetness of the language used, in effect, contemptuously say publicly to the Congress, "You are not competent to carry out the responsibilities you assumed, but, we, who might not, and, in most cases, could not be elected, can and will take over your responsibilities as well as your powers."

Trade agreements, as such, have no binding effect comparable to a treaty. You are told that these trade agreements are not treaties, and, therefore, it is not necessary that such trade agreements be ratified by vote of the Senate. Yet, it is a foregone conclusion that if and when Members of the Congress decide to supersede such trade agreements by enacting legislation to safeguard the rights of our people, the cry will go up—such agreements are in effect treaties and we are honor bound to observe them as such.

Mr. Chairman, if it is the will of the Congress, supported by the Chief Exeuctive, to lower tariff rates to a point where competitive products of workers of other countries can and will be delivered into America's markets at less than our costs of production; if it be the will of a majority of those elected to eliminate all tariff protection; if it be the will of the majority, by subterfuge, to nullify the benefits and higher standards of living for America's workers, made possible by the Fair Labor Standards Act, or to set aside the job and working standards the workers secure through the restrictive immigration laws, we ask that such action be the action of those elected by the people, not the action of some unnamed and unknown persons to whom you have delegated your powers and your responsibilities.

Mr. Chairman and members of the committee, my appearance and presentation at this time is in opposition to the extension of the trade-treaty program submitted to your committee for its consideration, and to urge that a limitation be imposed providing that competitive imports of workers in foreign countries be denied entry in American markets at total landed costs, tariff duties paid, which are less than American costs of production and wholesale ceiling price of products of American workers when such competitive products of American workers are commercially available.

In contemplating the extension of the trade-treaty program, at this time, two principal considerations should guide us. One is that war conditions have disrupted completely all normal trade between nations. We should therefore keep in mind the abnormality of current conditions. The other is that we should keep before us the oncoming days of peace and the reestablishment of a peacetime economy.

While still operating under restrictions and artificial conditions of war, we must not lose sight of the situation which the cessation of hostilities will bring, nor, of the economic forces which will become operative when peace is established.

So long as the war continues, the necessities of war will, of course, continue to shape our foreign trade no less than our domestic production. Import duties under such conditions are of minor importance. Wartime needs and the availability of essential products, and, of shipping determine the course of imports and exports. The primary concern in considering the extension of the trade treaty authorization is therefore with postwar trade policies.

Undoubtedly many changes will have occurred before the war ends, setting off the postwar from the prewar world. For several years abnormal conditions will prevail. There will be a shift in the countries in the order of their importance in our trade, and, this will represent a change in the international competitive conditions.

The experience of the war, and, of the prewar years naturally suggests a reexamination of our position as well as of the principles which we have followed in the past. It is important that we avoid errors that can only lead to disastrous consequences. We should examine very closely certain ideas and doctrines that have gained currency during the war. We must take care that in seeking to build for peace we do not permit our eagerness and our natural desires to help the rest of the world to lead us into false actions which, however idealistic and seemingly conducive to peace, will end not only by not helping others, but by injuring ourselves immeasurably.

TRADE NO GUARANTY OF PEACE

It is obvious that we have a trade-treaty program on the one hand, and a world at war in a number of sectors, on the other. Let us overlook or disregard the contention that the trade-treaty program arrived on the scene too late to prevent the outbreak of hostilities, or to draw us into the present world conflict, 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 later 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.

It is said international trade leads to intradependence. This, according to the theory, would 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.

Now, too, international interdependence based on trade produces international vulnerability to economic distribution. Should the war come to an end tomorrow, we cannot escape the depressing consequences of a general demoralization, military and industrial, and the ensuing unemployment. Now, this is not set forth as a counsel of isolationism, as some would have you believe, but to deflate the fallacy that international intradependence is a guaranty of peace.

We need look back only a few years to the days when trade treaties were proposed as instrumentalities of world peace. We have embarked on the one hand upon a course which is calculated to increase the standard of living in this country by establishing minimum wages and shorter hours; we undertook on the other to lower our tariff rates, thereby exposing our relatively higher wage structure to the competition of low-wage products of workers in other countries.

This action would not have been inconsistent if we had restricted our tariff-rate reduction to those considerations which did not come into either direct or indirect competition with the products of our own factories, farms, and mines. Although the negotiators of the trade treaties profess to have taken care that only those tariff rates on products that did not compete too seriously with the domestic output should be reduced, this avowed care was quite ineffective because, among other things, of our adherence to the unconditional most-favored-nation clause.

TRADE TREATIES ILLEGAL

In considering the proposal of further extending both the time as well as discretionary authority enhanced in the trade treaty program, it is well that we first consider the question of legality. In our judgment these trade treaties are contrary to the Constitution of the United States. They are contrary to the express policy of every Democratic Party 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 receive through the Asiatic exclusion law, restrictive immigration law, and the fair labor standards law.

Former Secretary of State Hull, in serving as Congressman and Senator, bitterly opposed the granting of taxing and treaty-making power to any appointed officers of our Government.

Every leader of the Democratic Party, prior to 1933, has publicly opposed this type of legislation.

Then, too, we hold that the taxing power of our Federal Government, under our Constitution, is vested solely and exclusively in the Congress of the United States, and, that Congress is without authority to delegate this taxing power to the executive branch of the Government.

Under our Constitution, all revenue measures must originate in the House of Representatives. This power to originate revenue measures cannot be delegated to any other agency of Government. Indeed, the Senate cannot act on measures affecting revenue without the House of Representatives having first considered such measures. The House of Representatives has sole and exclusive authority of dealing originally with any and all measures pertaining to or involving revenue.

That the trade treaty program is a revenue measure is well evidenced by the fact that the present proposal finds its origin in the House of Representatives. Had the Senate attempted to set aside or disregard this constitutional provision, we are confident the House of Representatives would have clearly and unmistakably revolted against such a new procedure.

Then, again, we find further evidence in support of this contention in the well-known and historical policy of the Democratic Party that tariff rates can only be justified and be used solely for revenue-producing purposes. It is, therefore, our contention that the attempt to continue and to enlarge the discretionary authority of the State Department to decrease the revenue at will, is wholly without constitutional sanction and is unwarrantably delegating authority from one branch of Government to that of another.

Aside from the legal and constitutional questions involved, there is to be considered the danger of depriving the citizens of our land of the opportunity of petitioning their Government through its legislature in matters which vitally affect their property, persons, and their livelihood, whether as proprietors of industry or of labor. Then, too, there is involved in this proposal the development of a bureaucracy, a development wholly at variance with our American concept of a free and democratic people, and, our republican form of Government.

Then, too, if we are ultimately to forsake our original moorings and venture in permanent international arrangements through covenants instead of treaties, we must, at least, insist that such covenants be openly arrived at and not be negotiated in secrecy, and, that all parties affected either in their properties and persons shall be given the opportunity of presenting their point of view honorably and fairly for consideration, not by listening posts, but, by those who are actually entrusted with and do the negotiating of such trade treaties.

AMERICAN PLANTS IN FOREIGN COUNTRIES

In the development of an extension or enhancement of international trade there enters the question of methods of production, costs of materials, wage structure and terms and conditions of employment prevailing in the countries at interest.

It is a well known fact that the wage levels of the various foreign countries differ widely, the lowest levels, in general, being found in the Far East countries.

The 10-year annual real income per worker from 1925 to 1934, inclusive, in various countries has been estimated as follows:

China	$110	France	$685
Italy	343	Great Britain	1,069
Japan	353	United States	1,381
Germany	646		

This means that when we import goods to the value equal to those that we export, we actually import more man-hours of work than we export. Therefore, the exports by which we balance imports do not represent the amount of employment that is lost through importation of competitive goods that could be produced in America, and, which would provide some of the 60,000,000 jobs which will be needed for America's workers after the close of the present world war.

It is true that in quite a number of instances we have had the benefit of modern automatic machinery, mass production, with volume sales and mass distribution, resulting in a greater productivity per worker and at lesser unit cost. It is equally true that the postwar years will witness the installation and use of modern automatic machinery—both of American and European production—as well as mass production in many of the industrial plants in competitive foreign countries. Indeed, among our principal trade treaty advocates, we find those who are interested not only in furnishing the prostrate countries of Europe with our modern production machinery, but likewise those who would invest American earnings and savings in capital investment abroad in the hope, in later years, of closing down American factories and supplying the American market with products produced in their foreign plants.

By these processes, what may seem an immediate advantage, will become gradually of lesser value here, and will ultimately place the comeptitive products of American wage earners and of our smaller consumer goods manufacturers at an ever increasing disadvantage. As evidence of the validity of the foregoing, we would point out that industrialization of Latin American countries, and, of the Far East has proceeded at a remarkable pace. India has become an industrial nation of secondary rank, as well as a creditor nation. East Europe has been made a second Ruhr industrial district by the Nazis and we understand that substantial part of industrial capacity has been transferred to what is now southeast Poland, Upper Silesia, Czechoslovakia, Austria, and Hungary. Coal production in Upper Silesia, with developed coal fields slightly greater than those of the Ruhr, now compare with the former Ruhr production.

Turkey, the Belgian Congo, South Africa, Argentina, and Brazil, as well as other countries formerly buyers of America's industrial machinery and other products, have increased their industrial productivity. Brazil, once a buyer of American cotton, now supplies those who formerly purchased our cotton, as well as most of the manufactured cottons sold in Latin American countries. Incidentally, England today and in the future, purchases our cotton only to fill out the void left by the prevent inability of India and Brazil to fill her needs for Cotton.

England, with the consent of important factions of English organized labor, has also arranged to install pilot plants, equipped with modern automatic machinery and the elimination of restrictions on the number of machines which one person may man, which restrictions have existed for years, in order to permit of a substantial increase in the export of competitive products. All these are merely indications of trends and developments in the making, and which cannot and must not be overlooked if we are to conserve American interests, maintain our American standards of life and work and enable us as a people and as a nation to render the much needed help required by the depressed nations of Europe and Asia. Incidentally, at this time we direct your specific attention to a situation in the present Tariff Act which should be corrected. Under the provisions of section 526, an American manufacturer with plants located in foreign countries with lower production costs protected by American patent and trade-mark registration, has the sole authority to market in American markets such products of foreign workers, subject only to his paying the inadequate tariff rates which are now in force.

PROGRESS PENALIZED

It is well known that in recent years the industrialization of a number of countries that previously shipped principally raw materials or the produots of home or household industries, has proceeded rapidly. The specialization in given lines of goods that was characteristic of the past has given way to a wider line of industrial products. It has, therefore, become difficult to single out a few products of particular countries for tariff rate reductions without bringing in the same products from other countries and thus exposing American producers to competition of the lower labor costs products of workers in other countries.

The theory was that certain undisclosed specific industries could be sacrificed for the supposed greater general benefit that would be enjoyed all around, but no one has ever shown how this can be done. Another theory was that domestic manufacturers were enjoying excessive profits and that lowering this profit was a good deed in itself, quite regardless of other consequences. What was either not understood, or, if understood, not acted upon, was that in a world of unequal standards of living, the inevitable result of an unimpeded flow of trade would be the reduction of all standards of living to the same level in all parts of the world. The standard of living in the United States, being the highest in the world, would be reduced more than any other. This represents a strange way of fostering progress. It is difficult to understand what class of justice requires that progressive people should be penalized for being progressive. To reward industrial and mechanical progress by depriving it of its fruits is not in keeping with common sense.

We have within the United States itself an incompletely exploited market. An increase in wages, in the lower-wage areas, would expand a potentially rich sales territory without exposing ourselves to unfair competition of competitive products of much lower paid labor. On the contrary, unfair competition in the domestic field would be eliminated.

The same principle holds in our economic relationship with other countries. If they wish to sell more to us, they should make it possible for us to sell more to them. As long as their population cannot purchase more extensively because of the low wages paid, the market for our goods in these countries remains relatively small. It is not intelligent to place the burden of expanding international trade upon us. Too long and too often we have been reproached for retarding and discouraging international trade. Actually, when our imports equal our exports in dollar values, we import the product of more man-hours of labor than we export.

It has not been the United States that has hampered international trade. The most than can be said is that we have refused to jeopardize the job opportunities of millions of America's industrial workers and the price level of our farmers to the competition of the lower wage and lower cost products of workers and farmers in other countries. Those who say that we should do that advocate a lower standard of living for the workers in our factories and our mines and those on our farms, and, therefore, a shrunken economy.

It is actually the low-wage countries that retard foreign trade, for it is against low-cost, and, therefore, low-wage competition that tariff duties are generally aimed, not only in the United States but in other countries. It is the differentials in wage levels and costs of production that constitute the stumbling block in international trade. No sane nation is willing to see its own industries driven out or closed down by the competition of the products of low-wage-paid workers of other countries.

TRADE TREATIES HAVE FAILED

It is said that in order to export more, we must import more. That is to say, that if we wish to dispose of our farm surpluses abroad and wish to add to our factory employment, we must reduce tariff rates in order that foreign produced goods may come in to our markets in greater volume. To which is now added the plea that if our Nation ever hopes for a repayment of loans made or to be made in foreign countries, we must open wide our doors to imports. It is quite obvious that increased factory employment attributable to increased exports represents a net loss in employment compared with what employment might be obtainable if we manufactured at home the competitive articles which we import.

Failure of foreign countries to increase their purchasing of American products or commodities may not be attributable to any failure of the United States to increase its imports. Indeed, we face ultimate danger in planning for surplus product economy. It is all very well to say we must gear up American industry at this time far beyond our own abilities to consume in order to provide employment for our workers and look to foreign markets to dispose of our surpluses. However, we must not overlook ultimate reckoning. Within a few years foreign industries will have been rehabilitated with modern automatic machinery and American methods of production and distribution. We will then find we have founded our national economy on a false and insecure basis. Indeed, we have had a surplus production in cotton, in unmanufactured tobacco, in wheat, and in lard. What do the trade treaties show as to the benefits we have conferred on those who depend on such products for their means of a livelihood.

In order to market cotton and tobacco we are now paying an export subsidy. Assistant Secretary of State Clayton has told this committee that the paying of an export subsidy was economic warfare. Secretary Wallace told your committee, or, in previous addresses has stated, that export subsidies constituted international price cutting and unfair competition.

We are now emerging from a disastrous world war. We are told that this was due, in part, to economic conditions. We are told, by some of the proponents, that the continuation of the trade treaty program, and, further reductions of 50 percent in our tariff rates is necessary to purchase, although they did not use such plain language, the good will of those countries which we have saved from the domination of the aggressors.

With increased productivity and dependence on foreign countries, we will find that even during the present world war, 1939–44, countries dependent on importations of foods and industrial products turned to domestic production of these articles and commodities.

FAULTY PROPAGANDA

One of the innumerable pieces of propaganda which has literally flooded the homes of America's workers, advocating the further reduction of tariff rates, through our entry into trade treaties, is a graph issued by the Graphic Associates of Public Affairs Committee. This graph is allegedly based on figures contained in the statistical abstract of the United States. This graph lists the average weekly wages paid in the United States, 1939, for "protected", domestic and export industries, citing certain industries as illustrative.

The text, which accompanies these graphs, conveys the impression that workers in export industries receive higher wages because "trade is a two way street" and due to the fact that we import certain raw materials.

The average wages cited are:

Protected industries:		Export industries:	
Cotton goods	$14.26	Agricultural implements	$29.61
Silk and rayon	15.78	Automobiles	32.90
Pottery	22.75	Rubber tires	33.36
Carpets and rugs	23.25	Machine tools	34.25

Far from being an argument against protecting the job opportunities of America's workers in these "protected" industries, these tables show that the wages that can be paid in American industries are limited in their wage ceilings by competition in American markets with competitive low wage products of workers of foreign countries. American industries that compete with low wage, and thus low-priced products of workers in foreign countries, have their wage ceilings limited by the entry into American markets of such products of foreign workers. These American industries may not have the margin available for payment of wages that industries on an export basis have. The disparity may, therefore, be well attributed not to tariff protection, but to the inadequacy of tariff rates now in force.

No reference is made in these graphs or in this propaganda to the fact that these so-called export industries are those which are highly mechanized and which have a labor cost which represents a small portion of the cost of production.

In addition, it is worth while noting that all of these so-called export industries are dependent for some 90 percent or more of their sales in the great American market.

The low labor cost of these export industries is due primarily to the great volume of sales available to them in the American market due to the higher living standards made possible by the much greater purchasing power and capacity of America's workers, miners, and farmers.

Those who advocate a higher living standard for all Americans and who are willing to help promote higher living standards in other nations seemingly overlook the fact that our present tariff system places an unfair handicap on the products of those countries which have higher living standards prevailing and which countries are our best customers. Higher living standards mean higher wages, and in most cases, higher labor costs. Our present tariff system, with ad valorem rates based on foreign valuation, makes it possible for the competitive products of the lower wage and lower living standard countries to enter into American markets at a lower tax than is paid for comparable products of the higher living standard countries.

The time has arrived when the right of high-living-standard countries to protect themselves should be recognized. It should no longer be necessary for a country that maintains a relatively high wage level to apologize to the low-living-standard countries. Indeed, the apology should come from the reverse direction. Why should we be ashamed of our higher standards of living? If the products of the low-wage-standard countries compete with our own in our own American markets because of the lower prices resulting from the lower wages paid in those countries, we are certainly under no moral or economic obligation to import such products. The moral and economic obligation, if any, rests on the low wage countries not to disrupt our wage standards.

FORCED LABOR IMPORTS

In this regard it is well we consider the sort of competition we may anticipate from some of the countries abroad. We hear much of the effort being made by some of the Allied Nations in having German labor indentured, conscripted, or forced to labor in other countries as a means of reparations in kind. This raised the serious question of whether section 307 of the Tariff Act of 1930 is to be enforced.

Section 307 of the Tariff Act of 1930, in substance, prohibits the importation into American markets of the products of forced or indentured labor. Naturally, indentured slave or forced labor, through the use of which certain of our Allies hope to rebuild their country and their industries, comes within the scope of such prohibition.

Will this law on our statute books, designed to protect American labor against the products of involuntary labor, be properly enforced by our Treasury Department or will it be virtually set aside with the Treasury Department refusing to enforce the law as in the case of imports of Sumatra tobacco and Russian wood pulp, products of forced or indentured labor?

This raises the question, Are we a government of laws and shall our laws be enforced impartially and not be set aside for the benefit of anyone—government or otherwise?

ANALYSIS OF TRADE-TREATIES EFFECTS

The Fair Labor Standards Act was enacted by Congress in order to prevent, within our own country, exactly such unfair competition as will confront American labor unless protected by Congress against the competition of low labor cost products of foreign production. There is no difference in the injurious effects produced by unfair competition from low wage areas merely because these areas lie beyond our national boundaries.

Actually, the trade treaty program was ineffective in the accomplishment of the hopes claimed for it. This is a story in itself.

Five years of operation did little or nothing to provide jobs for the millions then unable to find jobs, or, later, as promised to prevent the outbreak of the most terrible war in history, although it was claimed, by its proponents, that it would provide jobs and would pacify the world.

The export statistics for 1934 through 1938 (the last normal prewar year) show conclusively that the trade treaties also did not promote exports, as it was boldly claimed and proclaimed that they would. This can be and has been shown conclusive.

For example, the exports from the United States to Norway and to Sweden during the 4-year period of 1935–38, ran a very close parallel in upward trends, year by year. These are adjacent countries. We had a trade treaty with one and not with the other. Yet, from an examination of our exports to them it would be impossible to say which was which. In the case of Argentina and Brazil, our exports to Argentina grew more rapidly than our exports to Brazil in 1937 and 1938. Yet, we had a trade treaty with Brazil and none with Argentina. These, also, are adjoining countries.

In the case of Columbia and Venezuela, two more adjacent countries, the result was the same. Our exports to Venezuela, a non-trade-treaty country, rose much more sharply than our exports to Columbia, with which country we did have a trade treaty.

We find also that our exports to Denmark increased sharply in 1938 while those to Holland increased only slightly in the same year. Our exports to France and Germany, adjacent countries, as in the case of Norway and Sweden, ran a very close parallel in trends from 1935 through 1938, year by year. Yet, we had a trade treaty with France and none with Germany. A similar result was otbained in our exports to Finland, a trade-treaty country, on the one hand, and Estonia, Latvia, and Lithuania, non-trade-treaty and adjacent countries on the other.

Imports, on their part, also failed to respond to trade treaties. Of seven countries with which we entered into trade treaties the trade, which could be compared with similar non-trade-treaty countries, only two countries increased their sales to the United States in a higher ratio than the non-trade-treaty countries or are producers of similar products. Comparison was made as follows:

Sweden with Norway, Brazil with Argentina, Holland with Denmark, France with Germany, Canada with Mexico, Colombia with Venezuela, Cuba [1] with the Philippine Islands.

Further light is thrown on the ineffectiveness of the trade-treaty program by an analysis of the trend in the exports from 1932 to 1935 and from 1935 through 1937.

By 1935, the first year in which any appreciable effects of the trade treaties could be expected to be felt, exports from the United States had already increased 41.6 percent in value, compared with 1932, the low point of our trade since the First World War.

Our exports during this period increased 53.8 percent. This latter increase took place when our average tariff on dutiable goods (ad valorem equivalent) amounted to 57.8 percent. A very interesting fact, moreover, came to the fore. Imports of dutiable goods increased 89.5 percent while imports of goods on the free list increased only 36.1 percent, the average total increase of the combined being 57.8 percent as stated above.

HIGHER RATES—FREE LIST INCREASED IMPORTS

In 1936, 10 trade treaties went into effect and 2 more became effective in 1937. Imports of dutiable goods should therefore, according to the theory, have responded more favorably. Total imports did increase by $586,000,000, but 65 percent of the increase came in goods on the free list.

In other words, after duties had been reduced, the increase in imports came principally in goods on the free list, whereas before the reductions had been made the increase in imports had come predominantly in dutiable goods.

By 1937 the average tariff on dutiable goods had dropped to 37.4 percent compared with 57.8 percent in 1932 (in part due to rising price levels). Clearly, the trend during these two periods was the exact reverse of what the theory of free trade would lead us to expect. In other words, while the duty burden was the highest, imports of goods on the free list should have shown the greatest increase, whereas when the they duty burden declined, imports of dutiable goods should have increased more than those on the free list. The opposite took place, as just shown.

The fact of the matter is that we regularly import (in normal years) an important list of products that are on the free list. Most important of these items are: Newsprint, pulpwood and wood pulp, coffee, rubber, bananas, fertilizer, jute, copper ore, tin, tea, raw silk, coco beans, palm oil, copra, tapioca, tung oil, and carpet wool. Free list imports increased from $886,000,000 in 1932 to $1,765,000,000 in 1937, or, almost exactly 100 percent. This was in keeping with our increased domestic business activity. The upshot is that a prosperous United States automatically becomes a better market for foreign exporters. It is, therefore, in the interest of other countries, so far as their trade with us is concerned, that this country maintain a strong purchasing power. It is our industries that are the heavy buyers of foreign products and our workers offer the principal market for the products of our industries. Depress our workers' wage income and the foreign exporters to this country destroy their own market.

Obviously, the trade treaty program failed utterly on all important counts. It is time that those who advocate the extension of this unconstitutional authority whereby administrative agencies of the Government are enabled to enter into trade treaties involving the question of taxation eliminate potential assumptions and estimates and look at what has really happened.

Why the Congress, and the American people, should be asked to pump life into an undertaking so thoroughly discredited by a fair study of the real facts is hard to understand. For years an effort has been made to place a halo around the trade treaty program so that anyone questioning their sanctity was somehow suspected of being unclean. Nothing but this sanctification can explain the tenacity with which they have clung to a program that by all valid tests is so complete a failure. Against this apparent impregnable dogma facts seem to mean nothing.

We go before the world hanging our heads in shame for having built a prosperous country; for having achieved a standard of living attained in no other country: and, for raising a partial protective barrier against the products of those with a lower standard of living prevailing in other countries. This is a strange attitude, indeed, not duplicated elsewhere in the world.

[1] Imports from these two trade-treaty countries increased more sharply than imports from Venezuela and the Philippines, respectively. In all of the other cases imports from the non-trade-treaty countries increased more than from the trade-treaty countries during the years the trade treaties were in effect, through 1938.

LABOR SEEKS EQUALITY OF OPPORTUNITY

American labor, the products of which compete in American markets with products of workers in other countries, seeks equality of opportunity for the sale of the products of their labor in American markets. Does such a request call for high tariffs?

The proposal is now made to empower our negotiators to enter into trade treaties and to reduce our present tariff rates an additional 50 percent. Nothing is said about comparable costs of production at home and abroad. The principle that differences in cost of production should be equalized so that equal competitive conditions should prevail, is cast aside. The fact that we need an usually high level of production and an equally high level of income to cope with the tremendous public debt, is lost sight of. The deflationary effect of ruinous foreign competition, arising from a tariff level of rates not high enough to compensate for the differences in costs of production, is definitely overlooked. The fact that by far the highest tax burden in history cannot be met unless a high rate of employment and wages are sustained and unless industry and agriculture are assured a market in the United States, is brushed aside. We are asked to continue our inconsistent program of adhering to minimum wages, social security, unemployment compensation, and similar props to our living standards and income levels on the one hand, and, at the same time to open the door to their destruction. We are asked further to nullify the beneficial effects of our Fair Labor Standards Act, our Asiatic exclusion and our restrictive immigration policies.

This inconsistency comes from a misconceived idealism that proceeds on the assumption that our assets are inexhaustible and that our power to help others is unlimited and capable of standing endless economic contradiction. In part, it also comes from those who would be delighted to see our present economic system collapse beyond repair.

The alternative is not a destruction of our foreign trade. The history of our trade during the last 25 years bears out no such conclusion. A brief review will show quite the opposite.

During the last war the Underwood tariff of 1913 was in effect. This was superseded by the Emergency Tariff Act of 1921 and the Fordney-McCumber Tariff Act of 1922. These last two legislative enactments were adopted in an effort to pull our country out of the depression of 1921 and 1922. The average duty collected in 1921 was 29.5 percent (ad valorem equivalent). The Fordney-McCumber Tariff Act increased the tariff rates to 38.1 percent (ad valorem equivalent).

HIGH TARIFF RATES—DUTIABLE IMPORTS INCREASED

Did our foreign trade decline, as it should have, according to certain economic theorists? No. Instead exports rose to 36.8 percent in the succeeding 6 or 7 years, while imports rose yet more, or 41.2 percent. These increases were not reflections of increased price levels, for it is well known that during that whole period the general price level was remarkably stable. The increase in imports took place even though in 1929 the average duty paid had risen to 40.1 percent. Why? We have already given the answer. Industry in the United States was prosperous and bought heavily in foreign markets. Wages were comparatively good and purchasing power was relatively high. The United States offered a good market for products from other countries. Tariff rates were, however, not so low that products of workers in foreign countries could drive the products of American workers out of our own markets.

In 1930 the Hawley-Smoot Tariff Act was enacted and by 1931 the average duty on dutiable goods had risen to 50.8 percent—in part due to the low level of prices and the increased ad valorem rates on those goods which are taxed on the basis of a specific duty. In 1932, as a result of the still further drop in price levels, the average duty rose to 57.8 percent.

Nevertheless, our trade began to increase after 1932 and by 1935 (at which time only a few trade treaties had been negotiated with countries which furnished only 8 percent of our imports) our exports had increased 41.6 percent in value and our imports 53.8 percent in value.

We have already seen that during the next few years, after 1935, the increase in imports shifted predominantly to items on the free list, precisely after we began reducing our tariff rates under the trade treaty program.

From a high average duty of 57.8 percent, in 1932, the average duty declined to an average of 37.4 percent in 1937. But, whereas trade increased, as already noted, after 1932, it declined sharply in 1938. Imports shrank a good one-third from the 1937 high. Exports also fell off. This was in keeping with the reduced business activity in this country in 1938, referred to, at the time, as the "recession."

Thus, the record of the last 25 years completely shatters the theory on which the theory of the trade treaties are based. We should not, however, reach the conclusion that tariff rates are of no importance. As soon as they become insufficient to cover the difference in costs of production between the domestic and foreign-made articles or commodities they begin to affect adversely the employment opportunities of America's workers. The gravity of the threat, therefore, depends on the margin of advantage offered to the foreign producers and the extent of his competitive potentials. It is for this reason that a yet further reduction in our tariff rates, a reduction in the rates already lowered, is a dangerous venture.

The sense of all the foregoing does not point to self-sufficiency as a national policy, although self-sufficiency, could it be had for the asking, by all nations, would exert a profound pacifying influence upon the world. As the natural resources of the various nations differ widely, some with actual output and reserves far beyond their needs, and others with deficiencies in the same resources but with surpluses in others—with such a condition prevailing and likely to continue for many years, a natural and beneficial basis for trading will remain. However, we should rid ourselves of the view that competitive trade is a pacifying element in international relations. Actually it is the opposite.

There are those among the advocates of trade treaties who recognize the force and soundness of what has been said above. They recognize the complete absurdity of enacting and enforcing minimum-wage legislation and restrictive immigration legislation, on the one hand, and then, on the other, to the opening of our industries and our jobs to the competition of low-wage-produced products of foreign countries.

SUBSIDIES MEANS SUBSERVIENCY

As a means of overcoming the diastrous consequences that they foresee, they advocate a subsidy to the industries, injured or jeopardized by the entry of the competitive products of workers in foreign countries at delivered costs which are less than our costs of production. However, it will be noted that they have prepared no legislation to provide such a subsidy nor have they shown how the subsidy could be determined and distributed. They have also failed to point out that the grant of subsidies would bring with it, as a necessary instrument of administration, a measure of Government control. Our experience with the OPA, as a necessary war measure, has not whetted the appetite of the American people for governmental controls over the details of foreign trade and domestic production. We conclude that the subsidy proposed is not advanced seriously, but, rather as a sleeping pill to lull the opposition to the pending legislation.

It is true, as legislative history will show, that a 100-percent subsidy, tariff protection in reality, has been found necessary to sustain an essential American industry, namely, the American commercial shipbuilding industry. The Maritime Commission, in order to build up a merchant marine, allows a construction differential of 50 percent of the American cost of building merchant ships. In other words, it is the official finding of the Maritime Commission that there is a difference of 100 percent in the cost of building such ships. Thus, we have a precedent set that a duty of 100 percent—100 percent of the foreign costs of building ships—are necessary to permit of our continuation of a merchant marine industry, to equalize the difference in costs of production, American shipyards as compared with foreign yards.

This is only one industry. For the economic welfare of our country, in peacetime, there are numerous essential industries. A subsidy of this level is much greater than the present ad valorem equivalent of those rates levied on dutiable imports. Moreover, the subsidy would not be paid out as wages. It would go to the employers, who, because of the foreign goods admitted into competition in the American market, could not guarantee the maintenance of employment at necessary levels.

We feel that the tariff is the simplest method of protecting the job opportunities of our workers, and, therefore, the high level of employment that is conceded to be indispensable if we are to meet our tax burden and our public debt.

We have consistently opposed the delegation of the taxing power of the Congress to administrative agencies as an unconstitutional shift of responsibility. Such a shift of responsibility may well be the forerunner of the making of our general tax laws by the administrative agencies of Government.

We are particularly opposed to the further extension of this legislation, and especially the authorization of further reductions in tariff rates.

We find nothing in the American standard of living to apologize for to the rest of the world. On the contrary, we recommend that other countries follow our lead in establishing higher wages and shorter hours for their workers. We also point out that it is to the interest of foreign countries and not to their detriment that the prosperity of the United States be sustained rather than torn down.

A prosperous United States, with tariff rates which will equalize the difference in costs of production, affords a better market for foreign goods than a depressed United States with tariff rates which permit the entry of competitive goods at less than our costs of production.

THE LACE & EMBROIDERY ASSOCIATION OF AMERICA, INC.,
New York, N. Y., June 4, 1945.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance, United States Senate,
Washington, D. C.

SIR: This association was founded in 1909 and comprises United States importers of laces and embroidery.

One of the great problems of international trade in the postwar era is the possibility of violently fluctuating exchange values of the currencies of the various foreign countries with whom we trade, and is a principal reason for the creation of the Bretton Woods Conference. It must be recognized that without stability in foreign exchange, there can be no satisfactory foreign trade on a sound basis.

If the Bretton Woods recommendations to stabilize currencies are not accepted and effectuated, there is great danger that the purpose of the Reciprocity Act shall be frustrated and foreign trade in all probability eventually will have to be confined to barter between governments.

Rapidly falling foreign exchange values might well endanger intended tariff protection. It may also injure American manufacturers by reducing the financial capacity of foreign countries to buy from us.

On the other hand, rising foreign exchange values make it virtually impossible for anyone to intelligently determine in advance what landed costs of any imported commodity would be, thus making the business of importing too hazardous a venture for sound business practice.

It would, therefore, appear necessary that some course be provided which would eliminate the dangers resulting from unstabilized foreign exchange values to our national economy.

We believe that an expanding economy together with the reciprocal trade program can result in larger consumption to absorb the production of properly protected efficient American industry and also result in an increased foreign trade.

We recommend the inclusion in H. R. 3240 of a requirement that all reciprocal trade agreements shall contain appropriate provisions, so that the dangers from the fluctuation of foreign exchange values shall be prevented.

Respectfully yours,

DAVID E. SCHWAB.

THE RUBEROID CO.

Reciprocity tariff bill extension, H. R. 3240.

CHAIRMAN, FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIR: It may be important from an international standpoint to continue the present reciprocal tariff law in effect. There seems to be no reason, however, for committing our Nation to the continuation of this policy for a period beyond 1 year, and we strongly believe it injurious to our labor and industry to even consider any further changes in our tariff structure at this time.

This company is engaged in the manufacture of asbestos cement products. We operate plants at Bound Brook, N. J.; Mobile, Ala.; and St. Louis, Mo. We employ over 1,000 highly skilled workmen. Our wages have increased in the period 1938 to 1944 not less than an average of 40 to 45 percent. Our costs of materials, our overhead, and taxes have likewise sharply increased. Our production has been maintained at a high level due to war demands, but unit costs of production are considerably higher than in the prewar period. We are operating under rigid Government control of our raw material and Office of Price Administration ceilings on our prices.

There are numerous other American manufacturers producing products directly competitive with ours. Competition is and always has been keen among us.

Our principal foreign competition has in the past come from Belgium. In 1935 the trade agreement with that country reduced the duties on our colored or impregnated asbestos cement products from 1 cent per pound to three-fourths cent per pound and on gray or uncolored products from three-fourths cents per pound to six-tenths per pound. Immediately following these reductions in rates, Belgium devalued its currency by 28 percent, further enhancing the competitive advantage to producers in that country.

Section 2 of the pending bill would allow further reduction of these duties to only three-eighths cent per pound and three-tenths cent per pound, respectively.

War preparations in Europe and the actual outbreak of war and invasion of Belgium made impossible proper appraisal of the effects of the changes already made. What the form of government in Belgium will be after the war, what the Belgian costs of production and prices will be, are wholly unknown factors. Equally unknown is whether Belgian asbestos cement plants, as well as those in France and Italy, will devote their facilities to European reconstruction or will divert their output to the United States to secure needed dollar exchange. If the former course is adopted, the impact on our American industry will be somewhat delayed. That it will come about, however, and will be far greater than that heretofore experienced, is clear.

That Belgium possesses the ability to seriously injure the American industry is demonstrated by the fact that in the years 1925, 1926, and 1927, a period of great building activity and high demand in this country, Belgian exports of asbestos cement products amounted to 20.89 percent, 29.08 percent, and 28.62 percent, respectively, of domestic production. A further reduction in our tariff duties of 50 percent, as proposed in the pending bill, would restore our tariff duties substantially to the level of the 1922 Tariff Act, under which the imports referred to were brought here. Such a competitive impact in the face of our greatly increased wages and production costs would seriously threaten the continued operation of this industry.

Our present situation demands that no further uncertainties be created. Let us maintain existing conditions, so far as possible, until conclusion of the war and the factors upon which a tariff policy can be based become ascertainable.

The bill, H. R. 3240, in its present form should be defeated.

In its stead should be substituted a measure which would continue in effect for a period of not more than 1 year the present reciprocal tariff law—be valid only upon approval by our elected representatives in the Senate—and, most important, that no further reductions in duty may be made on competitive merchandise unless accompanied by a guaranty that the imported competing article be sold at substantially the same price as the domestic.

Respectfully,

THE RUBEROID CO.,
By HERBERT ABRAHAM, *President.*

Senator WALSH. We will now adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 5:05 p. m., the committee recessed until 10 o'clock, Tuesday morning, June 5, 1945.)

1945 EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS ACT

TUESDAY, JUNE 5, 1945

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

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator David I. Walsh (presiding).

Present: Senators Walsh, Gerry, Radcliffe, Lucas, McMahon, La Follette, Taft, Bushfield, Barkley, Guffey, and Butler.

Also present: Senator Edward V. Robertson.

Senator WALSH. The committee will please come to order.

Senator O'Mahoney, the committee will be pleased to hear your views on any matter in connection with the bill that you are interested in.

Senator O'MAHONEY. Thank you, Senator.

STATEMENT OF HON. JOSEPH C. O'MAHONEY, UNITED STATES SENATOR FROM WYOMING

Senator O'MAHONEY. Mr. Chairman, in compliance with the custom which I have followed ever since 1934, I appear before the committee to offer an amendment which reads as follows:

> 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 hereafter entered into under such section, and no duties or other import restrictions specified in a proclamation issued by the President to carry out 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.

On every occasion during the past 10 years when the Reciprocal Trade Agreements Act has been before us for renewal, I have offered an amendment providing for congressional review. This I have done out of a deep conviction that the Congress of the United States cannot safely continue to surrender its duties, powers, and responsibilities to the executive department.

That conviction is deeper and stronger now than ever, and in presenting the amendment again, I undertake to say that if Congress passes the bill this year without adopting the principle of congressional review we shall take a long and dangerous step down the broad and easy road toward a state-managed economy, and a state-managed economy is one aspect of totalitarianism.

The question which is before us for decision, stated in its simplest terms, is whether or not we shall permit the State Department to negotiate in secret economic arrangements with the nations of the world and make them effective without advance knowledge by either the Congress or the people.

The grounds upon which I urge this amendment may be briefly summarized as follows:

First, it will be in compliance with the evident desire of the people to have Congress reassume a definite and positive role in government.

Second, the fixing of tariff rates is a legislative function clearly belonging to Congress and one which should not be so completely delegated away as in this bill.

Third, no adequate reason has been advanced for the surrender of congressional power over tariff rates and the State Department, to which the power is delegated, has formulated no specific program and is unable to say what type of concessions it would grant or receive.

Fourth, the surrender of congressional power comes at a time when old-style arbitrary imperialism and new-style arbitrary authoritarianism are struggling for power and when, far from conveying to the State Department the authority to negotiate secret trade agreements, Congress should insist on "open covenants openly arrived at." Consider the boiling cauldron of oil in the Near East and judge whether Congress should permit the State Department to bind the Government and the people to trade relations without publicity.

Fifth, in international trade relations, unreviewable executive action merely substitutes unsupervised, unregulated public management for unsupervised, unregulated cartel management and deprives the people of the power to direct their own economic lives.

In short, unless amended, this bill is a reckless and wholly unwarranted abandonment of the principle of popular government at a time when that principle is in greatest danger and when this Nation has the opportunity and the duty to demonstrate to the world that the people can rule.

The people of the United States have long viewed with growing uneasiness the gradual encroachment of the Executive upon the legislative branch of the Government. There has been increasing evidence of their desire to have Congress recover and reassert at least some of the powers it has lost.

Few, I venture to say, will deny that the people know and understand the world trend toward stateism, that they do not like it and that they want their representatives in the Senate and the House to counteract it by reasserting their constitutional powers and reassuming an active participation in shaping the policies of Government.

We cannot satisfy this hope by divesting ourselves, as this bill does, not only of the power to say what our foreign economic policy shall be, but also of the right, as the legislative spokesmen of the people, to know what that policy is to be before it becomes effective. I doubt whether it is generally understood that under the trade agreements act, these pacts are signed, sealed and delivered as binding contracts of the American people before anybody in Congress has the faintest notion of what they contain.

Whatever justification Members of Congress may have felt existed in 1934, in 1937, in 1940 and in 1943 for this abdication of constitutional authority, it certainly does not exist now. In 1934 we were looking backward toward the speedy reestablishment of a postwar world, the form and nature of which no man is wise enough to foretell.

If ever there were a time when the people should know in advance what is to be done in their name, it is now. If ever there were a time when the people were entitled to the protection of an alert and well-informed Congress acting as a check upon the executive, it is now. If ever there were a time when Congress should respond to the obvious desire of the people to put an end to the surrender of congressional authority, it is now.

The determination of international trade policies through the fixing of tariff rates is undeniably a congressional function. Trade agreements are either revenue bills or they are treaties. They may even be both. As revenue bills, they should be initiated in the House of Representatives. As treaties they should be ratified by the Senate. The fiction that they are executive agreements beyond the power of Congress is only a trick argument invented by executive officials to justify their invasion of the legislative field.

The Constitution tells us about revenue bills and taxes. It tells us about treaties and the supreme law of the land. It tells us nothing about executive agreements or the articulate experts who have devised them to get around the annoying delays and difficulties of popular government.

It requires no legal argument to teach us that this Government of ours is supposed to be a government of the people, that every public act which affects the people should be subject to their immediate authority, that international trade agreements are such acts and that no adequate or persuasive reason has as yet been advanced to warrant the withdrawal from the people of advance knowledge of the specific trade relations that are to be created for them in the postwar world.

We do not know what these postwar relations are to be. The State Department does not know—or will not tell us. But this we do know, that the trade agreements negotiated for us in the past under this law have produced no results to inspire any belief that the experts of the State Department possess any skill or knowledge beyond the capacity of Members of Congress or of the people to understand.

We also know that the world is now entering upon one of the most critical periods of international history and that the economic life of every citizen of the United States may be affected by what is done now under this act. Surely at such a time as this we should not be willing to delegate to the State Department the power to bind the people for three years to secretly negotiated international pacts.

Secretary Clayton, appearing before this committee, in response to a question which I addressed to him, said that we ought to trust the State Department to do the right thing. That, Mr. Chairman, is not popular government. It is executive government. It is government under which the people must be content with what is done for them by public managers who assume to know what is best for them.

We are asked to do this upon the ground that the approval of international trade relations is too delicate and complex a task for the representatives of the people. I am reminded of what Thomas Jefferson said in his first inaugural address:

> Sometimes it is said that man cannot be trusted with the government of himself. Can he then be trusted with the government of others?

This is the question I now address to every advocate of the theory that Congress should trust the State Department to undertake without the safeguard of congressional review, the rebuilding of international commercial relations in an economic world the outlines of which have not yet begun to appear.

Mr. Chairman, it occurs to me to suggest that one of the primary responsibilities of this committee of the Senate is to find out who the persons are to whom we propose to trust this tremendous power.

Senator WALSH. Isn't it more important to know what their philosophy is, whether they are free traders?

Senator O'MAHONEY. Mr. Chairman, it is important to know what their philosophy is, of course, but my point is that it is difficult to judge what their philosophy is unless you know who they are.

Senator WALSH. That is fundamental.

Senator O'MAHONEY. We know perfectly well that Government has become so big that the various branches are filled with persons who occupy apparently anonymous and subordinate places but who exercise the greatest influence upon the course that is to be followed.

I venture to say that few Members of Congress know anything whatosever about the qualifications, the ability, the background of the experts in the State Department who will actually do the work which will have to be done in the negotiation of these trade agreements.

As I have repeatedly stated before this committee and on the floor of the Senate, the parliamentary bodies of most nations reserve to themselves the right of review. Even the trade agreements of Great Britain, negotiated though they are under the supervision of members of the British Cabinet who are also Members of the House of Commons, do not become effective until after they have been submitted to Parliament.

When our Constitution was drafted care was taken to preserve to the House of Representatives the power and duty to initiate all revenue measures. The British Parliament retains the power of review, but we lightly toss it away.

Mr. Chairman, it occurs to me to observe, at this point, the House of Representatives recently passed a constitutional amendment providing for the participation by the House in the ratification of treaties.

The House of Representatives did that because it regarded the treaties in which this country should enter of such great importance that the House should be permitted to participate in fixing them.

It seems anomalous that the very same House which sought to acquire a share in a senatorial prerogative in ratifying treaties should at the same time throw away the constitutional prerogative which the House has to fix tariff rates in the first instance.

Surely it needs no argument nowadays to demonstrate that the making of trade agreements is quite as important a phase of international relations as the making of political understandings. We throw this right of initiating trade agreements in the House of Representatives away at a time when we know that popular government is undergoing its greatest test.

The attack upon the right of people to govern themselves was not ended when Germany was crushed. The principles of totalitarianism followed by Hitler have not been eradicated from the world. The right of free speech is still being denied to many peoples, and, in some areas of the world, those who are unwilling to accept without question the decisions of executive authority are being banished to concentration camps or are being otherwise "summarily and effectively disposed of," as one official of this Government recently politely phrased it.

Senator TAFT. Who was it that said that?

Senator O'MAHONEY. I am not prepared to say. I would not feel at liberty to attribute it to any particular individual, but it was said.

With colonial powers striving, upon the one hand. to reestablish their domination over backward peoples, and the proletarian dictatorship, upon the other, suppressing political and economic dissent in the areas over which it establishes control, can it be possible that the United States of America, the greatest and most powerful free nation that ever existed, will be content to abandon the right of Congress to know in advance what is to be done in the name of all the people with respect to their commerce with other nations in the negotiations which the State Department will conduct with the representatives of these other powers?

We all fervently hope that in the deliberations now in progress in San Francisco and in the conferences that may soon be held by the leaders of the Big Three it may be possible still to achieve adherence among the nations of the world to the principles of the Atlantic Charter.

There is every reason to believe that the colonial policy of Great Britain will improve greatly after this war. It may reasonably be hoped that France will be convinced that liberty, fraternity, and equality are as desirable for the inhabitants of colonial and mandated territory as they are for the inhabitants of France.

There is ground for believing that Russia may be persuaded that there is no real danger to her liberty in the preservation to the people of the areas under her domination of the right of free speech or in the recognition of the right of self-determination. What is to happen with respect to the organization of a successful and effective world securityl eague in which the "four freedoms" will be tolerated by all nations, only the future can tell.

What happens to the right of the people of the United States to know what transactions are being made in their name will be determined by what this committee and the Senate of the United States do with respect to the amendment that I have offered for congressional review.

It is idle to pretend that we in Congress are performing our part when we delegate away our power. The people who elect us are of the impression that we play an important and controlling part in the affairs of government, whereas the truth is we have been delegating our powers away to appointive officials over whom we exercise no control as they do about the performance of our duties.

Of what use is it to talk about streamlining Congress, of modernizing it and bringing it into tune with the present if, at the same time, we calmly surrender to others our responsibility to protect the rights of the people in the reorganization of the world?

Mr. Chairman, the issue of the time—our time—is not trade, it is totalitarianism. The world will not be rebuilt after this most appalling of all wars on trade nor upon the establishment of state-managed economies—it will be rebuilt on faith in the rights of men. In whatever direction we turn our eyes throughout the world we see the people struggling with central authority which not only shapes their lives, but is seemingly beyond their power to control or even to regulate.

This terrible war for human freedom which we are now fighting with the active assistance only of China, Australia, and Britain is a war against central arbitrary power, a war for the liberation of the peoples, a war for the vindication of the noble principles enunciated in the Atlantic Charter.

We shall be blind, indeed, as to what is going on about us if we assume that military victory in Europe has achieved our goal. We know that the powerful states in Europe, and even in America, still claim the right to compel all individuals to adhere to the program which the state lays down.

We know that political absolutism and economic absolutism are merely different forms of the same false philosophy of life and government.

We are all aware that strong forces in Great Britain desire to reestablish imperial trade domination and that economic leaders of Britain have gone so far as to ask us to abandon the principles of the antitrust laws and to permit private and semipublic cartels to control the trade of the future.

We know that Russia has a state-managed economy. We know that the crisis in the Near East is a struggle for power to dominate the oil trade of Iraq, Iran, Saudi Arabia, and the Levant. We know that authoritarian power in Argentina dominates both trade and politics.

When, in these circumstances, Mr. Chairman, we in Congress lightly give away to the State Department the authority to shape the international trade relations of our people surely we cannot conceal from ourselves the plain fact that we are surrendering our own principles of economic and political life to adopt the authoritarian principles of other lands.

We cannot possibly step by step pursue a course of steadily expanding the executive power at the expense of the legislative and imagine that we are preserving the power of the people to govern themselves.

We are not. We are setting up a managed economy under which the decisions affecting our people are to be made by officials who are not responsible to the people. That is not the American system of government and we should not try to pretend to ourselves that it is. It is the road to totalitarianism.

Many of those engaged in foreign trade who think they see opportunities for profit in the postwar world are not concerned with preserving the authority of the people, through Congress, to pass upon the commitments by which the people will be bound. They are willing to forget the principles of free government in the hope of gaining trade, but I say to you that the trade that we might hope to build up in a disordered world is ont worth the risk we must assume to secure it.

Secretary Clayton has told this committee that foreign trade cannot possibly be as much as 10 percent of all of the trade of the United States. Why then risk the 90 percent in search of the 10? Why gamble away our own domestic business and our own form of government to seek the pot at the end of the rainbow?

The trade upon which we shall rebuild American prosperity is the trade here at home. It was the industrial power and genuis of this Nation, the patriotic contributlon of its workers and its economic leaders which outproduced Germany and Japan, which armed Britain and France and Russia, which enabled the United Nations to win the war in Europe and which is now carrying our victorious arms into the very heart of Japan.

That production was accomplished here by our people without reciprocal trade. Of course, we got raw materials from abroad, but we paid for them and we shall continue to pay for them until the national debt is retired.

What we did in producing for the war teaches us what we can do by producing for peace. Our greatest contribution to the world is to show the world that a free self-governing people with a Congress discharging its functions can in time of peace perform a much greater service for all mankind than can any form of authoritarian government or than we can perform by adopting authoritarian methods.

It is in the reorganization, rehabilitation and restimulation of our trade among our own people that will build the future, not the sacrifice of domestic industries and domestic businesses in order to permit imperialistic and totalitarian governments abroad to send in to our markets the products of exploited and regimented millions.

This is not to say that we should adopt a policy of economic isolationism. Certainly not. We should build up international trade, but we should do it intelligently, constructively, and in the open. We should not do it behind the closed doors of the Department of State.

I cannot remember any more humiliating experience that I have witnessed as a Member of Congress several years ago when, with some other Members of the Senate and House, I appeared in a downtown office building before the Committee on Reciprocity Information that had been set up by the State Department under the Reciprocal Trade Agreements Act.

The members of that committee, few of whom were known to the Senators and Congressmen who were appearing there, were seated behind an elevated bench, just as the members of this committee are now seated behind an elevated bench, and I saw Senator after Senator and Congressman after Congressman stand there appealing to these appointed officials who held no commission from the people, appealing to them to do justice to the people of their particular States.

There they stood asking the Committee on Reciprocity Information not to give away this business of ours by reducing the tariff.

Senator TAFT. And knowing that the committee was going to negotiate the thing anyway.

Senator O'MAHONEY. Positively knowing that they were going to negotiate the treaty anyway.

The members of that committee were merely sitting there as a sop to the notion of popular government. But the humiliating fact was, Mr. Chairman, that these Senators and Congressmen were talking to officials who had no power, urging them to do something the constitutional power to do which was in the hands of the very people who were making the argument.

To think that members of the Senate and House had come to such a pass that having delegated away their power to fix tariff rates they were appearing before these appointed officials arguing in support of their notions was so humiliating to me that I made up my mind at that time that I would never again appear before such a committee, because I know that my constituents in Wyoming who chose me to come to the Senate did so in the belief that I would exercise the powers which the Constitution has given me and every other Member of the Senate and House.

One of the major causes of this was was the fact that the international economic system was controlled secretly by private powers through international cartels. The managers who conducted these international trade organizations and who, by their own authority, made private "international trade agreements" were all capable experts. They had the best scientific advice available.

They exercised authoritarian power. They were not responsible to the people and could not be removed by the people. It will not cure the abuses of arbitrary private power to set up unregulated and unstandardized arbitrary public power exercised by Government experts.

It would be just a substitution of Government economic rulers, for neither the managers who direct the trade policies of the cartels nor the managers who direct the trade policies of totalitarian states are responsible to the people. They cannot be removed by the people and when they go about the business of deciding what is best for the people they do so in the knowledge that they are beyond the reach of the electorate.

Mark my words, it will not be the experts in the State Department who will be reprimanded if they make an injurious trade agreement. It will be the Members of Congress who have deliberately and voluntarily surrendered the legislative power their constituents have the right to have them exercise. It is we in the legislative branch who will suffer and I have no hesitation in saying that we ought to suffer if we supinely yield the responsibilities we were elected to discharge.

Senator WALSH. Thank you for giving us your views.

Are there any questions?

Senator TAFT. I am not going to ask any questions because it could not be stated before.

Senator O'MAHONEY. The Senator is very kind.

Senator WALSH. Mr. O'Neal.

STATEMENT OF EDWARD A. O'NEAL, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Senator WALSH. Mr. O'Neal, will you give your full name to the reporter?

Mr. O'NEAL. Edward A. O'Neal. I am president of the American Farm Bureau Federation.

Mr. Chairman, I have a brief statement here that I would like to have the opportunity to present to you and read to you gentlemen, if you have the patience to listen. You have shown a good deal of patience this morning.

Senator WALSH. You may proceed. Try and be as brief as possible.

Mr. O'NEAL. Thank you.

I consider it a privilege to appear before this committee on behalf of the American Farm Bureau Federation in support of the extension of the Trade Agreements Act.

The American Farm Bureau Federation, of which I am president, has a membership of about 830,000 farm families in 45 States. This is equivalent to approximately three and one-half million farm people.

The subject that I am about to discuss is of such importance that it is above partisanship. At this very moment, when the precious lives of our sons are being sacrificed on the battlefield, we at home dare not neglect our opportunity to do everything possible to prevent the recurrence of such catastrophies.

We are all interested in having a peaceful world and meeting successfully the difficult problems of postwar readjustment. Naturally, there are disagreements as to the best method of obtaining our goal. We should not become so involved in controversy that we overlook the important objectives.

Under the capable leadership of both the major parties in this Nation, we have made wonderful progress toward international cooperation. This has been done on a very high plane, with the cooperation of leaders of both parties.

Recently I had the honor of serving as a consultant to the American delegation at the San Francisco Conference. It was most heartening to witness the splendid nonpartisan manner in which the American delegation cooperated on these very grave and important issues.

The international trade-agreements program is a vital part of this Nation's role in international cooperation. The San Francisco Conference, the international monetary agreements, the International Food and Agriculture Organization, and the trade-agreements program, all have an important part in our sincere effort to prevent future wars. Each is dependent upon the other.

Senator TAFT. Mr. O'Neal, I would like to interrupt.

I just cannot understand that argument. I cannot understand why, if we want peace and we want to draft the San Francisco agreement, that we, therefore, have to take Bretton Woods as it is, the monetary agreements, the International Food and Agriculture Organization, or the trade-agreements program as it is.

It seems to me each of those ought to stand on its own feet. I just cannot admit the principle that because you want peace you have got to take everything that is handed to you just as it is, handed to you without any amendments whatever.

I cannot see the reason for it.

Mr. O'NEAL. I think if you will listen to me, Senator, as I read my paper, you will agree with me before I get through.

Senator TAFT. I certainly will not. It is an indefensible proposition. It is our constitutional duty to pass on these things on their own merits and not because it moves in the direction simply of international cooperation.

Mr. O'NEAL. I am sorry I cannot agree with you, my distinguished friend. I think if you will listen to me you will at least see my point of view.

The trade-agreements program could easily be the real test of whether or not this great Nation is going to give lip service to international cooperation, or whether it is really going to assume its position of rightful leadership. It is not enough to merely hold aggressor nations in check. We must cooperate with other nations in world rehabilitation and in the improvement of economic conditions that will promote and provide an environment for lasting peace.

The American farmer has a vital interest in the trade-agreements program. The American Farm Bureau Federation favors the expansion of the trade-agreements program with respect to authority for further reduction in tariffs.

The importance the American Farm Bureau Federation attaches to international trade as a means of encouraging world peace, promoting domestic prosperity, and maintaining adequate farm income, is well stated in a comprehensive resolution adopted at our last annual meeting. The resolution is as follows:

> International trade is basic to the well-being of this Nation and of the world.
>
> We must not repeat the mistakes made after World War I, when the nations of the world resorted to extreme nationalism and isolation to promote self-sufficiency and to secure selfish advantages through raising tariffs and trade barriers, through competitive manipulation of currencies and international exchange, through international cartels, and other restrictive trade practices. The present war will have been fought in vain if the nations of the world return to such nationalistic policies when this war ends.
>
> During this war we have witnessed an enormous expansion of the productive capacity of this Nation. We know that abundant production can become a national blessing rather than a calamity. If we would live the fullness of life, we need just as abundant production in peace as in war. But in order to maintain this abundant production we must have outlets for it. When wartime needs end, this enormous productive capacity may produce surpluses that will wreck our economy unless we can find sufficient outlets in foreign markets to help sustain this volume of production. Our domestic outlet is the best market for most commodities production in this Nation, and must be preserved on the basis of efficient, abundant production; but international trade is essential if full production and full employment are to be obtained in this Nation during the postwar period.
>
> We cannot sell our surpluses abroad unless we are willing to buy from other countries. Unless other nations have sufficient dollar exchange to pay for our goods, they cannot buy from us, even though our goods may be offered at competitive prices with those of other countries. Merely lending money is not a sound basis for permanent trade. Unless the barriers to trade are removed, such loans become merely gifts; and when this credit ends, trade stops and repudiation of debts may follow.
>
> In order to facilitate international trade on a sound basis and thereby lay the foundation for an economy of abundance and economic security in our nation and throughout the world, which are so essential to the maintenance of lasting peace, we recommend—
>
> 1. That an international trade conference be called for the purpose of attempting to lower the trade barriers among all nations and to discourage the creation of additional trade barriers.
> 2. That the United States participate in international action on monetary matters and favor the adoption of monetary and credit policies—domestic and international—that will encourage and facilitate maximum production, distribution, and consumption of goods and services, on a fair exchange basis. A stabilized price level, both domestic and international, is essential not only to international trade, but also to the maintenance of a fair balance in domestic prices of raw materials with other prices.
> 3. That foreign and domestic barriers be gradually adjusted or removed so as to facilitate the maximum exchange of goods and services between nations, and between groups in our country, to the end that maximum employment and production may be achieved throughout the world.
> 4. That the trade-agreement program be improved and expanded. We believe that much can be gained by including more than one nation in specific agreements.
> 5. That new and improved international commodity agreements for surplus agricultural products be developed among the various nations of the world; and, to the extent practicable, these agreements should be coordinated closely. These agreements should not be confined to producer nations, but should also include the principal consumer nations.
> 6. That, if peace is to be maintained in the world, all nations be given the opportunity to obtain essential raw materials necessary to the development of a reasonable peacetime economy.
> 7. That, during the immediate period of postwar reconstruction, necessary exports for the purposes of rehabilitation be treated primarily as expenditures, provided the purpose is to effect real rehabilitation and to assist nations to help themselves and lay a sound foundation on which to build world trade.
> 8. That our Government adopt a positive program to develop world trade. However, it is realized that in the immediate postwar period, certain realistic

approaches will have to be made to meet maladjustments. Pending the attainment of sound foreign-trade policies, our Government, if necessary in order to regain our fair share of the world market, should enable domestic producers to meet world prices through export subsidies; and ways and means should be sought to provide other nations with dollar exchange with which to buy our surpluses.

Only last week our board of directors again considered very thoroughly the bill now under consideration. It was indeed heartening to witness that group of agricultural leaders, from all over the United States, go on record as favoring this legislation, with only three votes against the present bill.

Senator LUCAS. How many members are on that board of directors, Mr. O'Neal?

Mr. O'NEAL. Twenty members.

Senator TAFT. How many were there; who were the three against it?

Mr. O'NEAL. They were all there. The three against it were from my distinguished Irish Senator O'Mahoney's region in the West, the western part of the United States.

Senator LUCAS. You mean the fellows who represented the cattle district?

Mr. O'NEAL. The gentlemen from that whole area. It is a very large area, of course. California is included, which, by the way, has about as big a stake in foreign trade as any State in the Nation—but that whole area in the western part of the country.

The American Farm Bureau Federation does not favor free trade, but we do believe that this program is a most practical approach in dealing with an extremely complicated international situation. We believe that there are adequate safeguards to protect the interests of our domestic industries.

The trade-agreements program is not a solution to all our economic ills. It is not a solution to all our trade problems. We know that domestic and world prosperity has a very vital influence upon the volume of international trade. Likewise, we know that the general price level and monetary conditions throughout the world have very significant effects.

Our board of directors, at their last meeting, adopted a motion reinforcing the resolution passed at our annual meeting, requesting that an international trade conference be called for the purpose of encouraging the soundest possible approach to the problems of international trade.

They again requested that their officers do everything possible to encourage an international conference of all the United Nations, in which primary consideration would be given to further approaches to the encouragement of international trade among all nations. We urge this distinguished body to lend its influence in promoting such a conference.

International trade is one of the cornerstones in international cooperation. It has been demonstrated twice that in spite of our hatred of war we cannot keep out of major conflicts. While economic factors are not the only causes of wars, they are one of the most potent factors.

The reciprocal trade agreements are an effective instrument through which this country can encourage world cooperation and help prevent the establishment of powerful trading blocs, which are detrimental to the maintenance of peace. This Nation is in a position of world leadership. An intelligent approach through the trade agreements program will help us use our leadership effectively.

We must not repeat the mistakes following World War I, when we witnessed an increase in economic barriers of all kinds among the nations of the world—drastic quotas, exchange controls, monetary manipulations, and many other practices which stifled trade and created an environment favorable for bringing about war.

We must become fully conscious of the great significance of our change from a debtor to a creditor nation, and adopt foreign economic policies to fit our new status.

We must not repeat the history of the 1920's, when we lent vast sums of money abroad and then refused to accept goods as payment of these debts.

Over a period of years the only way that nations can pay is to send us goods or render us services. In the 1930's we embarked upon a vast program of accumulating gold and silver in place of accepting goods from other nations.

By making loans in the twenties and buying gold and silver in the thirties we did provide foreign nations with dollar exchange with which to buy our products, but this was not a realistic foreign trade policy. The reciprocal trade agreements program was a realistic approach to a sound foreign trade policy.

Senator TAFT. If you do not mind me interrupting you, Mr. O'Neal——

Mr. O'NEAL. Yes, sir; it is perfectly all right.

Senator TAFT. By making loans in the twenties we provided foreign nations with dollar exchange, you say. The fact is in the twenties we provided them with an opportunity to export goods into this country in a larger volume than they have exported their goods into this country ever since. It was over $4,000,000,000 a year.

That is more than has ever been done by trade agreements. So it is not fair to say we provided them with foreign exchange by making loans. We provided them with foreign exchange by buying their goods.

Senator LUCAS. With our money.

Senator TAFT. By buying their goods. It cannot be said that the trade of the twenties was due to loans; it was due to a tremendous volume of imports into this country in spite of the tariff and without destroying any American industries that I know of.

Mr. O'NEAL. I will tell you what it did. We were on the mountain top, and we certainly descended to a pretty low level, as you know, after that experience.

Senator TAFT. I don't know what that has to do with it. During that period when we imported this large amount of goods this country was prosperous, and that is the basis on which we will import in the future, and not on the basis of what our tariff is or what it is not.

Of course the tariff may affect it somewhat. The volume, roughly speaking, depends far more on a prosperous United States than it does on a tariff.

Mr. O'NEAL. I hate to disagree with you. I think the tariff has a great deal to do with it.

Senator TAFT. Sure the tariff has something to do with it, but all I objected to was your statement that the only reason that we were able to export in the 1920's was the fact that we made loans. It was not, because this large amount was imported in spite of the highest tariff we ever had. We imported more goods than we ever imported since; I think more than we ever imported.

I do not think we ever imported as much even during the war.

Mr. O'NEAL. You recall the tariff was raised pretty high in 1930.

Senator TAFT. That has nothing to do with what we are discussing.

Mr. O'NEAL. We are all deeply concerned about the maintenance of private enterprise. During the last quarter century we have seen the encroachment of government after government upon the rights of the individual.

War conditions have necessitated Government controls far beyond the liking of most of our citizens. There is a real problem involved in releasing these controls during the postwar period. Throughout the world the tendency is toward more and more government interference. It is amusing to me to hear those who are most fearful of governmental domination oppose the reciprocal trade agreements program, like the distinguished Senator who spoke this morning.

Senator WALSH. Mr. O'Neal, I did not understand that he was opposed to the reciprocal trade agreements program. He wants whatever it is submitted to the Congress for their approval; you see.

Mr. O'NEAL. I see.

Senator WALSH. I do not think he has flatly come out against the idea.

Senator TAFT. No, no; he is in favor of enabling them to be made, but only if Congress approves the agreements after they are made.

Mr. O'NEAL. How many years would Congress have to go in session to get them approved?

Senator TAFT. Mr. O'Neal, that is the question I would like to raise. You say it cannot be done. I would not say it cannot be done. In those cases where you cover the whole field of the tariff, that produces all sorts of logrolling, but in this case you have one treaty come up at a time dealing with probably one or two problems, and Congress would be up against a specific decision of deciding whether that particular industry could stand a reduction in tariff or deciding, perhaps, whether the tariff should be eliminated.

I do not agree just because there is an objection to them that Congress cannot pass on them if they are good agreements based on sound principles.

Mr. O'NEAL. Bless your heart, you are certainly an optimist. It never has worked that way.

Senator TAFT. That I deny. I agree Congress will probably be loath to destroy an American industry, as the State Department is willing to destroy it. That is probably true; but if the tariff treaty is merely one that reduces the tariff to sound reasonable figure, I cannot see why we cannot deal with that particular question and determine the question just as well as the State Department.

Mr. O'NEAL. You would have to work 365 days a year as a Senator, night and day, to do that.

Senator TAFT. I do that anyway, Mr. O'Neal.

Mr. O'NEAL. Maybe you do, but I was going to say if you just go into the items, even then you will not be able to accomplish much. I am an old Jeffersonian and Hamiltonian Democrat. Do you know that type? I want to say to you it is pretty well for you to study that too, that kind of democracy.

I want to tell you, if you just look at the history of this country, when you get down into the details, let Congress write the principles, as I am saying here, that is fine.

I will go on and show you some things which you have written into the law, I am sure you voted for these, that allowed you to get into these things.

Senator LUCAS. What Senator Taft says is that these treaties can come back, and if they are the right kind of treaties Congress can review them in a short time. I think I am correctly stating it when I say that there were 17 different treaties that were sent to the Congress under the McKinley tariff, and they never came out of a committee, they died there.

Senator MCMAHON. We only ratified three in our history.

Senator TAFT. Incidentally, may I say if the Congress will not ratify them they ought not to be ratified.

Mr. O'Neal, you suggested just now that this—what was the last statement?

Mr. O'NEAL. It is amusing to me to hear those who are most fearful of governmental domination oppose the reciprocal trade-agreements program, I said.

Senator TAFT. No; that is not it. Never mind, I will get back to it.

Mr. O'NEAL. Throughout the world the tendency is toward more and more governmental interference. It is amusing to me to hear those who are most fearful of governmental domination oppose the reciprocal trade-agreements program. If we cannot successfully reduce the trade barriers of the world so that private individuals of one nation may trade with private individuals of other nations, then the only alternative is that trade among nations be conducted by the respective governments.

Most students of the problem agree that we cannot have the Government dominating our foreign trade without extending more and more controls and governmental domination over our private domestic business.

Again may I repeat that we cannot have the Government conducting the foreign trade of our Nation and at the same time maintain private enterprise internally. It therefore is essential that the Government assumes its rightful role in clearing the trade channels of the world in order that private individuals may carry on world trade.

If we are going to maintain world leadership, it is vital that we maintain a strong domestic economy. During this war period we have expanded our productive capacity far beyond our normal peacetime demands.

It, therefore, becomes imperative that we look to foreign trade as a means of employing this productive capacity, as an aid in maintaining full employment, in disposing of agricultural surpluses, and as an outlet for capital investment.

We have heard a lot of talk about providing jobs for 60,000,000 people and maintaining a high national income of around $150,000,000,000 annually. There is very little hope of attaining these ambitious goals unless we are willing to trade with other nations.

Farmers know that they cannot prosper unless the folks in the city have money with which to buy their products. Likewise, a prosperous agriculture contributes to the welfare of city folks. The importance of a high rate of industrial activity to the farmer has been amply illustrated during this war period, when even though more food has been available for civilian consumption than during the prewar period, it has still been necessary to ration many products.

With the tremendous productive capacity we have built up during this war period, it is essential that we find markets abroad for those products which we can produce efficiently. Many of our most efficient industries are large exporters, particularly the so-called heavy industries, which must maintain full production schedules in order to maintain domestic prosperity.

The charge is often made that the reciprocal trade agreements program endangers the wages of American workers. Available evidence indicates that the industries which enjoy the greatest tariff protection are among those paying their workers the lowest wages, while the industries which are able to meet world competition pay their workers much higher wages.

The more trade we can have with the rest of the world, the better will be the opportunity for maximum employment at reasonable wages and a high national income. If domestic prosperity is to be maintained, it is important that the automobile industry in the United States has foreign outlets for its products.

It is interesting to note that the volume of class I milk sales in Detroit increased 50 percent between 1940 and 1943. In Chicago class I milk sales during the same period increased 19 percent. Part of these increases were due to an influx of population from other areas, but much of the increase can be attributed to the increase in consumer purchasing power.

The dairyman, even though not directly interested in exporting his products, has a vital interest in the contribution that foreign trade can make to better domestic markets.

Foreign trade is vitally important as an outlet for surplus agricultural products. The total volume of agricultural production in 1944 was 33 percent above the prewar average. Records show that approximately 25 percent of our domestic food production was used for military and lend-lease purposes.

Although we now have legislation designed to aid the farmer during the reconversion period, we know that once agricultural production has been expanded it is very difficult to contract. Even though the domestic market is the most important outlet for agricultural products, the importance of the foreign market as an outlet for farm surpluses cannot be overemphasized.

During the period between the two World Wars, over 50 percent of our cotton production, about 20 percent of our wheat crop, about 35 percent of our tobacco, over 25 percent of our lard, and 40 to 60 percent of such dried fruits as prunes, raisins, and apricots, were exported.

We all know that cotton is the basic agricultural industry of the South, upon which the well-being of millions of our citizens depends. The South contains over 48 percent of all the farms in the Nation.

Agriculture has a threefold interest in trade agreements. First, as a means of encouraging world peace; second, as a means of aiding domestic prosperity, which means more favorable markets for agriculture; and, third, as a means of expanding foreign outlets for our surplus commodities.

The best way to measure the effect of our trade-agreements program on our foreign commerce is to examine what actually happened. For example, the value of our exports to the countries with which we had trade agreements during the 2 years 1938 and 1939 was 63 percent greater than during the 2 years 1934 and 1935. Our exports to non-trade-agreement countries increased only half as much. (See statistical appendix.)

Senator TAFT. Mr. O'Neal, my figures are different. You say that agricultural exports to countries with which we had trade agreements increased 50 percent.

Mr. O'NEAL. I did not say agricultural exports, I said the value of our total exports, Senator.

Senator TAFT. It is on the next page where I think you say that.

Mr. O'NEAL. Yes; that is the total. That is No. 7 of the charts.

Then again, the charge is often made that agriculture has been discriminated against under the trade-agreements program. The facts do not bear out this contention. Our agricultural exports to countries with which we had trade agreements increased 50 percent, while our agricultural exports to non-trade-agreement countries declined about 26 percent. Not only that, but the concessions obtained covered a wide list of agricultural commodities.

Senator TAFT. Our agricultural imports from trade-agreement countries increased pretty nearly 100 percent while the exports were increasing 50 percent, isn't that correct?

Mr. O'NEAL. We have a table there showing the exports and imports, Senator, pages 8 and 9 of the appendix there.

Senator TAFT. The net result was that we had much more imports than we had exports of agricultural products, isn't that correct?

Mr. O'NEAL. Noncompetitive products. There was no instance, or very few, where the importation hurt the American market. I will go into that a little later.

Senator TAFT. You do not mean to say we imported more coffee and chocolate just because of the trade-agreement program, do you? Noncompetitive products could not be affected by the trade-agreement program.

Mr. O'NEAL. Yes; they could. You have got to have money, and so on, to have exchange; yes, siree.

Senator TAFT. I do not see that at all, Mr. O'Neal. That argument is completely indefensible. Our whole effort, according to the purposes of this bill, is to get imports into the United States. We have no trouble in exporting plenty of goods, the theory we were held back on our exports because we did not import enough.

Obviously, trade agreements do not affect the size of imports of coffee, chocolate, and things that we need. They are affected entirely by the conditions in this country.

Mr. O'NEAL. Sure, but you have got to have a purchasing power to import.

Senator TAFT. Mr. O'Neal, the whole purpose of this program is to get more imports. We have no trouble exporting, except as we may be handicapped by imports. We always export more than we import. That is the whole argument for this bill, that we are held back because we are not willing to import enough.

Of course, we are always willing to import these noncompetitive products, so I do not see how they are affected in any way by the trade-agreements bill.

Mr. O'NEAL. I am sorry, but the largest industries in the State of Ohio disagree with you.

Senator TAFT. They do not, Mr. O'Neal. That is not so, because nobody can disagree with me on your particular statement. They may disagree with me on the net result of the tariff, but you certainly cannot claim that we would increase our imports of noncompetitive products because of any trade-agreements program.

Mr. O'NEAL. That is not not true, Senator; I do not agree with you at all. You have got to have a purchasing power. I wish you would read the dictionary and see what "trade" means.

Senator LUCAS. Back in 1932 did not we have so much surplus we could not even give it away?

Mr. O'NEAL. Yes, indeed. I have the record here to show you we were burning wheat and corn, we were giving away cotton, practically, and hogs were running around squealing. What was the trouble? You were still drinking coffee, Senator, at that time, and a little Scotch liquor, maybe.

Senator TAFT. That is right. There is no difficulty building up our imports of noncompetitive products to $2,000,000,000, or perhaps $3,000,000,000, whether we have trade agreements or do not have trade agreements.

The whole question is whether we are willing to import competitive products, that is the only problem in this bill. As I see it, the result of the trade agreements has been to increase the imports of agricultural products a great deal more, a great deal higher percentage than to increase the exports of agricultural products, both to trade-agreement and non-trade-agreement countries.

Mr. O'NEAL. In other words, Senator, you have not been hurt. You might have some little instance here and some little instance there, but when you get down specifically to see where a farmer has been hurt by these imports you fail to find it.

Senator LUCAS. Was the corn farmer ever hurt by the importation of Argentine corn?

Mr. O'NEAL. On the importation of Argentine corn, he had a good tariff, you know. By the way, when corn got scarce in the State of my distinguished Senator here, and your State, you could find cattle feeders who wanted some Argentine corn, and they wanted some wheat and so on, to feed at that time because of the scarcity.

Senator TAFT. Of course, at the time of scarcity you will import anyway. If you reduce the tariff on Argentine corn it is inevitable that you will reduce the price of corn in the United States.

Mr. O'NEAL. We are not expecting to reduce the tariff so low as to destroy any legitimate industry in this country.

Senator TAFT. You are not?

Mr. O'NEAL. No, sir.

Senator TAFT. Then I do not quite see the purpose of the bill, unless it is to increase imports that will cut into American production to some extent.

Mr. O'NEAL. We can accept a lot of imports without hurting our economy, certainly we can. That shirt you have got on there, Senator, when you bought that shirt, of course, you were awfully glad to buy a white shirt, weren't you?

Senator TAFT. That is a pretty old shirt. I think at the time I bought it I had no trouble in buying shirts.

Mr. O'NEAL. You do not see that now. Did you look on the back of that shirt, did you look around the collar to see whether it was English broadcloth or not?

Senator TAFT. No; I did not.

Mr. O'NEAL. Well, you look some time when you buy a shirt. You, as a consumer in America and a high-tariff man, you don't object to buying that fabric spun in England—out of what? Out of Egyptian and American cotton.

You see no objection to that at all. That suit of clothes that you have got on there, do you know that has English and Australian wool mixed in there?

Senator TAFT. My suggestion is you can already reduce the tariff 50 percent of the statutory amount. But now, if they reduce it 25 percent, it is almost certain to eliminate the tariff for all practical purposes on most products.

Senator LUCAS. As I recall, the Senator from Ohio was in favor of reducing it 50 percent.

Senator TAFT. No; I was not. I am not in favor of reducing the tariff. I opposed it on exactly the same ground as the Senator from Wyoming. I am not in favor of giving the State Department the power, without any rules, without any guidance, without any standards or anything of that kind, to destroy American industry by a reciprocal tariff if they want to do so for any political reasons.

I say the fixing of tariffs is a job for Congress. I would not even object to them doing if it we prescribed the standards, laid them down, so they would have to follow them, and be checked by Congress, which is the Senator from Wyoming's proposal, that the Congress check them.

Senator LUCAS. There is no more difference in the proposal of the Senator from Wyoming and the Senator from Ohio on that theory than there is in going back to the old original tariff days and making up tariffs piece by piece.

If these things have to come back to Congress we might just as well repeal the reciprocal trade agreements and go back to the old tariff logrolling days and spend the rest of our time doing nothing but tariff work.

Senator TAFT. I would prefer to set up the standards and principles on which tariffs can be reduced and set up a board to carry them out rather than adopt the program of the Senator from Wyoming, but if we did do that I still think, under his program, tariffs from a particular country could be considered once a year and in many cases approved by the Congress.

Senator MCMAHON. Mr. O'Neal——

Mr. O'NEAL. Yes.

Senator MCMAHON. I think it is important, before we leave the subject, although I do not want to unduly prolong your testimony, to see whether you agree with me.

There is a basic error in Senator Taft's reasoning that imports of noncompetitive products have nothing to do with the trade treaties, or vice versa.

Now, under the trade treaties it is your claim that we promote our exports to foreign countries, which in turn you claim raises the level of domestic purchasing power.

Mr. O'NEAL. Yes.

Senator MCMAHON. If that domestic purchasing power is raised a woman with three children can feed her children three cups of chocolate a day, if she is so disposed, as against one cup of chocolate a day.

So it does have a very direct relationship to the amount of noncompetitive products that we import from the Latin-American countries, isn't that true?

Mr. O'NEAL. Sure.

Senator TAFT. Except that this is all a question of balance. If your imports do more harm than your exports do good, then she cannot buy more chocolate. You just come back to the general question whether this policy is creating greater prosperity.

I say the greater prosperity you create, the more you increase your noncompetitive imports, that is true, but I do not think you do it because of the trade agreements.

Senator WALSH. Proceed, Mr. O'Neal.

Mr. O'NEAL. Now, let us take a look at the concessions on imports. It is true that there have been some reductions made on agricultural products, but it is important to note that the greatest care has been taken in making sure that such reductions do not cause a flood of imports that would disrupt our agriculture.

For instance, many of the reductions have applied only to limited quantities. In other cases, reductions have been made on a seasonal basis at a time when our production is low. These special safeguards have been used almost entirely to safeguard agriculture.

The trade-agreements program has been greatly hampered by the war. Under the trade agreements negotiated with 28 countries, our import duties have been reduced by 50 percent on approximately 43 percent of the total value of our 1939 imports on which we maintain duties.

Reductions of less than 50 percent have been made on another 20 percent of our dutiable imports. Thus there are about 37 percent of our dutiable imports on which no reductions have been made under the trade-agreements program.

The most controversial feature of this proposed legislation is granting the President the authority to change our tariff duties up to and including 50 percent of the rates existing January 1, 1945, rather than 50 percent of the rates existing in 1934, as provided in the present legislation.

We believe that this additional authority, to be used on a selective basis, is essential for the successful operation of the trade-agreements program.

We feel that there are adequate safeguards to protect American agriculture and industries against undue hardships arising from these additional reductions. I shall point out some of these safeguards.

One safeguard is the so-called escape clauses which are included in some of these trade agreements, and it is understood that the escape clause will be included in all future trade agreements.

The escape clause provides that—

> if, as a result of unforeseen developments and of the concessions granted on any article enumerated and described in the schedules annexed to this agreement, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles, the government of either country shall be free to withdraw the concession in whole or in part, or to modify it to the extent and for such a time as may be necessary to prevent such injury.

These escape clauses provide for protection of domestic industries against unpredictable developments, and provide reasonable assurance that our domestic industries will not be unduly harmed by action taken through trade agreements.

Senator LUCAS. Mr. O'Neal, let me ask you there; just assume that the Congress should exercise authority over what is granted in that escape clause, how long do you suppose it would take the Congress and how many complaints do you suppose would be coming to the Congress with respect to the violation of the trade agreements?

It just seems to me indefensible to say Congress should up here and do nothing in this complicated international situation that we are in at the present time except to sit in and finally agree on every conceivable problem that might arise in this country under the trade-agreements problem.

Mr. O'NEAL. It would be just too stupendous.

Senator LUCAS. If you do not delegate the power then you might just as well forget about the reciprocal trade agreements entirely and go back to the old tariff days.

Senator TAFT. I did not say Congress cannot operate under the escape clause.

Mr. O'NEAL. The people of the United States, when they fought the Revolutionary War through sweat and blood, set up a constitutional government—the executive, the Congress, the court, and soon.

Well, bless my soul, how could we function as a democracy if we did not have somebody designated the authority to administer some of these great principles of law?

If Congress is going to become an administrative body, why, as I see it, Senator, you would have to sit up all night and you would have to lengthen the year by 365 days. It just cannot be done.

If you start functioning the Government that way, do you want to take the prerogatives of the Supreme Court? Probably you do.

Senator TAFT. Congress, of course, can do this, and has done it. We had an occasion where we had up a law to protect the producers of cottonseed oil, Mr. O'Neal, and other oil producers by raising the compensatory tax, which we did.

First, we did not bother at all about the treaty, we just overruled the treaty; and finally, I think, we accepted them for the period of the treaty. With these escape clauses they would not have to do that.

So we could pass the law, as Senator Lucas suggests, and we might pass laws changing these rates anyway.

Senator LUCAS. Does the Senator maintain that Congress has ever abrogated the trade agreements with respect to cottonseed oil?

Senator TAFT. Congress passed a law that did, until we revised it. We finally provided that the new high tax on coconut oil should not go into effect until the end of each trade agreement that referred to it, because, as we pointed out, it was a violation of the treaty.

But if we had the escape clause in these things it would not be a violation of the treaty any more so we would go right ahead and do it.

Now, I understand the escape clause is going in every agreement.

Senator LUCAS. I do not want to challenge the able Senator, but I doubt if he is correct on that.

Mr. O'NEAL. Another protection in the trade agreements is the use of quotas.

Senator TAFT. Don't you think that kind of exercise of power is practically negative? What difference does it make if you import such a small amount?

Mr. O'NEAL. Well, it does make a difference. I haven't got the figures here, but the figures show that the Canadians come in and buy the equivalent, and maybe some more.

Senator TAFT. But I say it is a wholly negligible figure, a few million dollars compared to the $10,000,000,000 that you are trying to get of exports.

Mr. O'NEAL. Well, it takes a whole lot of little things in our economy to make a big jackpot, you know.

Senator LUCAS. It is not a negligible figure, if you believe the cattle fellows that testified from the West.

Senator TAFT. It is negligible, though. It really is not important one way or another.

Senator LUCAS. I think you are right.

Mr. O'NEAL. A third protection to agriculture is contained in section 22 of Public Law No. 320, Seventy-fourth Congress, an act to amend the Agricultural Adjustment Act, the first two sections of which are as follows:

(a) Whenever the President has reason to believe that any one or more articles are being imported into the United States under such conditions and in sufficient quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken, or to reduce substantially the amount of any product processed in the United States from any commodity subject to and with respect to which any program is in operation under this title or the Soil Conservation and Domestic Allotment Act, as amended, he shall cause an immediate investigation to be made by the United States Tariff Commission, which shall give precedence to investigations under this section to determine such facts. Such investigations shall be made after due notice and opportunity for hearing to interested parties and shall be conducted subject to such regulations as the President shall specify.

(b) If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts, he shall by proclamation impose such limitations on the total quantities of any article or articles which may be imported as he finds and declares shown by such investigation to be necessary to prescribe in order that the entry of such article or articles will not render or tend to render ineffective or materially interfere with any program or operation undertaken, or will not reduce substantially the amount of any produce processed in the United States from any commodity subject to and with respect to which any program is in operation, under this title or the Soil Conservation and Domestic Allotment Act, as amended: *Provided*, That no limitation shall be imposed on the total quantity of any article which may be imported from any country which reduces such permissible total quantity to less than 50 per centum of the average annual quantity of such article which was imported from such country during the period from July 1, 1928, to June 30, 1933, both dates inclusive.

The fourth and very important protection is that the Congress of the United States is not giving up its authority under the trade-agreements program. Through congressional action Congress can nullify the effects of the trade agreements.

The necessity for periodic reenactment of trade agreement legislation demands a thorough investigation of these programs at each reenactment period. This periodic review by Congress serves as a check to be sure that the trade-agreements program is administered in line with the wishes of the majority of the people.

In addition, we have the assurance of President Truman that during his administration no domestic industries will be destroyed due to the trade-agreements program.

We also have the assurance of the Department of State that the powers would be used in such a manner as not to injure domestic industry. There is also the safeguard that other divisions of Government, including the Department of Agriculture, will be consulted in making trade concessions.

The trade-agreements program is a method through which this Nation can obtain the greatest possible benefits from foreign exports with the least possible disruption to our domestic economy.

We feel that it is essential that those responsible for administering this program be given the additional bargaining power provided in this legislation. It is not contemplated that the full extent of this authority will be used.

Such has not been the case during the past 10 years of operation. It is extremely important that they have the flexibility necessary in order to gain the greatest possible advantage for this Nation. We should keep in mind that our tariff rates on various products are not uniform.

Some have been so excessively high that a 50-percent reduction has had little or no effect in permitting an exchange of goods.

Senator McMahon. Right there, Mr. O'Neal, I presume when they testify in the hearings that any reduction below 100 percent would positively ruin them, yet in the case you mentioned it has been reduced 50 percent and you say it has had little or no effect.

Mr. O'Neal. That is right; in some cases that is true.

For example, in 1939, after most of the agreements now in effect had been negotiated, there were still about 1,000 items in which the duties amounted to more than 50 percent ad valorem and there were 166 different items on which the duties were still over 100 percent ad valorem.

On the other hand, there are many items on which the duties are very low and even a 10 percent reduction on these items, might be too much. The granting of this additional authority will permit effective administration of our tariff program in a manner which would give this Nation the greatest possible benefits.

In closing, I would like to state that it is my firm conviction that there are many groups of individuals in this Nation who have been complaining for fear of getting hurt, rather than having actually been hurt by the trade-agreements program. I am deeply convinced that the trade-agreements program will serve agriculture, and that it does contain safeguards to protect the interest of our domestic industries.

I was profoundly impressed at the United Nations Conference at San Francisco, with the unit of thinking among the consultants representing our large voluntary organizations of agriculture, labor and industry, with respect to the vital necessity for working out these international economic and social problems as the essential basis for a lasting peace. We all agreed that the world organization will not succeed unless these economic and social problems are solved.

I hope you gentlemen got that. There we had 42 volunteer groups in this country, the United States Chamber of Commerce, the National Association of Manufacturers, the CIO, church groups, lawyers, farmers, they were all there and they all practically said what I said here as to how fundamental it is for us to work out those problems.

America and the world stand at the crossroads. We must be conscientious in assuming our rightful role in world leadership. This trade-agreements program, along with plans being developed at the San Francisco Conference, the international program, the International

Food and Agriculture Organization, and other programs for international cooperation which may follow, are vital if we are to meet our responsibility to future generations.

I would like to submit for the record, along with this testimony, our supporting data contained in the statistical appendix.

Thank you, Mr. Chairman.

Senator WALSH. That may be done, Mr. O'Neal.

Mr. O'NEAL. Thank you very much.

Senator WALSH. We thank you, Mr. O'Neal.

Senator TAFT. Mr. O'Neal, I would like to ask you a question about this western thing. For instance, the tariff on wool, apparently if that tariff were cut in half it would destroy the wool industry. They all say so. What do you think?

Mr. O'NEAL. I think so.

Senator TAFT. You are willing to sacrifice that industry for the general welfare of the country?

Mr. O'NEAL. No, no. That is the reason I am saying, let us have a trade agreement, let us have some bargaining authority and use the protective laws that you put on the statute books so as not to destroy that industry.

Senator TAFT. You mean you want Congress to give the State Department power to destroy the industry, but you promise, or you think, or something, that the State Department will not do it. Is that right? Is that your suggestion?

Senator LUCAS. Well, it hasn't done it up to now.

Mr. O'NEAL. No. The point is, look at the record. Even the wool grower, or cattleman, or these groups, look at them all and just study the record and see the facts.

Senator LUCAS. The best evidence is the cattle problem that the Senator from Ohio says is a very negligible thing. Now, they could destroy the cattle market if they wanted to exercise the power they have under the trade agreements by letting down the bars, but the truth of the matter is they haven't done it.

Senator TAFT. As a matter of fact, there is almost no duty on cattle. Isn't that correct?

It comes to something like $10 a head. Is that about right?

Mr. O'NEAL. I have forgotten just what it is.

Senator TAFT. There is no competition with the Argentine because of the hoof-and-mouth disease. If it were not for that the Argentine cattle could be delivered here at half the price as the American cattle; isn't that correct?

Mr. O'NEAL. They can do that, but the position we are taking under this trade agreement, we do not want to destroy that business; certainly not.

I am a producer of a great surplus crop, cotton. I do not want to destroy the cattlemen, or the sheepmen, or any legitimate grower, but I will read the record on what destroyed him.

We passed the Smooth-Hawley Tariff Act, you remember that. The Nation was desperate. I remember Mr. Hoover called the Congress together. He himself, as I recall it, did not want to open up the tariff issue. I don't know whether any of you gentlemen around here were in the Senate at that time. He did not want to open it up.

Well, the farmers opened it up. Let us just see what happened.

The tariff on wool was raised from the level of 29 to 34 cents per pound, while the growers received an average of only 9 cents a pound. The tariff was raised from $2.50 to $3 per hundred on fresh beef, and the tariff was $6 per hundred, but the cattle growers averaged $3.31 per hundred for cattle.

Senator TAFT. You want to suggest that the depression resulted from the Smoot-Hawley law. You can argue that all you want.

Mr. O'NEAL. What I am talking about is our restrictive philosophy, Senator.

I want to ask you a question, if you will answer, and I am sure you will.

How are you going to employ the men in this country to get the market—a market for 25 or 30 percent increased production of agricultural commodities?

Senator TAFT. By primarily increasing the American market. Even under the view of the best advocates of this treaty, 0.9 by increasing the American market and less than 0.1 by increasing the foreign market.

Mr. O'NEAL. I am going to ask you, How are you going to increase the American market?

Senator TAFT. Only by general prosperity. I think the importance of foreign trade is greatly exaggerated. It has an important effect, but it is greatly exaggerated. I do not think anybody can prove that it will have any material effect.

In 1929 the foreign trade was about 7 percent, nearly 7 percent, and under the trade-agreements program it has never been up to 5 percent yet. That 7 percent was after a time of the highest tariff we ever had, except the Smoot-Hawley tariff, which was only a slight increase.

I do not think you can produce evidence to show that the domestic prosperity depends on whether we have a high tariff or a low tariff. I think the importance of the tariff, to some extent, is exaggerated by both sides.

Mr. O'NEAL. Do you mean to tell me that you think America, with 140,000,000 people, can buy the full production of her great industries which have been built in this war effort? Do you really think that?

Senator TAFT. Do I really think what?

Mr. O'NEAL. Do you really think the American people, without trading, can keep employed the men that work in these industries, this great war production, that there is enough purchasing power in the American people to do that?

Senator TAFT. I think they can do it, yes, with the foreign trade which is going to develop in a natural, prosperous economy. It developed under a very high tariff in the twenties.

But foreign trade, as I say, is an important factor, but the chief thing is to manage our domestic economy in such a way as to give you employment.

Mr. O'NEAL. Senator, my answer to you—and I am an older man than you are—and I have been watching the market, taking great joy in it, and I will say what happened after the twenties was very close to utter ruin.

Senator TAFT. Yes; but it had nothing particularly to do with the tariff one way or the other.

Mr. O'NEAL. It did not have anything to do with it?

Senator TAFT. I will tell you one thing, Mr. O'Neal: If there is one thing that was important, it was the extent to which our export trade was artificially raised, to the extent of about a billion a year, and its sudden collapse did undoubtedly contribute to unemployment in this country in a rather increased way.

Senator LUCAS. The Senator from Ohio is going to be a free trader in a minute.

Mr. O'NEAL. I think he is. I believe you agree with Charlie Wilson.

Senator TAFT. Mr. O'Neal, what I want to do is this: I cannot see why, under your own argument, the general reduction of tariffs will not reduce the level of farm products in this country; I do not see how you can get away from it.

If you reduce the tariff on wool 17 cents, it will reduce the price of wool in this country 17 cents; don't you think so?

Mr. O'NEAL. No; I do not think so. I wish it were economically possible to produce wool as we do produce cotton, but my answer is this, my dear friend: if you do not produce the wool to keep us warm then what are you going to do? Are you going to let everybody freeze and wear cotton?

General Somervell made this statement, talking about cotton before Mr. Vinson's board about not having more cotton, about this surplus crop. He said the trouble is we cannot get the textile mills to produce enough, and then a great proportion that we do produce had to go to the soldier boys. They have got to have both wool and cotton.

Senator TAFT. What is the reference of that to this bill?

Mr. O'NEAL. The reference is you cannot substitute wool with cotton; it is all right to produce more wool.

Senator TAFT. I do not understand the reference of that to this bill, or the argument that we were conducting.

Mr. O'NEAL. I am just illustrating your question that you asked.

Senator TAFT. It does not relate to any question that I asked. I cannot understand, though, why inevitably the reduction of tariffs on agricultural products such as wool, beef, corn, flax, and flax particularly, all of these oils, will not inevitably reduce the price of agricultural products in the United States, and if it does, why you will not all be in here demanding subsidies from the Government to raise the price, why it will not produce a depression in the farm districts; I do not understand that.

Mr. O'NEAL. I tried to explain to you, Senator, that you have got four or five provisions of law to bring it in by quotas in such a way as not to destroy the national economy.

Senator TAFT. Your argument is we should grant the power because it will not be used. That is the substance of your argument, as I understand it.

Mr. O'NEAL. No, siree. You did not hear me, you didn't hear my argument in saying we are safeguarded there. The main stake of an American farmer is to have a home market, and he cannot have a home market without trade; it just cannot be done.

Senator TAFT. Let me raise another question: Isn't it true that the result from 1934 on the export of agricultural products under this trade-agreements program—if that is the case, although I don't know what the cause is—that there has been for the years 1937, 1938, 1939, 1940, and 1941, taking all countries into consideration, a decrease in the export of agricultural products, rather than an increase? Whereas nonagricultural products exports have increased about 100 percent?

Mr. O'NEAL. You are looking at that table, are you, on page 7?

Senator TAFT. No; I am looking at the table prepared by the United States Tariff Commission. It states that the percentage increase in exports of agricultural products over 1934 was 9 percent in 1937, 13 percent in 1938, minus 11 percent in 1939, minus 11 percent in 1940, and minus 8 percent in 1941, whereas the export of nonagricultural products increased 83 percent in 1937, 63 percent in 1938, 81 percent in 1939, and 150 percent in 1940.

Now, isn't it true that the result of this is to increase exports of nonagricultural products rather than agricultural products?

Mr. O'NEAL. Sure, it does increase nonagricultural products. It does both. Here is my statement on page 7. The value of our exports to those countries with which we had trade agreements increased 63 percent between 1934–35 and 1938–39, while the value of our exports to the nontrade agreement countries increased only 32 percent.

Senator TAFT. You mean all exports?

Mr. O'NEAL. I mean all exports.

Senator TAFT. I am talking about the farmer, what he gets out of this program.

Mr. O'NEAL. We have got that worked out, too, in one of the charts.

Senator TAFT. I put the Tariff Commission table in the record yesterday, so it is an official table from the Tariff Commission.

Mr. O'NEAL. I thought I had the data to prove my case here.

Senator TAFT. I would like to suggest also that the percentage increase in the import of agricultural products over 1934 was 92 percent in 1937, 16 percent in 1938, 36 percent in 1939, 57 percent in 1940, and 103 percent in 1941, whereas the imports of nonagricultural products increased as a rule less than that of agricultural products.

Senator LUCAS. Irrespective of exports and imports——

Senator TAFT. Would you mind if Mr. O'Neal answers that question first?

Senator LUCAS. No.

Mr. O'NEAL. If you look on page 8 there you will see we have got that worked out. The agricultural exports from countries with which we had a trade agreement increased 50 percent while agricultural exports to nontrade agreement countries declined 26 percent.

On the other hand, exports of nonagricultural products increased 68 percent with trade-agreement countries and 68 percent with nontrade agreement countries.

I tried to work it out from every angle.

Senator TAFT. What I want to suggest is that this additional buying power, these additional dollars of exchange that were created by the imports that were the result of the program, are much more likely to be spent for nonagricultural products in this country than for agricultural products.

Mr. O'NEAL. Well, I do not know about that. I will not say that that is true.

Senator TAFT. Our agricultural products are at a higher price and they have more difficulty in competing abroad than in a good many of our mass production manufactured goods.

Mr. O'NEAL. That has not been true.

Senator McMAHON. You pointed out in your statement, Mr. O'Neal, that the milk production went up in Detroit by 54 percent and in Chicago by 19 percent when they had a purchasing power in Chicago and Detroit. So if everything that was exported was the product of mass production industry, the money that would be gotten for it would be used to consume domestic goods by people eating three squares a day instead of one and one-half, isn't that true?

Mr. O'NEAL. Sure. That is what I have been trying to say to the committee here.

Senator TAFT. In the meantime you are in favor of subsidizing the export of cotton.

Mr. O'NEAL. Temporarily; yes.

Senator TAFT. Do you think there isn't any other solution that we can see to the cotton problem?

Mr. O'NEAL. Yes; I think there is another solution. We are working on that one, but at the same time I see no reason why you could not continue it unless you want to take all the tariffs down, and you do not want to do that, I am sure.

Senator LUCAS. Is it not a fact, regardless of all these complicated figures on exports and imports, that the American farmer, from the time the reciprocal trade-agreement program went into effect, has increased his cash income annually from that time until now?

Mr. O'NEAL. Sure, he has.

Senator TAFT. Now, wait a minute, Mr. O'Neal, on that question. During the twenties, isn't it true that the income of the farmer—of agriculture—was over $7,000,000,000 in the years 1924, 1925, 1926, 1927, and 1928, and that it descended to about $2,000,000,000–$2,300,000, and it has never gotten back to the figures under the highest tariff we ever had, except the Underwood tariff, until the war year of 1941?

Isn't that the fact?

Mr. O'NEAL. I will say this, if you want to really get the preview of the whole agricultural situation, that we establish a formula called "parity", and since——

Senator TAFT (interposing). Mr. O'Neal, would you mind answering my question first? Until 1941 did we ever get back the national income for farmers that we had in the years from 1924 to 1928?

Mr. O'NEAL. I have got the figures here year by year. I am starting in 1910. The highest year was 1918.

Senator TAFT. That was a war year.

Mr. O'NEAL. We had $18,000,000,000, then $19,000,000,000, then $17,000,000,000, then $13,000,000,000, and now we are running about $10,000,000,000 or $12,000,000,000.

Senator TAFT. In 1925 it was $7,000,000,000. Is that your figure also?

Mr. O'NEAL. In 1925 it was $8,530,000.

Senator TAFT. And it stayed pretty much the same until 1928?

Mr. O'NEAL. That is right.

Senator TAFT. Then it began to drop, and it has never gotten back until 1941; has it?

Mr. O'NEAL. That is right. It goes back to the war year again.

The point I want to make, Mr. Chairman, is that out of all those years agriculture has been at this parity only in 7 years. So when we come to you and talk to you and plead with you about a broadened program of this type, we know by experience that the war years are the only years when we have been in a parity position.

We had a low income in American agriculture even when we had the Smoot-Hawley tariff. We tried that, and we tried the Federal Farm Board, we tried these various farm programs, but the war years were the only years when we had any parity, as you know very well.

Unless the American people can keep up their jobs, can keep at work and earn enough to buy their foodstuffs, they cannot eat, and we see a way to provide them with work.

I am saying to you when you sit around the table with the big industrialists of the United States and hear them tell about their production for the war effort, you can see what can be accomplished, and I am going to ask you how are you going to keep these people employed?

How are you going to have a market unless you do keep the factories running?

Senator TAFT. There is one other thing I wanted to ask you about and that is butter, and that has a tariff of 14 cents a pound.

Mr. O'NEAL. That is right.

Senator TAFT. What would happen if that were cut in half? Would that affect the price of butter in this country?

Mr. O'NEAL. They will not cut that in half, you know pretty well. Would that satisfy you?

Senator TAFT. That is the only answer that you can make, asking me if it would satisfy me?

Mr. O'NEAL. If you can get any butter you are doing a lot better than most of us are.

Senator WALSH. Thank you very much, Mr. O'Neal.

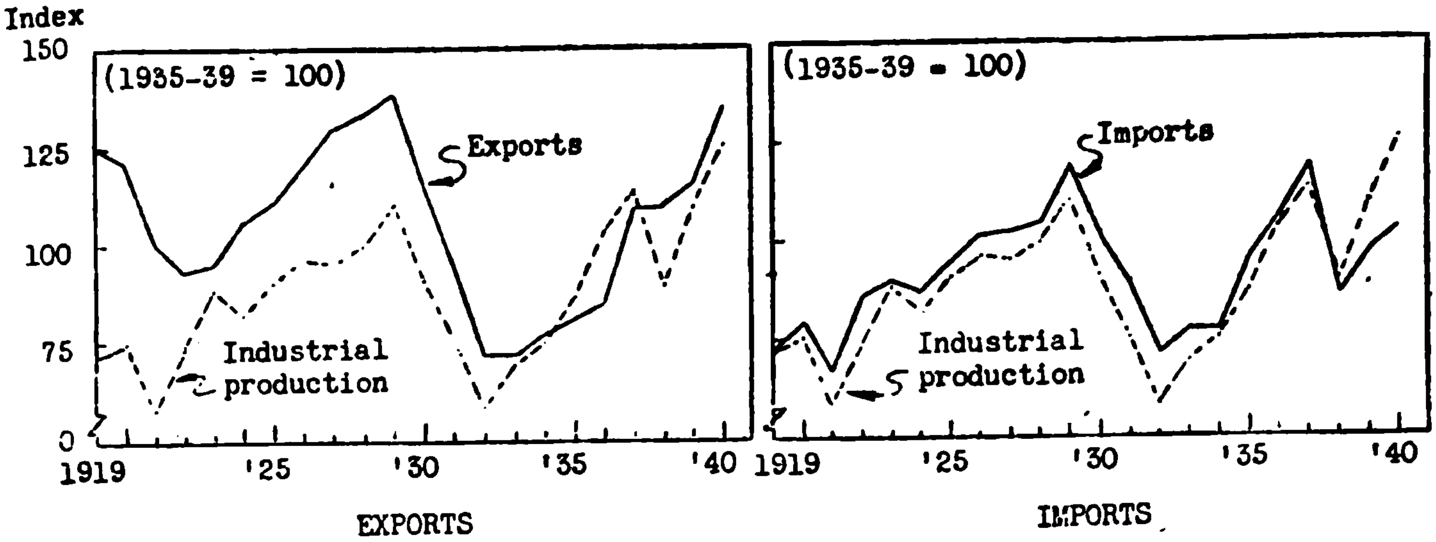
(The tables submitted by Mr. O'Neal are as follows:)

Comparison of industrial production and volume of United States foreign trade, 1919–40

[1935–39 = 100]

Year	Industrial production in United States	Quantity of exports of United States merchandise	Quantity of United States imports for consumption	Year	Industrial production in United States	Quantity of exports of United States merchandise	Quantity of United States imports for consumption
1919	72	125	73	1930	91	114	100
1920	75	121	79	1931	75	93	88
1921	58	100	67	1932	58	72	71
1922	73	93	86	1933	69	72	77
1923	88	95	89	1934	75	77	77
1924	82	106	87	1935	87	81	95
1925	90	111	94	1936	103	85	106
1926	96	120	101	1937	113	109	118
1927	95	129	102	1938	89	109	85
1928	99	133	104	1939	109	115	97
1929	110	138	118	1940	125	134	102

Source: Industrial production index—Federal Reserve Board; quantity of United States foreign trade, U. S. Department of Commerce

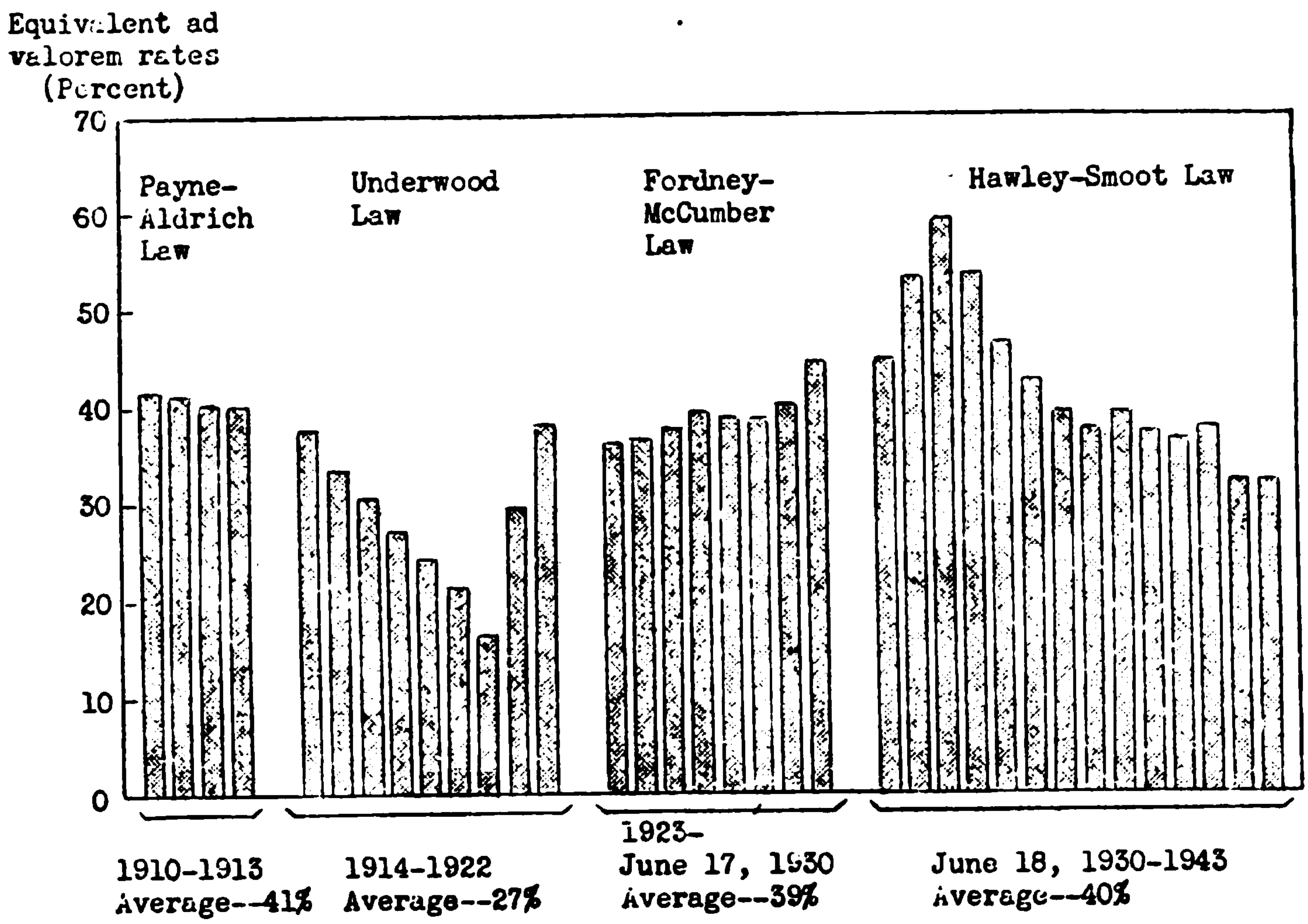


The volume of foreign trade, both imports and exports, is related to domestic and world prosperity.

Percent average tariff duties were of the value of dutiable imports into the United States, under specified tariff acts, 1910–43

Year	Equivalent ad valorem rates	Year	Equivalent ad valorem rates	Year	Equivalent ad valorem rates	Year	Equivalent ad valorem rates
	Percent		*Percent*		*Percent*		*Percent*
1910	42	1919	21	1928	39	1937	38
1911	41	1920	16	1929	40	1938	39
1912	40	1921	29	1930	45	1939	37
1913	40	1922	38	1931	53	1940	36
1914	38	1923	36	1932	59	1941	37
1915	33	1924	37	1933	54	1942 [1]	32
1916	31	1925	38	1934	47	1943 [1]	32
1917	27	1926	39	1935	43		
1918	24	1927	39	1936	39		

[1] Preliminary.



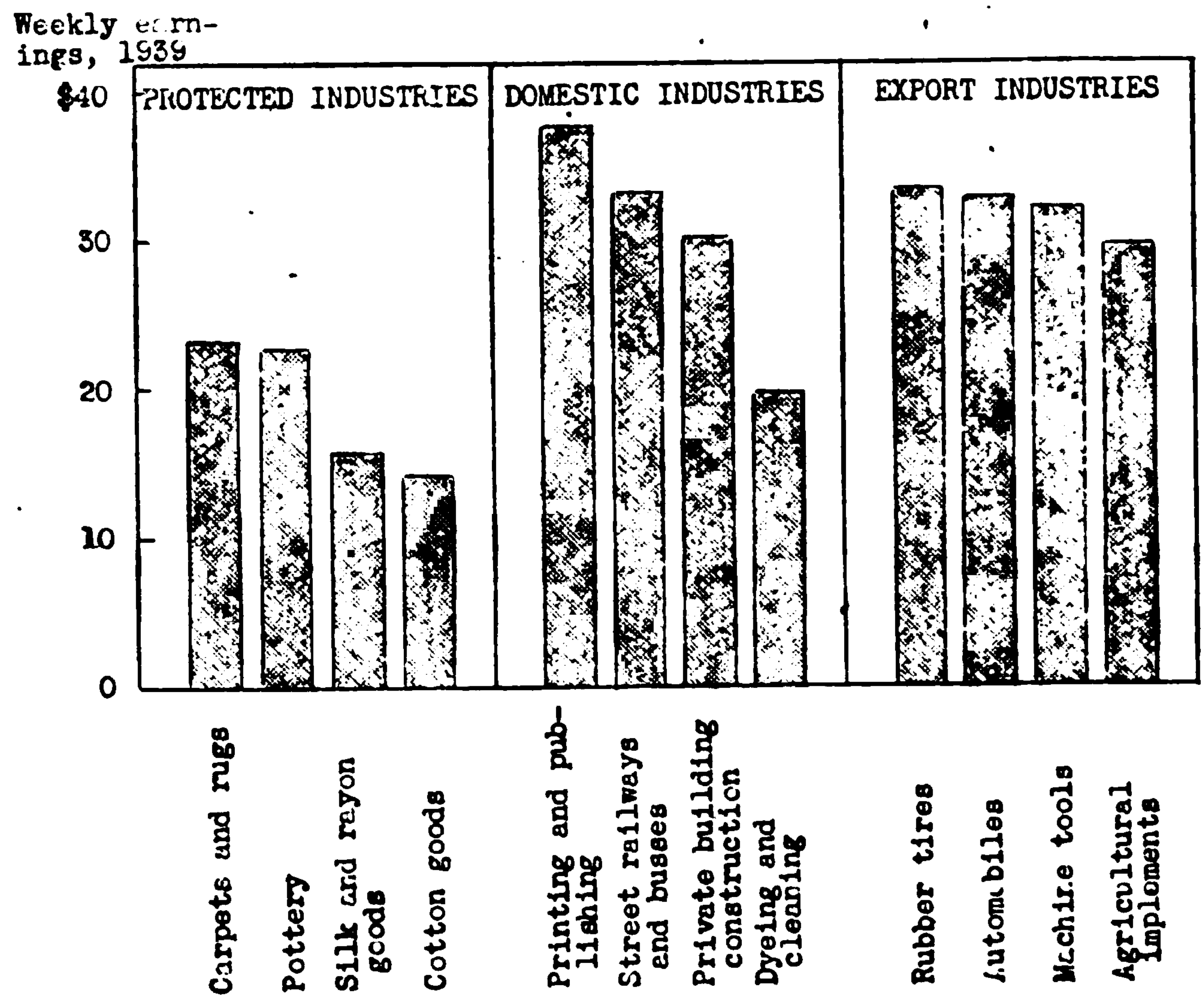
The general price level has a significant effect upon tariffs. In 1920, a year of high prices, the value of the duties collected was only about 16 percent of the value of the dutiable imports, compared with 59 percent in 1932, a year of low prices. This change was due in part to a change in tariff rates and also to the fact that many import duties are based upon a given amount per unit, which does not change with fluctuating prices. Under the Payne-Aldrich law (effective August 1909), import duties collected were equivalent to 41 percent of the value of our dutiable imports. During the Underwood law (effective October 1913), duties averaged about 27 percent of the value of the dutiable imports, while under the Fordney-McCumber law (effective September 1922), duties averaging approximately 39 percent of the value of our dutiable imports were collected. With the Hawley-Smoot law (effective June 1930), tariffs have averaged about 40 percent of the value of our dutiable imports.

Average weekly wages of workers in certain industries protected by the tariff, in domestic industries and in industries exporting a sizeable proportion of their production, 1939 [1]

	Average weekly earnings, 1939
Protected industries:	
Carpets and rugs	$23.25
Pottery	22.74
Silk and rayon goods	15.78
Cotton goods	14.26
Domestic industries:	
Printing and publishing, newspapers and periodicals	37.58
Street railways and busses	33.13
Private building construction	30.34
Dyeing and cleaning	19.96
Export industries:	
Rubber tires and inner tubes	33.36
Automobiles	32.90
Machine tools	32.25
Agricultural implements, including tractors	29.61

[1] The classification of industries was taken from Public Affairs Pamphlet No. 99, What Foreign Trade Means to You.

Source: Statistical Abstract of the United States, 1942.



The protected industries are not among those paying the highest wages to workers.

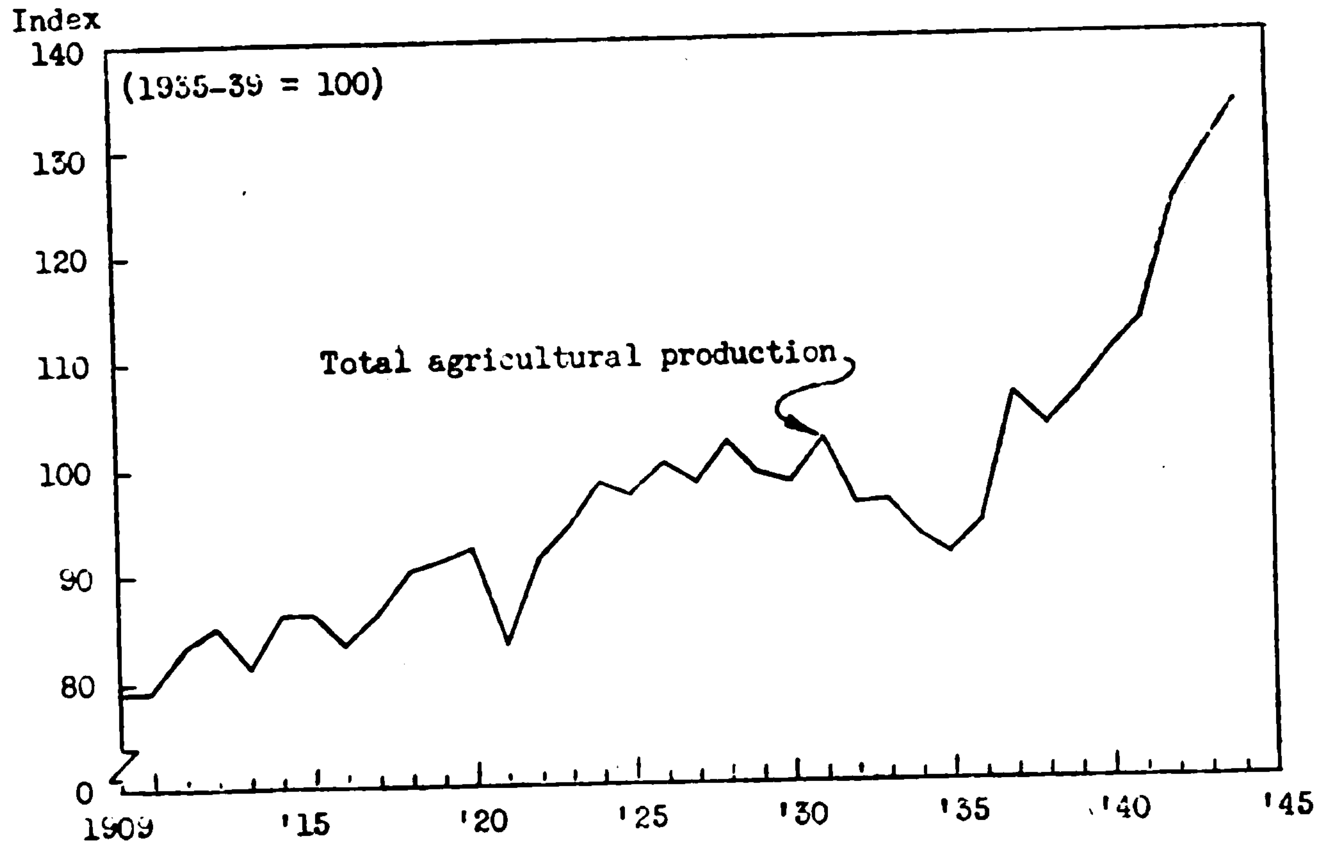
Volume of agricultural production in the United States, 1909–44

[Index 1935–39=100]

Year	Total food products	Total agricultural products [1]	Year	Total food products	Total agricultural products [1]	Year	Total food products	Total agricultural products [1]
1909	76	79	1921	84	83	1933	97	96
1910	75	79	1922	92	91	1934	100	93
1911	78	83	1923	95	94	1935	93	91
1912	80	85	1924	97	98	1936	97	94
1913	78	81	1925	93	97	1937	101	106
1914	81	86	1926	97	100	1938	103	103
1915	84	86	1927	97	98	1939	106	106
1916	81	83	1928	100	102	1940	111	110
1917	82	86	1929	97	99	1941	115	113
1918	90	90	1930	98	98	1942	125	124
1919	90	91	1931	100	102	1943	132	129
1920	87	92	1932	96	96	1944 [2]	137	133

[1] Includes in addition, other feed grains, hay, cotton, tobacco, hops, soybeans, flaxseed, wool, and mohair.
[2] Preliminary.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, the National Food Situation, October 1942 and January 1945.



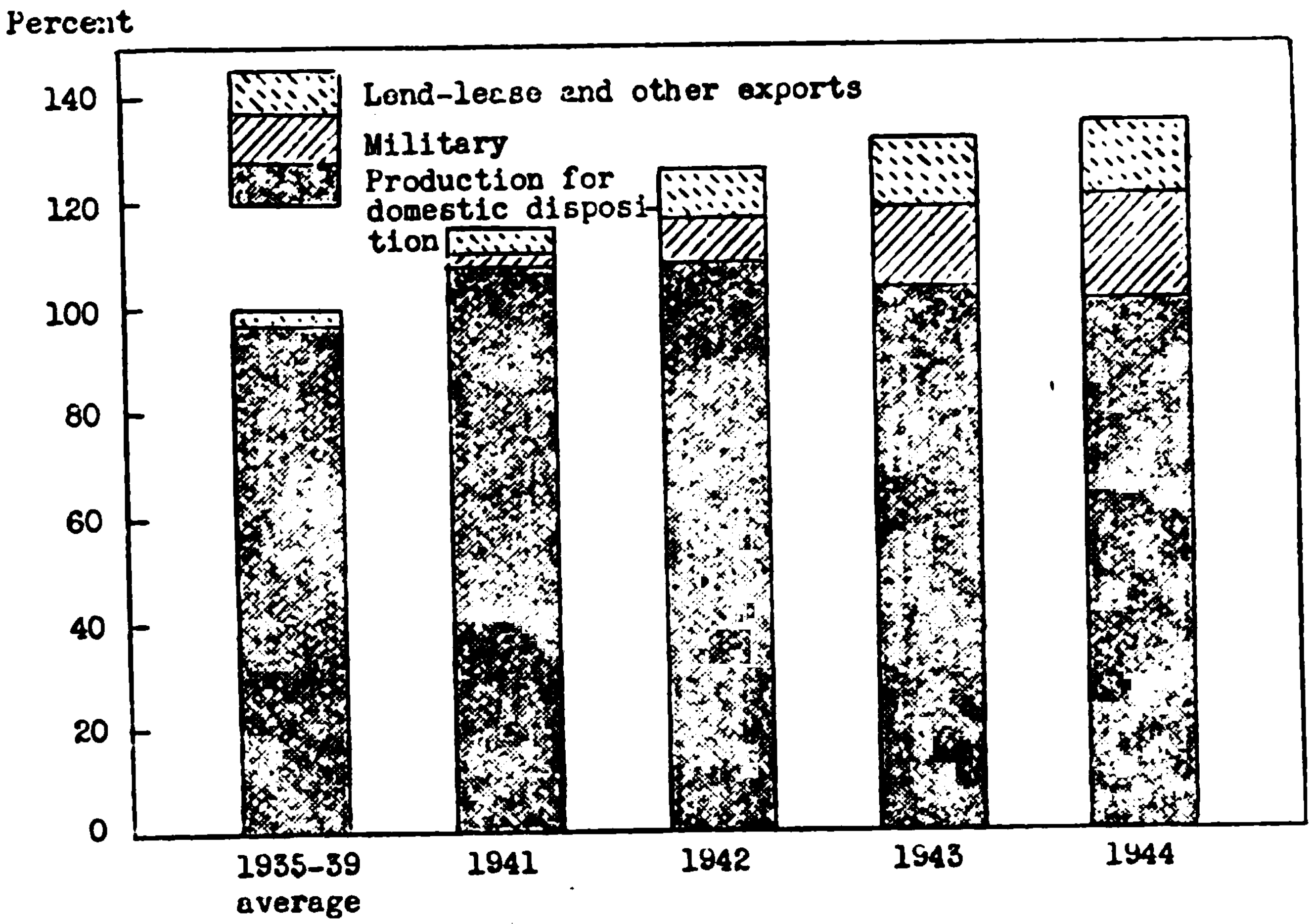
The total volume of agricultural production in 1944 was 33 percent above the prewar average and over 47 percent greater than the 1918 production. Favorable growing weather, improved farming methods, and hard work on the part of farm families have resulted in the greatest volume of agricultural production in our history.

Use of food produced in the United States, 1935–44

	Percent total production is of 1935–39 average	Percent used for—			Percent domestic disposition is of 1935–39 average [1]
		Lend-lease and other exports	Military	Domestic disposition [1]	
1935–39 average	100	3		97	100
1941	115	4	2	94	111
1942	125	7	7	86	112
1943	132	10	11	79	107
1944 [2]	137	10	15	75	103

[1] This is not equivalent to domestic consumption. No adjustments have been made for imports, changes in stocks, and uses for nonfood purposes.
[2] Preliminary.

Source: Bureau of Agricultural Economics. U. S. Department of Agriculture.



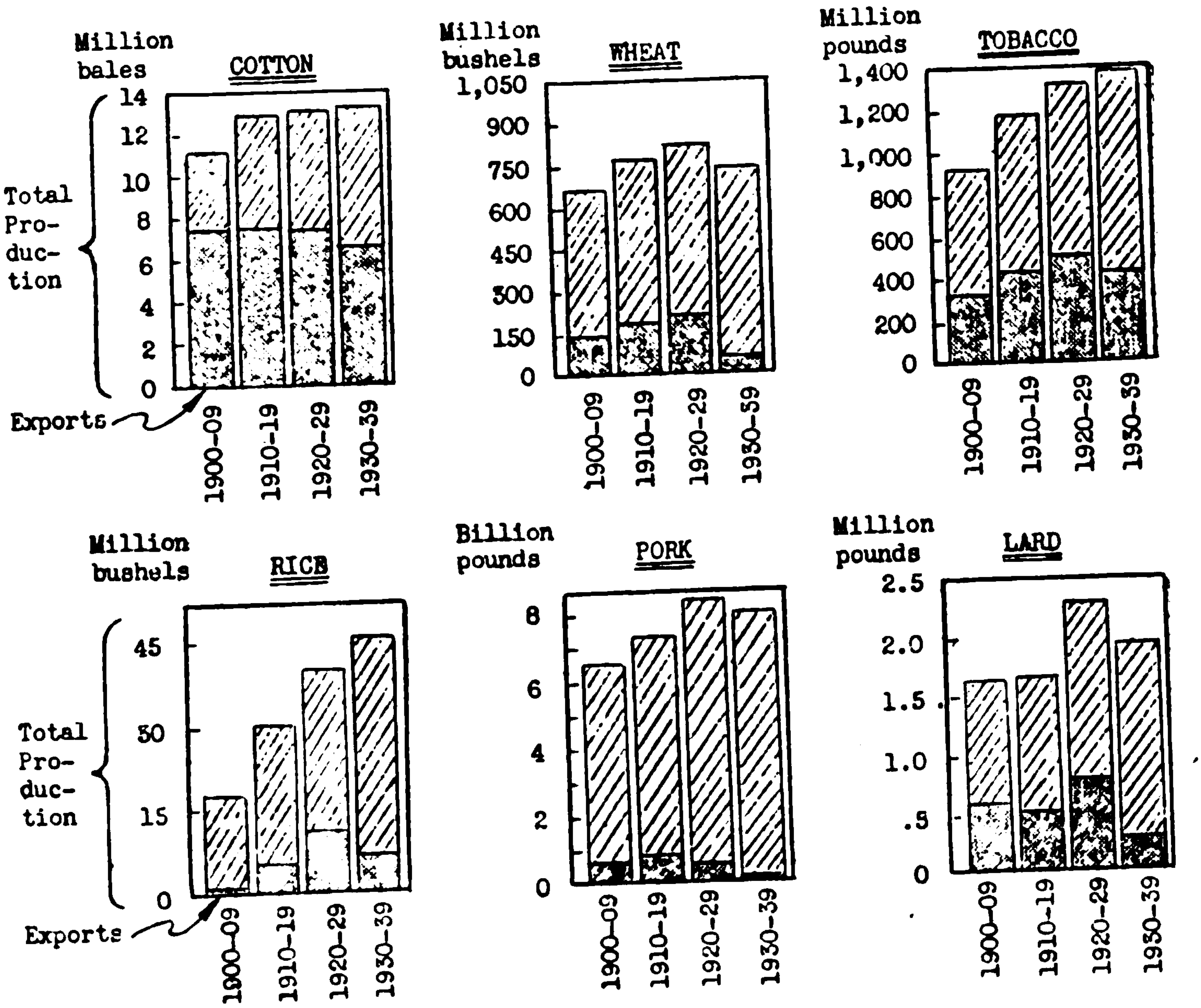
It is estimated that in 1944 approximately 25 percent of our food production was used for military and lend-lease purposes. This compares with 21 percent in 1943, 14 percent in 1942, and 6 percent in 1941. In spite of the fact that a larger proportion of our food is being used for military and lend-lease requirements, the quantity remaining for domestic disposition, although declining since 1942, is still greater than the average for the prewar period. This was made possible by the increased agricultural production.

Percentage of total United States production of wheat, cotton, tobacco, rice, pork, and lard exported, by 10-year periods, 1900–39

Period	Percent domestic exports are of total production of—					
	Wheat	Cotton	Tobacco	Rice	Pork [1]	Lard
1900 to 1909	21.9	67.1	35.4	7.4	10.0	34.8
1910 to 1919	24.2	58.3	37.0	16.5	11.4	30.9
1920 to 1929	26.1	56.6	38.8	27.2	6.9	34.8
1930 to 1939	9.1	50.0	31.4	16.2	1.6	18.5
40-year average	20.6	57.6	35.6	18.4	7.2	29.8

[1] Excludes lard.

Source: Weighted averages for 10-year periods, calculated from Agricultural Statistics, 1942.



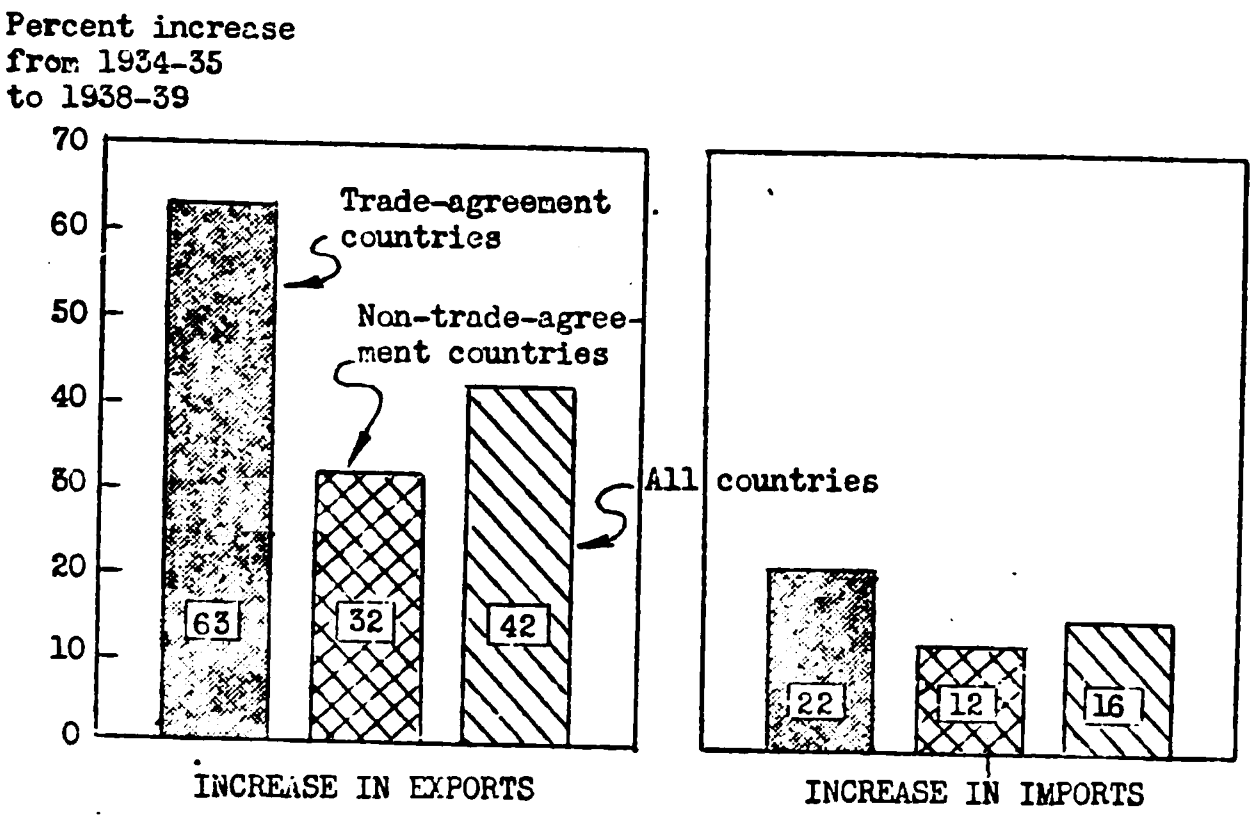
During the 1930's, approximately 50 percent of our cotton production, 9 percent of our wheat crop, and 31 percent of our tobacco was exported. For these three crops, a smaller proportion was exported than during any of the preceding decades. Wheat exports dropped from 26 to 9 percent of our production between the 1920's and the 1930's. At the beginning of the century we exported nearly two-thirds of our cotton production.

Change in the value of United States foreign trade with trade-agreement countries and with non-trade-agreement countries from 1934–35 to 1938–39 [1]

Items	Average value 1934–35	Average value 1938–39	Change in average value, 1934–35 to 1938–39	Percent increase, 1934–35 to 1938–39
Exports, including reexports:				
To trade-agreement countries [2]	$757,000,000	$1,232,000,000	+$475,000,000	+63
To non-trade-agreement countries [2]	992,000,000	1,306,000,000	+314,000,000	+32
Total exports to all countries	2,208,000,000	3,136,000,000	+928,000,000	+42
General imports:				
From trade-agreement countries [2]	774,000,000	942,000,000	+168,000,000	+22
From non-trade-agreement countries [2]	772,000,000	868,000,000	+97,000,000	+12
Total imports from all countries	1,851,000,000	2,139,000,000	+288,000,000	+16

[1] Due to war conditions, data after 1939 are not representative.
[2] Includes only those countries whose agreement status did not change materially during the 1938–39 period.

Source of data: Commerce Reports, Feb. 17, 1940, U. S. Department of Commerce.



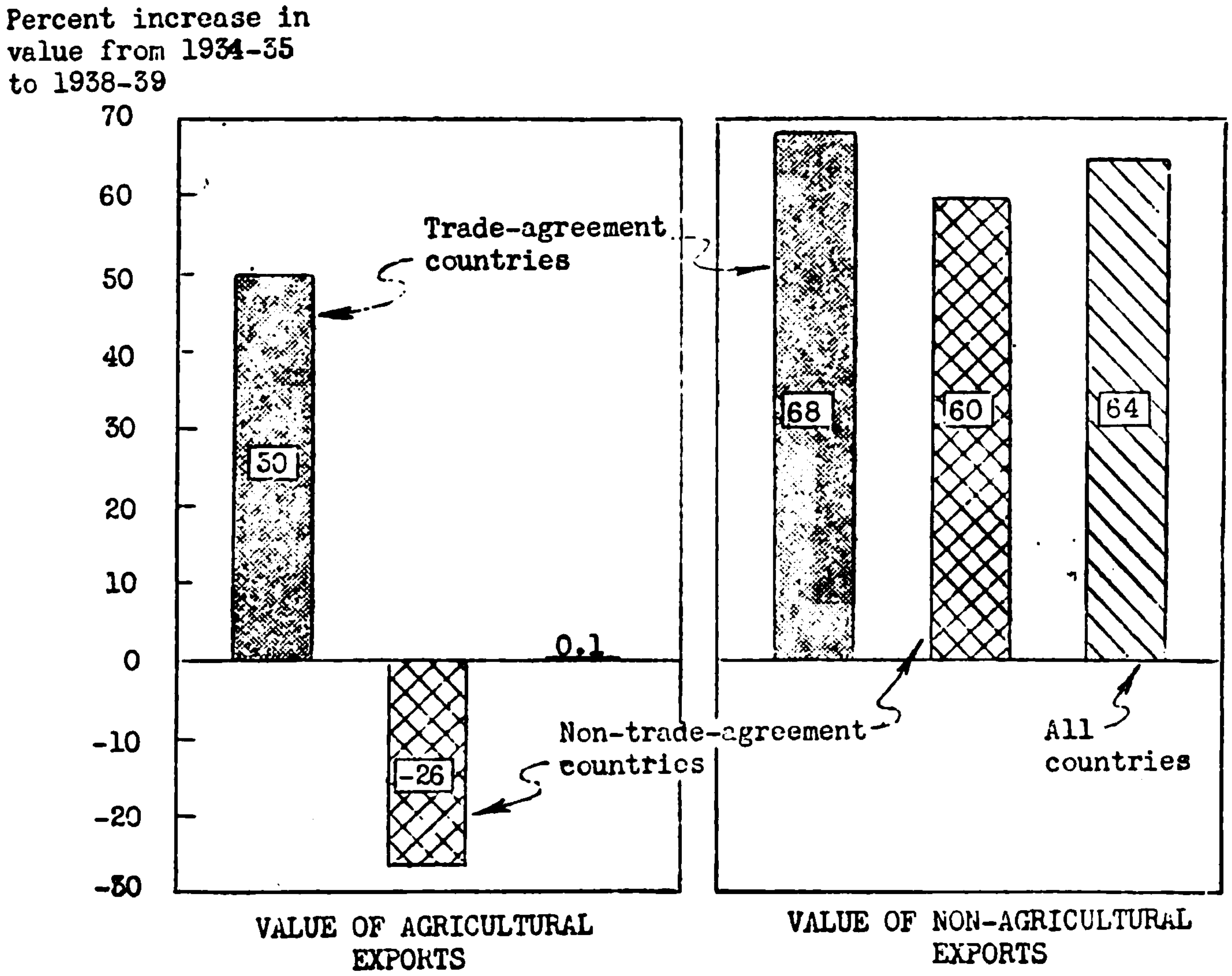
The value of our exports to those countries with which we had trade agreements increased 63 percent between 1934–35 and 1938–39, while the value of our exports to the non-trade-agreement countries increased only 32 percent. However, if the exports to Germany, Italy, and Spain were eliminated, then the value of exports to the non-trade-agreement countries increased 47 percent. Historical data show that the volume of our foreign trade increases and decreases with changes in prosperity and industrial production. The value of our imports from trade-agreement countries increased 22 percent, compared with 12 percent from non-trade-agreement countries.

Change in the value of exports of agricultural and nonagricultural products from the United States to trade-agreement and non-trade-agreement countries from 1934–35 to 1938–39

	Percentage increase in value of exports from 1934-35 to 1938-39		
	To trade-agreement countries [1]	To non-trade-agreement countries	To all countries
Agricultural exports	49.9	−26.4	0.1
Nonagricultural exports	68 4	59.7	64.1
Cotton exports	−13.1	−49.5	−38.2
Agricultural exports other than cotton	98.9	38.0	39.5

[1] Includes only countries with which agreements were in effect through all of the 1938-39 period.

Source: Prepared from data furnished by the U. S. Department of State.



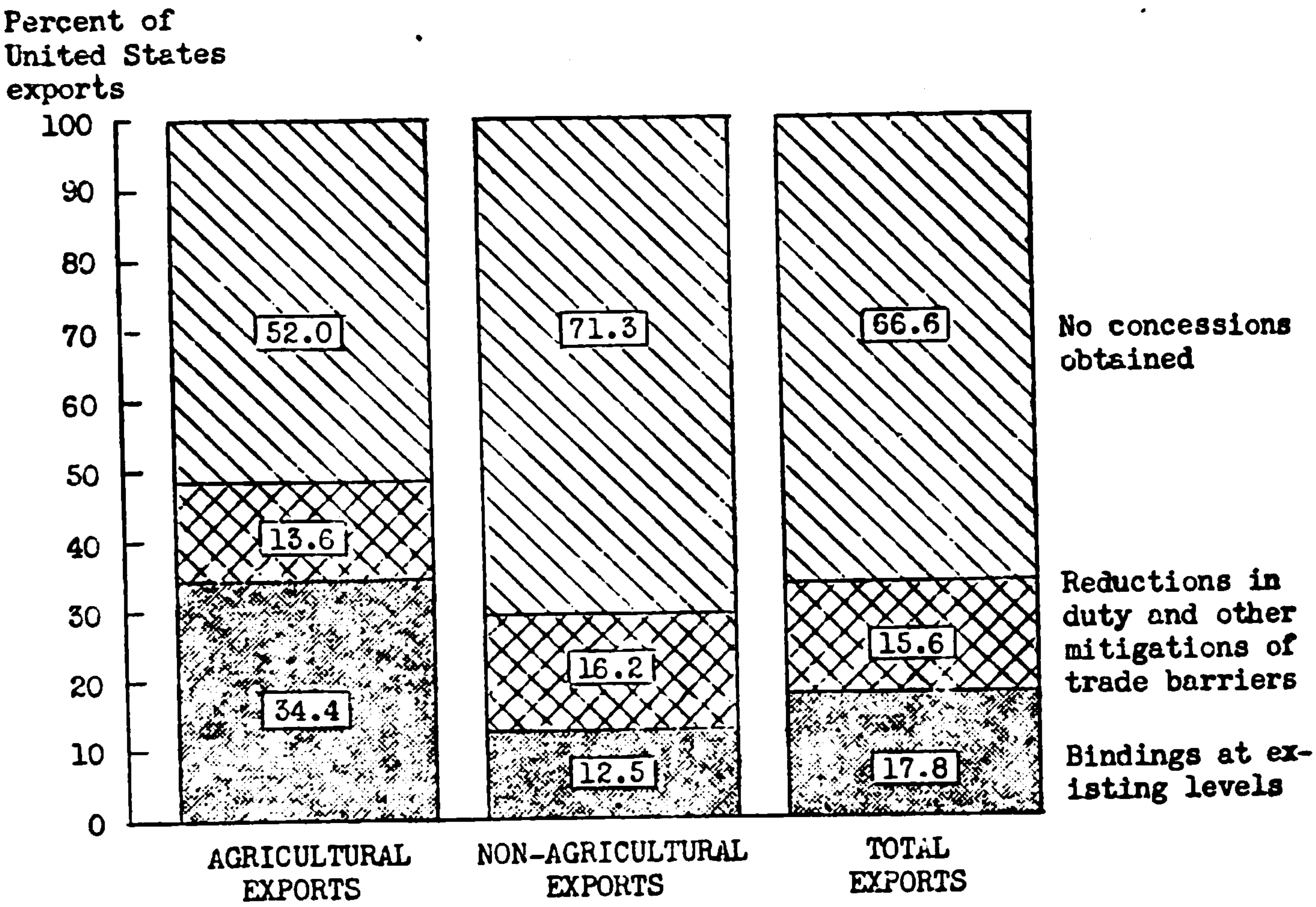
Between 1934–35 and 1938–39, the total value of agricultural exports remained practically the same. However, agricultural exports to the countries with which we had trade agreements increased 50 percent, while agricultural exports to non-trade-agreement countries declined about 26 percent. On the other hand, exports of nonagricultural products increased 64 percent, experiencing a 68-percent increase with trade-agreement countries, and a 60-percent increase with non-trade-agreement countries.

Percent of United States exports on which tariff or trade concessions have been obtained from other countries (exports and trade agreements in effect as of Jan. 1, 1943)

	Agricultural exports	Nonagricultural exports	Total exports
	Percent	*Percent*	*Percent*
Reductions in duty and other mitigations of trade barriers	13.6	16.2	15.6
Bindings at existing levels [1]	34.4	12.5	17.8
Total concessions	48.0	28.7	33.4
No concessions of any kind	52.0	71.3	66.6

[1] Countries agreed not to increase tariffs, etc.

Source of data: Department of State, from records of the Department of Commerce.



Under the trade-agreements program concessions from foreign countries would have been obtained on about 33 percent of our total exports. About one-half of these were agreements to actually lower trade barriers and the other half, agreements not to increase barriers above existing levels. However, actual reductions in barriers were made on about 14 percent of the agricultural exports compared with 16 percent on the nonagricultural exports. Concessions were obtained on about 48 percent of our agricultural exports and on about 29 percent of our nonagricultural exports. (The above data are based upon trade agreements that were in effect in January 1943 and the value of our exports as of 1937. Due to war conditions it is necessary to use some prewar year such as 1937.)

umber of countries granting concessions under the reciprocal trade agreement program on exports of our more important agricultural products

[Thousands of dollars]

Group of products	Value of domestic exports from United States, 1939	Number of countries granting— Reduced duties, larger quotas, etc.	Number of countries granting— Concessions of any kind, including bindings of existing treatment
Raw cotton	242,965	0	7
Grains and preparations	104,031	18	21
Fruits, vegetables, and preparations	98,165	23	26
Fruits and preparations	80,922	23	26
Fresh fruits	33,603	17	24
Canned and prepared fruits	25,419	21	24
Dried and evaporated fruits	21,900	21	25
Vegetables and preparations	17,243	19	21
Fresh vegetables	7,774	5	5
Canned vegetables and preparations	6,642	18	20
Dried vegetables	2,827	2	2
Unmanufactured leaf tobacco	77,422	4	11
Meats and meat products	55,505	16	18
Fodders and feeds	10,143		
Oil cake and oil-cake meal	9,021	1	7
Other fodders and feeds	1,122	2	2
Dairy products	7,136	8	11
Raw hides and skins, except furs	4,224	2	4
Nuts	2,294	5	9
Eggs	695	1	2
Tobacco, manufactured [1]	14,919	5	11
Cotton, manufactured [1]	68,318	8	13

[1] Manufactured products, although derived from agricultural products, are not ordinarily classified as agricultural exports.

Source of data: Department of State. (Value of domestic exports from U. S. Department of Commerce.)

Through the trade agreement program reductions in barriers against the export of fruits and vegetables have been obtained from 23 countries. Reductions on grain and grain preparations have been obtained from 18 countries; on meats and meat products from 16 countries; and from four nations on unmanufactured leaf tobacco. Not as many tariff barriers exist throughout the world against cotton, which is our most important agricultural export, as against some of our less important exports. However, seven nations have agreed not to increase barriers against our cotton.

Tariff duties levied by the United Kingdom on principal agricultural products imported from the United States in 1939 [1]

Product	Duty (ad valorem or 1939 equivalent)	Value of imports from the United States
	Percent	*Thousands of dollars*
Raisins	39.0	2,775
Husked rice	32.4	521
Dried prunes and apricots	31.4	2,635
Apricots in sirup	15.0	2,245
Peaches in sirup	15.0	5,689
Pears in sirup	15.0	5,563
Fresh apples	14.7	6,111
Pineapples in sirup	11.7	568
Fresh pears	10.7	2,972
Fruit salad in sirup	10.7	4,383

[1] There were many other agricultural products of lesser importance imported from the United States which are not included in this list.

Tariff duties levied by the United Kingdom on principal agricultural products imported from the United States in 1939—Continued

Product	Duty (ad valorem or 1939 equivalent)	Value of imports from the United States
	Percent	*Thousands of dollars*
Cornstarch	10.0	2,160
Canned pigs' tongues	10.0	2,297
Sausage casings	10.0	2,381
Corn in grain, etc.	Free	10,666
Hams, not canned	[2] Free	8,530
Pork, chilled or frozen	Free	839
Pigs' offal, edible	Free	857
Cotton, raw	Free	55,930
Cotton linters, unbleached	Free	1,148
Wheat	Free	14,543
Grapefruit in sirup	Free	2,985
Lard	Free	11,505
Bacon	Free	1,582
Tobacco, unmanufactured:		
If unstripped—		
Containing 10 pounds or more moisture per 100 pounds [3]	195.6d.	30,103
Containing less than 10 pounds moisture per 100 pounds [3]	£1 6d.	
If stripped—		
Containing 10 pounds or more moisture per 100 pounds [3]	195.6½d.	6,149
Containing less than 10 pounds moisture per 100 pounds [3]	£1 6½d.	

[2] Quota restrictions apply on the hams.
[3] Expressed in English money. At the current rate of exchange it is estimated that the duty on tobacco containing 10 pounds or more moisture per 100 pounds is about $3.30, while the duty on the lower moisture content tobacco is about $4.14.

Source: United States Department of State.

England, our principal customer for agricultural exports, maintains tariffs against a number of commodities.

Tariff duties levied by Canada on principal agricultural products imported from The United States in 1939 [1]

Product	Duty (ad valorem or 1939 equivalent)	Value of imports from the United States
	Percent	*Thousands of dollars*
Sundry fresh fruits	50	1,449
Grapes	50	901
Bananas	30	820
Grapefruit	26	1,134
Oranges, Manderins, tangerines	14	5,475
Prunes and dried plums, unpitted	26	561
Fruit juices	15–25	605
Fresh vegetables	60	3,198
Tomatoes, fresh	50	779
Nuts (all kinds)	-------	736
Oats	23	2,210
Wheat	13	4,351
Indian corn for manufacture of starch and cereals	Free	2,913
Indian corn	10	564
Leaf tobacco, other than Turkish	102	1,391
Cattle hides	Free	583

[1] This is not a complete list.

Source: United States Department of State.

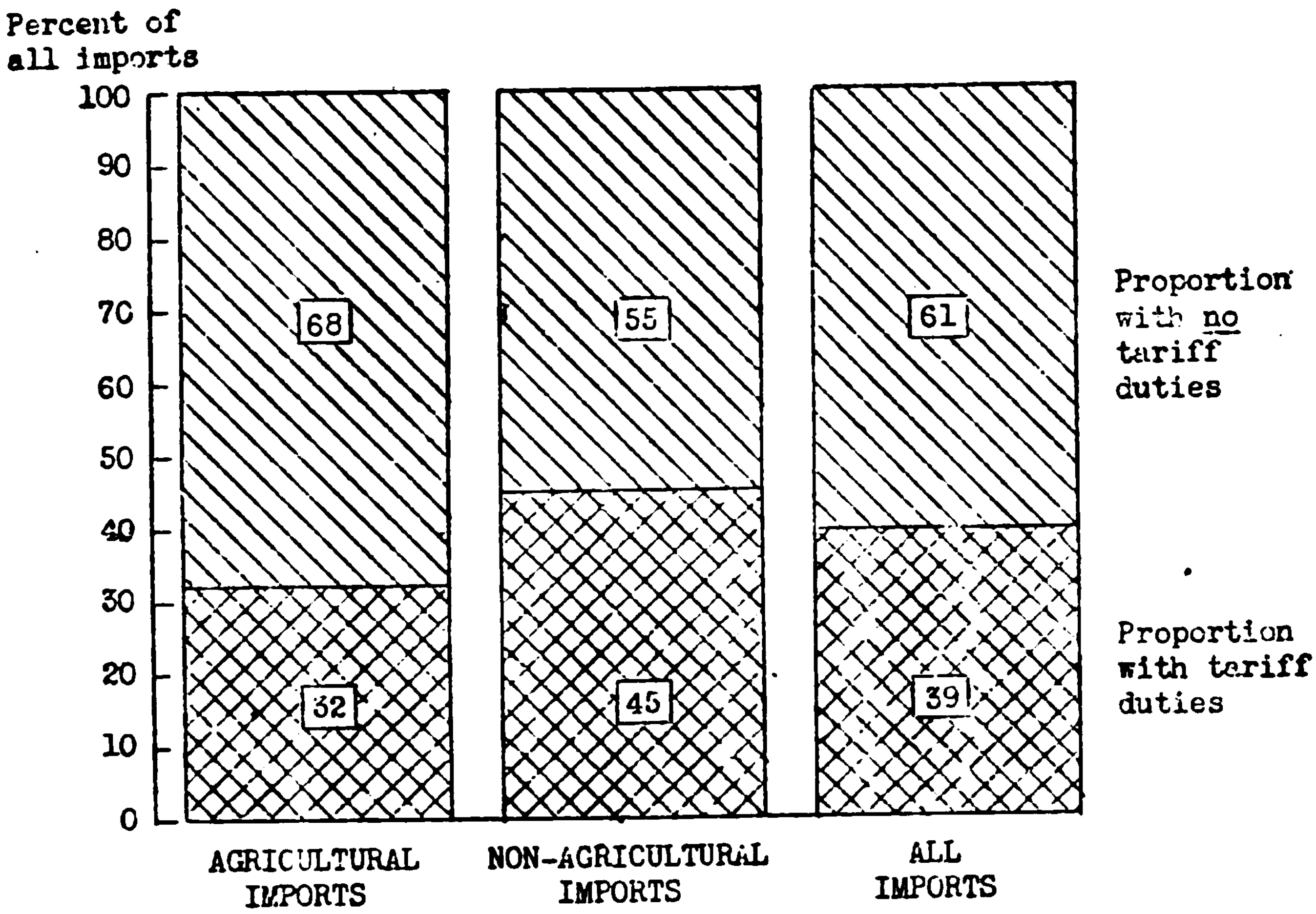
Canada, also, maintains tariffs against a number of our agricultural commodities.

Percent of the total value of our imports in 1939 on which there were tariff duties, and on which tariff reductions had been made under the trade-agreement program as of February 1943

	Agricultural imports	Nonagricultural imports	All imports
Total value of imports for consumptions in 1939	$1,117,792,000	$1,158,307,000	$2,276,099,000
Percent of imports with no tariff duties	68	55	61
Percent of imports with tariff duties	32	45	39
Percent of imports with duties reduced under trade agreements	(1)	(1)	24
Percent of imports with no reduction in duties under trade agreements	(1)	(1)	15

1 Not reported due to lack of sufficient data.

Source: Original data taken from Foreign Commerce and Navigation of the United States, 1940.



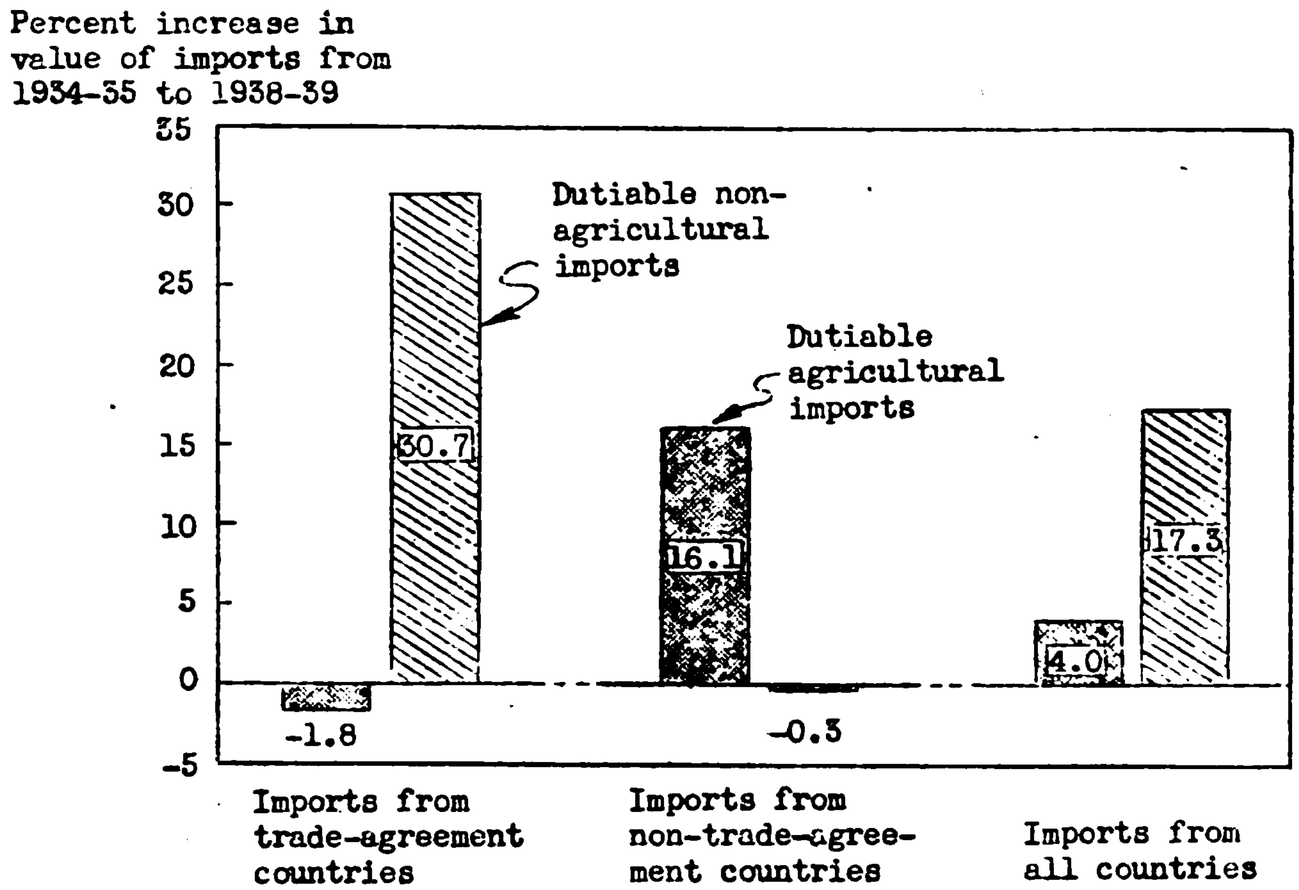
About 39 percent of the value of all imports into the United States in 1939 paid tariff duties. Duties were levied on 32 percent of the agricultural products, compared with 45 percent of the nonagricultural products. It is estimated that reductions in tariffs have been made under the trade-agreement program on about one-fourth of our total imports.

Increase in the value of imports of agricultural and nonagricultural products into the United States from trade-agreement and non-trade-agreement countries from 1934–35 to 1938–39

	From trade-agreement countries	From non-trade-agreement countries	From all countries
	Percent	*Percent*	*Percent*
Products on which there are tariffs:			
Agricultural	−1.8	16.1	4.0
Nonagricultural	30.7	−0.3	17.3
Products on which there are no tariffs:			
Agricultural	23.4	6.9	12.5
Nonagricultural	27.3	33.8	23.8
All products, with and without tariffs:			
Agricultural	12.5	10.1	9.5
Nonagricultural	28.5	13.9	20.8

Source of data: Department of State, from records of the Department of Commerce.

PERCENTAGE CHANGE IN THE VALUE OF IMPORTS INTO THE UNITED STATES OF AGRICULTURAL AND NONAGRICULTURAL PRODUCTS WHICH ARE SUBJECT TO TARIFFS



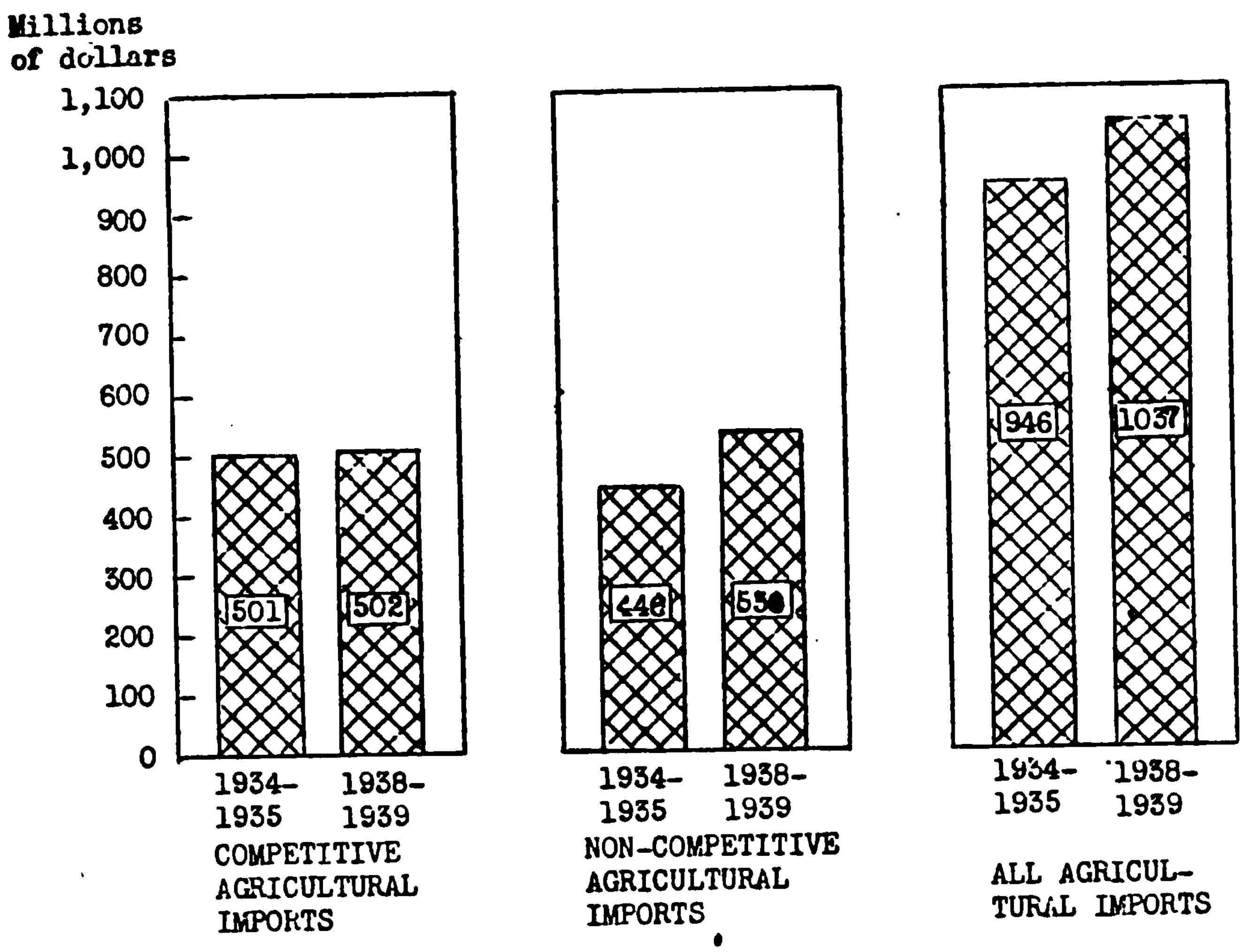
From those countries with which we had trade agreements, the imports of agricultural products on which we had tariffs decreased about 2 percent between 1934–35 and 1938–39, compared with an increase of nearly 31 percent in the importation of nonagricultural products from these same countries. Imports of agricultural products which had tariff protection from countries with which we did not have trade agreements increased 16 percent, compared with a slight decrease in the imports of nonagricultural products from the non-trade-agreement countries.

Change in the total value of competitive and noncompetitive agricultural imports from 1934-35 to 1938-39

	Average value		Change in average value, 1934-35 to 1938-39	Percentage increase, 1934-35 to 1938-39
	1934-35	1938-39		
				Percent
Competitive agricultural imports [1]	$501,000,000	$502,000,000	$1,000,000	0.2
Noncompetitive agricultural imports [2]	446,000,000	536,000,000	90,000,000	20.2
Total all agricultural imports	947,000,000	1,038,000,000	91,000,000	9.6

[1] Competitive agricultural imports (usually referred to as supplementary imports) are those commodities similar to or interchangeable with those produced commercially in this country.
[2] Noncompetitive agricultural imports (usually referred to as complementary imports) are chiefly those commodities such as coffee and bananas, which are not produced in this country.

Source of data: Calculated from data furnished by the Department of State from records of the Department of Commerce.

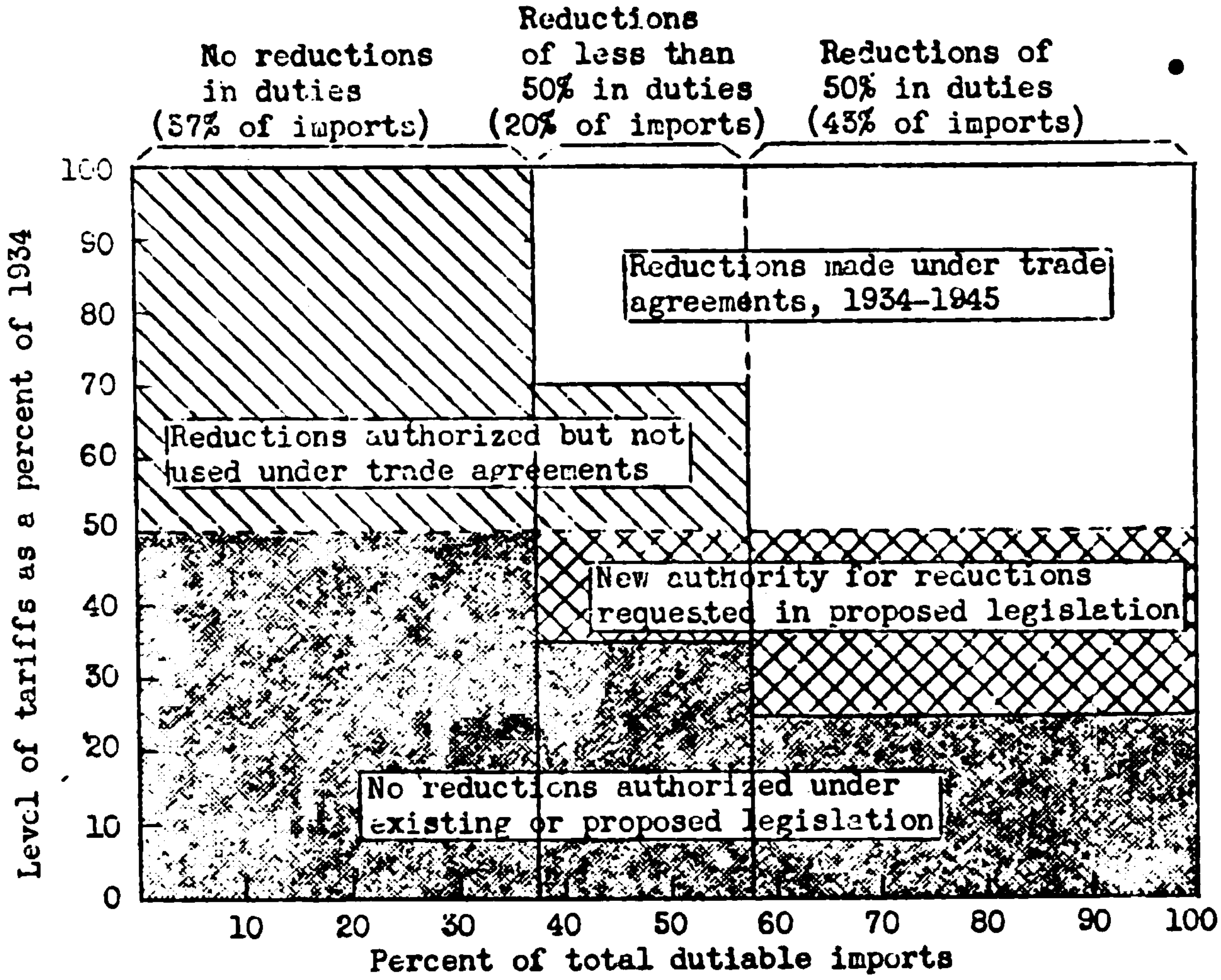


Between 1934-35 and 1938-39, the average value of competitive agricultural imports remained practically the same, while the value of noncompetitive agricultural imports increased $90,000,000 annually. Competitive agricultural imports are those which compete directly with American producers, while noncompetitive agricultural imports are largely those commodities which are not produced in this country, such as coffee and bananas.

Percent of dutiable imports on which tariffs have been reduced under the trade agreement program and extent of the proposed additional reductions in pending legislation (expressed as a percent of total dutiable imports as of 1939 on basis of agreement in effect as of March 1945)

	Dutiable imports, 1939	Percent of total
Total dutiable imports	$879,000,000	100.0
Total dutiable imports reduced by 50 percent in trade agreements	373,000,000	42.4
Total dutiable imports reduced by less than 50 percent in trade agreement [1]	178,000,000	20.3
Total dutiable imports not reduced in trade agreements	328,000,000	37.3

[1] It is estimated that tariff reductions have averaged about 30 percent for the group on which import duties have been lowered less than the full 50 percent. (This estimate is based upon data representing about 80 percent of our dutiable imports.)



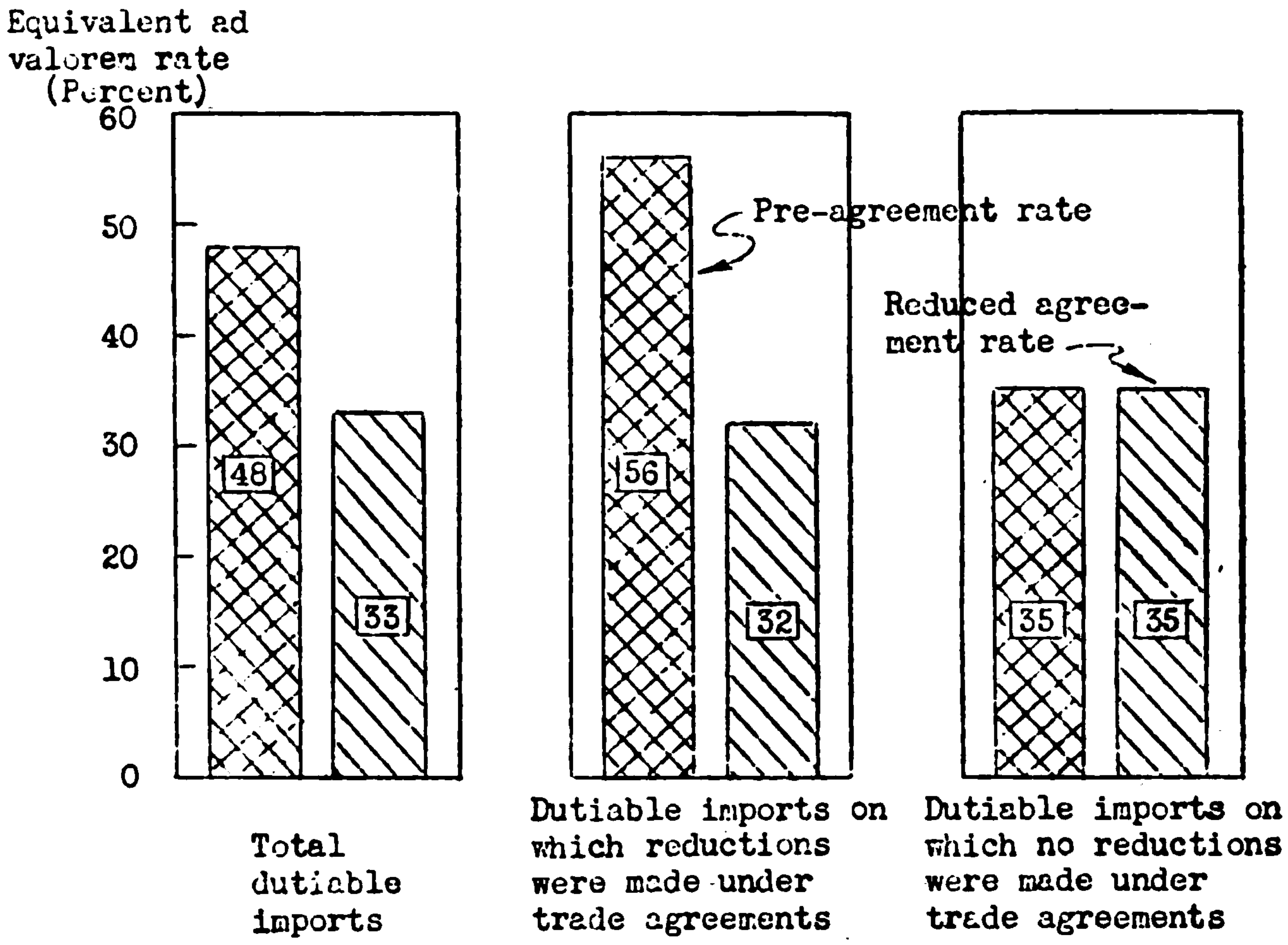
The existing Trade Agreement Act permits a reduction in our import duties of not to exceed 50 percent of the 1934 level. The full 50 percent rate reduction permitted under the Trade Agreement Act has been made on about 43 percent of our total dutiable imports. Tariff reductions of less than 50 percent have been made on another 20 percent, while no tariff reductions have been made on about 37 percent of our dutiable imports. Many of this remaining 37 percent are products of which the Axis countries have been the principal suppliers. The pending legislation would permit a reduction of 50 percent from the 1945 level instead of from the 1934 level. This would mean a permissible reduction of 75 percent below the 1934 level on about 43 percent of our dutiable imports; 65 percent on another 20 percent; and 50 percent on the remaining 37 percent of our dutiable imports. This is equivalent to an over-all permissible reduction of approximately 64 percent from the 1934 levels.

Reduction in tariff rates made by the United States under trade agreements as of Feb. 1, 1943 (expressed as percent duties were of the value of the imports—equivalent ad valorem on 1939 imports)[1]

	Value of imports, 1939	Equivalent ad valorem on 1939 imports[2]	
		At pre-agreement rates	At reduced agreement rates
		Percent	*Percent*
Total dutiable imports for consumption	$879,000,000	48	33
Dutiable imports on which tariffs were reduced under trade agreements	551,000,000	56	32
Dutiable imports on which no tariff reductions were made under trade agreements	328,000,000	35	35

[1] Imports that actually entered at reduced agreement rates in 1939 together with those that would have entered at such rates had the reductions in effect on Feb. 1, 1943, been applicable throughout the year 1939. Imports from Germany and those entered free under special provisions are not included.
[2] The equivalent ad valorem rate is the amount of duty collected in relation to the value of the imports.

Source: U. S. Tariff Commission, Feb. 1, 1943



CHANGES IN TARIFF RATES

Import duties on the products on which we maintain tariffs have been reduced under trade agreements from an average of 48 percent of the value of the imports to 33 percent. Reductions have not been made on all dutiable imports. For those products on which reductions have been made the tariff rate has been lowered from an average of 56 to 32 percent. The tariff on those products on which no reductions have been made averaged 35 percent. (The above figures apply to the trade agreements as in effect on February 1, 1943, and are based upon the value of imports in 1939.)

Restrictions through the use of import quotas in the quantity of certain agricultural products that can be brought into the United States, April 1945 [1]

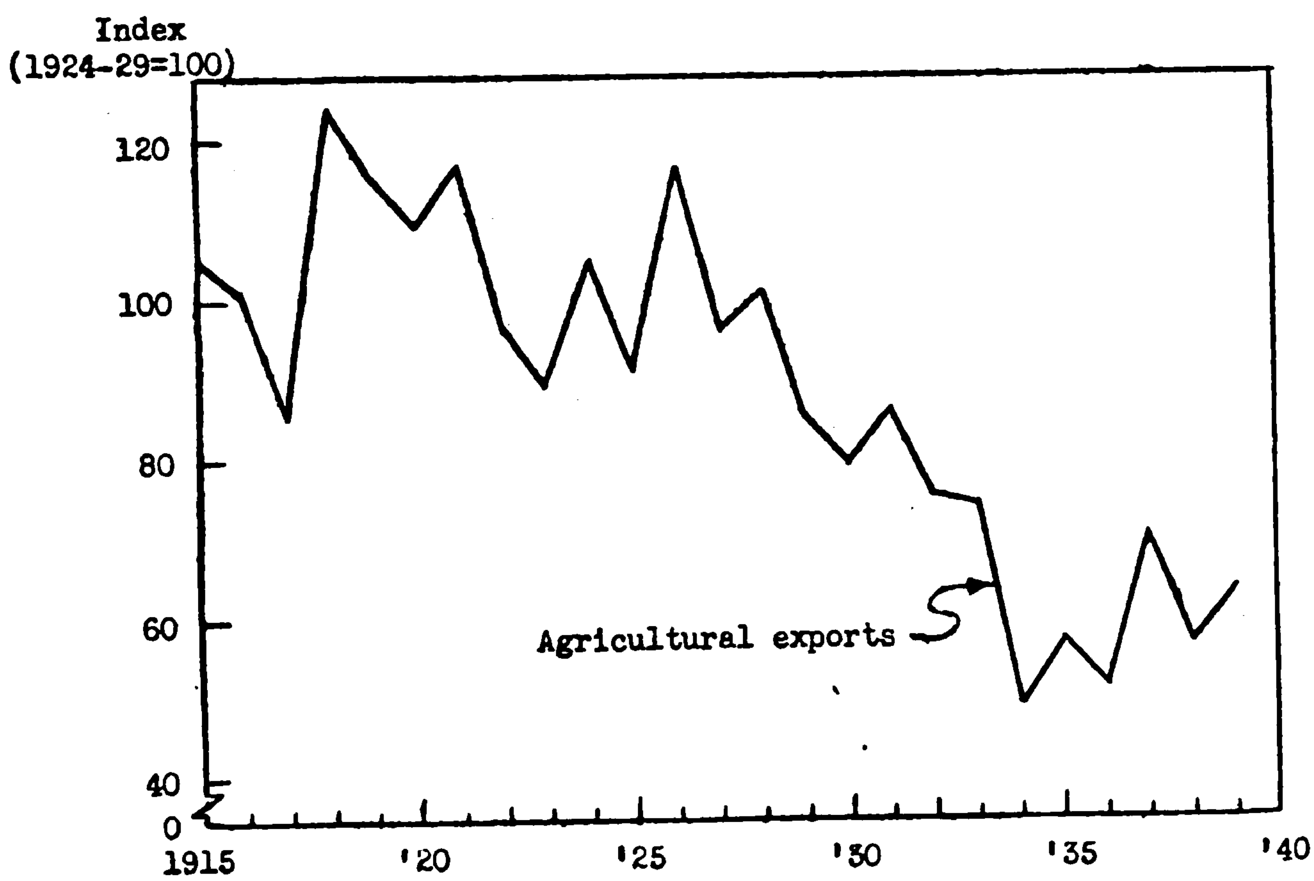
Products	Quantity	Remarks
Whole milk ... gallons	3,000,000	At reduced tariff rate.
Cream ... do	1,500,000	Do.
Fish ... pounds	15,000,000	Do.
Potatoes ... do	150,000,000	Lower rates during certain months.
Molasses and sugar sirups ... gallons	1,500,000	At reduced rates.
Cuban filler tobacco ... pounds	22,000,000	At reduced rates, depending upon type.
Cotton:		
Less than 1⅛ inches ... do	14,516,882	Allotted among countries.
1⅛ to 1¹¹⁄₁₆ inches ... do	45,656,420	Do.
Cotton card strips ... do	5,482,509	Do.
Wheat ... bushels	800,000	Do.
Wheat flour ... pounds	4,000,000	Do.
Cattle: [2]		
Less than 200 pounds ... head	100,000	At reduced tariff rate.
200 to 700 pounds ... do	400,000	At reduced tariff rate with quarterly quotas.
Over 700 pounds ... do	225,000	Do.

[1] This material has been greatly condensed, consequently some pertinent details may have been omitted.
[2] Not effective until after national emergency.

Source: U. S. Department of State.

Import quotas provided for in the second trade agreement with Canada on whole milk and cream permitted a quantity equivalent to less than one-tenth of 1 percent of our average 1935–39 production to be imported into this Nation at reduced tariff rates. The potatoes permitted to enter this Nation are equal to about seven-tenths of 1 percent of our prewar production. Cotton quotas amount to about 1 percent of our prewar production. The cattle permitted to enter at reduced rates under the Canadian and Mexican trade agreements are equivalent to about 1.1 percent of the number of cattle and calves on farms in this Nation during the 1935–39 period.

QUANTITIES OF UNITED STATES AGRICULTURAL EXPORTS, 1915–39



Quantities of United States agricultural exports, by 5-year periods, 1915–39 [1]

[Index numbers, calendar years 1924–29=100]

Period	Total, agricultural	Cotton, including linters	Agricultural, except cotton	Tobacco, unmanufactured	Fruits	Wheat and flour	Other grains	Cured pork	Lard, including neutral
1915 to 1919	106	68	141	91	38	120	----------	322	67
1920 to 1924	103	74	130	91	56	140	----------	180	113
1925 to 1929	98	101	95	104	105	92	94	78	95
1930 to 1934	73	90	57	87	107	40	22	29	63
1935 to 1939	60	67	53	85	109	34	64	16	22

[1] Simple average of index numbers by 5-year periods.

Source: U. S. Department of Agriculture, Agricultural Statistics, 1942, p. 540.

Senator WALSH. Mr. Tobin.

STATEMENT OF DANIEL J. TOBIN, PRESIDENT, INTERNATIONAL BROTHERHOOD OF TEAMSTERS

Mr. TOBIN. Mr. Chairman and members of the committee, my name is Daniel J. Tobin. I am president of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America.

I come before this committee with instructions from the general executive board of the international union to support the bill entitled "H. R. 3240."

We have a membership of very close to 700,000 with all of this membership within the United States of America, with an exception of a few thousand members in Canada, a few in Alaska, and in the Hawaiian Islands.

Certainly we would advocate nothing that would be injurious to our American people, or that we honestly believe would be injurious to our American people, or that we honestly believe would not be helpful to our country.

Our first interest is the United States, but in order to continue the prosperity that we have enjoyed and the standard of living which we have established for all of the people, especially the workers, we must help the other nations of the world.

From what I have seen in England, 2 years ago—and I have every reason to believe that other countries have been ravished and destroyed almost as much as England—believe that Europe will not get back on its feet to be in any way able to take care of itself for the next 3 or 4 years.

Consequently, if we can help them now during that period of awful uncertainty and privation which is confronting them, I think that we will be indirectly helping ourselves.

No nation can continue to be successful with all the nations of the world in a condition of poverty and despair. This reciprocal trade agreement does not mean striking down the protective tariff laws of our country.

If I understand it, it means that our departments of Government, finally under the direction and approval of the President of the United States, by the enactment of this bill will be given the right and the power to enter into trade agreements with other friendly nations that may need some of the products of which we have surpluses, and in exchange give us some of the products which they manufacture or produce and which we may need.

In addition to this, it will be utterly impossible for European or Asiatic countries to get back on their feet in 3 years which embraces the life of this bill.

In order to save the world from destruction in recent years we will be called upon to offer up perhaps 2,000,000 of the best blood of our Nation. In addition to this, I think I have read in the paper from a report by the Secretary of the Treasury that it will cost $300,000,000,000 to pay the expense of this war.

We have generations yet unborn who will be paying part of the expense of this conflict; $300,000,000,000 and 2,000,000 lives is an awful price to pay, but the price is not too great to preserve the civilization and the liberties that we have enjoyed in this country.

We are laying the foundation for the future of our children and our grandchildren. Then, if we can help those suffering people in Europe and other parts of the world that have been destroyed by the monsters that have caused this war, to come back on their feet, to reestablish themselves in life, by the exchange of our goods, it seems to me that that is a small price to pay, and it seems to me that it will bring its own reward, in not only helping those people in other nations whose industries have been destroyed, but it will be helpful to use because when we lift up other men or nations that have been crushed or have fallen, we will indirectly help ourselves and we are assuring the world that we are no longer blind to the necessities of other people or to our duties and responsibilities as free men.

Why are the trade unions af American and England so anxious to help the people of those other countries? The answer is that if we can raise the standards of wages and living in other countries we are protecting our own standards.

Poverty and slavery in any country is a danger to another country. We must exchange goods as contemplated and intended by this bill. Europe and many of those countries over there have no money, or very little money, with which to trade.

Our American leaders in political and business life have not been failures. I think that I can safely trust trading of this kind to the leaders of our Government. Certainly they won't take in exchange, for some of the things of which we have a surplus in this country, products that would destroy the business and production of our own nation or the welfare of our people.

If we find that they have betrayed a trust, well, you know, gentlemen, that this is not a monarchy. We have an election here every 4 years whether there is a war or no war, and those people in public office who betray the masses of our citizenship can be removed from office by our citizens.

That is the reason that in addition to our business qualifications and our understanding of the needs of our own people this other check of the voters makes me feel safe in advocating the enactment of this legislation to run only for 3 years in the interest first, of civilization, and as a duty to our fellowmen in other countries who have suffered and have been robbed and ravished as a result of the war, and who cannot possibly come back to the normal conditions of business life without the aid and assistance of countries and nations who can afford to aid and assist those depressed, discouraged, and disorganized peoples.

You know, gentlemen, for many years I was advised that high protective tariff created better working conditions and better wages. I distinctly remember that the high protective industry, the textile industry of New England at that time, paid the lowest wages and had controlling them the most bitter labor haters of any industry in the Nation, and so it was with many other highly protected industries.

So that many years ago I dispelled from my mind that idea that high protective, restricted, tariffs was a guaranty to workingmen of either good wages or freedom of action, and although I lost some faith in high protective tariffs I do not at all advocate or believe in free trade, and because this is not a free-trade act I, therefore, favor its enactment.

As I have stated above, it is merely a trading or exchange act for a short period of time, which period shall perhaps not cover the reconstruction or reconversion in those countries that have been mostly destroyed by the war. But at the end of 3 years, if there is need for further continuation of this act, then let our legislators and our citizenship at that time decide for themselves on a further extension of this law if it is necessary.

But I repeat that it seems to me from what I have seen, and what I have been able to gather from my sources of information, that it will be utterly impossible for Europe or other parts of the world to come back to anything like normal conditions within the next 3 years.

It is my opinion that the American people who have expended so much in the cause of liberty to save many countries in the world from destruction are anxious, and willing, and hopeful, that we will continue to help those peoples in those nations that need our help, and I feel also, and I repeat, I feel satisfied that the governmental officials and departments having charge of the administration of this law will keep in mind all the time that it is their duty and their responsibility to the American people to do nothing that will injure the American worker or American industry.

Senator WALSH. Thank you, Mr. Tobin.

Mr. TOBIN. Thank you, Mr. Chairman.

Senator WALSH. Mr. Eyanson.

Mr. HARROWER. I am appearing in place of Mr. Eyanson.

Senator WALSH. Very well.

STATEMENT OF GORDON HARROWER, SECRETARY-TREASURER, WAUREGAN MILLS, INC., WAUREGAN, CONN.

Mr. HARROWER. My name is Gordon Harrower. I am secretary-treasurer of the Wauregan Mills, Wauregan, Conn.

Senator WALSH. What do they make?

Mr. HARROWER. Cotton textiles.

Senator WALSH. What kind of cotton textiles?

Mr. HARROWER. At the present time we make all the cotton shirtings practically for the Marine Corps, sir.

Senator WALSH. You may proceed.

Mr. HARROWER. In this particular sense, while I represent our own mill and the textile industry, I have been asked to appear before you, sir, on behalf of the Manufacturers Association of Connecticut, who represent the vast majority, practically all of the manufacturing industries of the State.

I am appearing here specifically because at a poll taken of our members, a vast majority of those who replied were unequivocally opposed to the extension of the Reciprocal Trade Agreement Act. In fact, in over 500 replies that we received only 10 in our State were in favor of the act.

Senator TAFT. When you say "extension," you mean the additional 50 percent reduction?

Mr. HARROWER. The act as it is amended.

Senator TAFT. They are opposed to the act as passed by the House?

Mr. HARROWER. Yes.

Senator MCMAHON. They would be in favor of an extension of the present act without the power to cut 50 percent?

Mr. HARROWER. We have three distinct groups: One group favors the extension of the act with congressional ratification of the treaties very much as Senator O'Mahoney proposed this morning; another one favors the extension of the act as proposed by the bill but with a 1-year limitation instead of the 3 years, and another group favored the act as passed by the House but with the elimination of the most-favored-nation clause.

Senator RADCLIFFE. Have you any data as to the relative size of those three groups?

Mr. HARROWER. In Connecticut?

Senator RADCLIFFE. Yes. I mean relatively speaking. You say you have three groups.

Mr. HARROWER. Yes. I haven't any data as to that.

Senator RADCLIFFE. Have you any idea as to the relative proportions?

Mr. HARROWER. No; I haven't got that information, sir.

At a meeting which we held previous to this we felt that it would be folly to oppose any act advanced by the Congress that might improve the standard of living of our people in this country, but we have felt that we wish seriously to bring to the attention of Congress the result in our domestic labor market of reciprocal trade.

The very term "reciprocal trade" implies an exchange of merchandise. It does not do any good for us to export, as we heard this morning, $10,000,000,000 worth of merchandise if we are not going to import $10,000,000,000 worth.

If we export the items that we can export, they are going to be the items that we have heard about primarily during this year as being produced by the genius of management and efficiency of labor.

We have heard over and over again of thousands of people who have been displaced in needy industries for other work by the electric eye, the machine tool, where the machine itself does the work of the man who used to perform that job before.

We admit that the European cannot produce automobiles, ice boxes, machine tools, radios, any of those things that we hope to export, and we hope our prosperity is going to come about by that, but if we export $10,000,000,000 worth of material like that we have got to import $10,000,000,000 worth of material, and where has the foreigner got his advantage?

It seems to me he has got his advantage in low labor cost. We know that England, for instance, our highest cost competitor pays wages that are 50 percent below ours, and they go from 50 percent down to perhaps 80 percent below in some of the countries like Czechoslovakia.

If we are going to return $10,000,000,000 worth into this country—I think I heard Senator Taft say this morning that perhaps one or two billion might be in noncompeting agricultural materials——

Senator TAFT. Two or three billion.

Mr. HARROWER. Well, 2 to 3 billion. I beg your pardon, sir.

Of the balance the bulk has got to come in in competition with American labor, and we feel, in the textile industry particularly, that it is not unreasonable to assume that one and one-half to two maybe will have to be absorbed in textiles themselves.

If that is the case, for every dollar in exports that we ship out we are exporting a machine-hour of product of the machine and we are importing in exchange for it a man-hour of product of a man's labor abroad, because that is what Europe has to contribute.

We cannot look at it in any other way. Whether it is in the farming field that Mr. O'Neal talked about this morning, where we know Brazil produces cotton far cheaper than we do, whether it is in the textile field where labor constitutes 50 percent of the total cost of manufacture, or whether it is in leather goods or some of the finer handicraft work in our country where labor is the preponderant cost, we are going to import if we are going to make an exchange of goods, and that is what we have got to do, man-hours in exchange for machine-hours, and for every exchange we are going to aggravate our unemployment problem in this country by just the dollars that we exchange.

We feel in the textile industry that this is particularly significant, and we think the textile industry presents an example of that.

I come from New England and we know in New England, where we once had 80 percent of the spindles of the country, we have only got 20 percent today. We lost that preponderance to the South, who now has 80 percent, and we lost it on the basis of a 10 to 25 percent lower wage standard than we pay in New England.

Now, I just ask you gentlemen to think if New England could not compete with the South at 25 percent lower wage how the textile business of the United States is going to compete with the world which may be 50 to 75 percent less than we pay today?

It may be true that you will want to sacrifice the textile industry, or some other industry—and I have picked textiles rather than some of these others because we are the most vulnerable, which the highest percentage of man-hours in our unit of production where the people will suffer first. You have got to make the tariff low enough to let the material come in against us, otherwise the reciprocal trade business is no good.

You can bring the tariff business down to where we can compete, but you have got to bring it down to where it actually comes into this country, and where it does actually come in, and if you do that you are going to displace some man-hours in this country.

I started to say a while ago if you want to displace an industry—and perhaps you do—it seems to me that it might be the part of wisdom to displace that industry very gradually and to determine whether it is really to the long-term advantage of the United States to do that in one of its essential industries such as textiles in the event that perhaps we may not be approaching the millennium after all.

If we had done something like this after the last war and displaced textiles we would be in one fine fix today, with no textile industry, as well as no rubber industry. We never could have won the war except for the textile industry.

So while it may be advantageous to produce textiles and other commodities which are essential at lower cost in exchange for things we can produce better, if we can be sure of a continued world economy and complete harmony among nations, it seems to us highly the part of wisdom that Congress should give due consideration to the industries that we displace.

There is just one other point. I think I can refer to my own industry as typical of this group. We have always been referred to as the submarginal wage industry of the country or one of the submarginal wages.

The War Labor Board has just insisted that we are, although we are trying to raise our wage standard continually as we go along, and have made great progress during this war to do it, nevertheless throughout the world, Europe, South America, and formerly in Japan, one of our greatest competitors, textiles were inevitably and invariably the lowest paid industries in those countries of any mass-producing industry.

If we have to reduce our tariff so we begin to compete with those countries that have a lower wage standard, the owners, managers of these textile properties—and we represent over a billion dollars in investment in this country—are not going to sacrifice their property without a struggle.

It is against nature to just say, "All right I will throw my mill out of the window if Congress says they want met to."

They will not do it. They are going to look at their greatest element of cost in order to see how they can trim that greatest element of cost before they give up to foreign competition, and that greatest element of cost right in all our plants is labor.

Now, are we going to bear down on American labor? Are we going to put the manufacturer in the most difficult of all positions where he has got to bear down on the wage earner or go out of business? It is a difficult decision and one that I think you gentlemen should weigh very carefully and decide whether you want to turn that power over to the State Department, or the President of the United States, or to some bureau for a 3-year period, without redress except another election.

We are not opposed to progress. We believe in our industry, and we believe in the State of Connecticut that the present reciprocal trade agreements, due to the fact the war intervened, have never had a chance to work out.

We believe the present agreement should have a chance to be tried before we go on with a radical revision of that treaty, or if it has to be radically revised, we think many more safeguards should be applied against it than exist in the bill as it is today.

Senator TAFT. The Manufacturers Association of Connecticut must include many metal working plants.

Mr. HARROWER. It does.

Senator TAFT. Connecticut is full of metal-working plants?

Mr. HARROWER. It is.

Senator TAFT. What is the situation of the people who make small products? I am not talking about machine tools, but I mean the general run of small metal products such as notions, needles, and so forth.

Mr. HARROWER. We received over 500 replies who were in favor of the passage of the bill as it is written.

Senator TAFT. Were those machine-tool people?

Mr. HARROWER. I am sorry; I cannot tell you that, sir. I have these figures from the Manufacturers Association. I just know the groups.

Senator WALSH. Is the Connecticut Manufacturers Association composed of all manufacturers, or just the textiles?

Mr. HARROWER. All manufacturers. The textiles are a great minority in this case. It is mostly metal manufacturing.

Senator TAFT. That is what I wondered, if they feel they are subject to the same kind of competition as you are, where they make small metal products.

Mr. HARROWER. Without being at liberty to disclose the name of this manufacturer, I know one very large manufacturer in our State who spoke to us recently and told us that his particular plant has a branch in England, and talking about the efficiency of the English producing unit against the supposedly greater efficiency of the American labor—and we think it is, in fact, we know it is more efficient—he said under the existing tariffs his English plant, purchasing the raw material in England and manufacturing it there, could ship it into the United States and beat the cost of their domestic plant around the corner.

He said it was against the policy of his company to do that sort of thing, but it could be done, and they could prove it.

Senator TAFT. A big product or a small product? What kind of a product?

Mr. HARROWER. That happened to be relatively small.

Senator LUCAS. How have the reciprocal trade agreements affected that particular industry?

Mr. HARROWER. They never will have a chance to work, sir.

Senator LUCAS. You have not suffered up to now? You haven't had any injury at all from the reciprocal trade agreements?

Mr. HARROWER. We began to suffer a little bit from the imports from Japan, although they were not under the reciprocal trade agreement.

Senator LUCAS. We had no reciprocal trade agreements with Japan. Whatever came in from Japan came in over the old wall.

Mr. HARROWER. Over the old tariff wall.

Senator LUCAS. You said that your industry, as I understand it, has not been affected in any way up to now by the reciprocal trade agreements?

Mr. HARROWER. No.

Senator LUCAS. What you are afraid of is the future.

Mr. HARROWER. That is exactly it.

Senator LUCAS. The only thing you fear is fear.

Mr. HARROWER. No, Senator, I do not fear that. I am merely saying if you are going to export $10,000,000,000 worth of merchandise you have got to import something.

Senator LUCAS. Your theory is you have got to import $10,000,000,000 worth of merchandise.

Mr. HARROWER. Yes, you have got to import $10,000,000,000 worth of merchandise.

Senator LUCAS. Under that theory we might just as well fold up and live within ourselves.

Mr. HARROWER. Maybe we should.

Senator LUCAS. I do not agree with you.

Mr. HARROWER. I want to bring this to the attention of this committee. I will take a particular item that is the life and staff of the New England mills. You were accused of wearing a white broadcloth shirt this morning, Senator——

Senator TAFT. I don't know whether I was accused of it or not.

Mr. HARROWER. Flattered, maybe.

Senator LUCAS. Convicted.

Mr. HARROWER. I will take a white broadcloth shirt as manufactured in our mill. It is the staff of our New England mills. White broadcloth is one of the greatest constructions we make there. I do not think I should give out all our figures on it, but I will say that labor in this particular fabric, which is 136 by 60 broadcloth, a very good quality shirting—labor constitutes 41 percent.

I have gone on the assumption that in England only the labor cost made any difference, that all their other costs were the same, which would not be true because their overhead would be less, and they would use Brazilian cotton or else subsidized American cotton, but on the assumption that all their other costs, including raw material, were the same, paying a duty of 2¾ cents a yard, which is the duty on that particular fabric, they could undersell us today, with the present tariff, by 0.0139, that is 1⅓ cents.

Now, maybe we could meet the English on that basis, I don't know. I think we are more efficient.

We had a commission that studied the English mills, and we would take a chance on meeting the English on the present tariff.

Senator LUCAS. Right on that point, if I may interrupt, I would like to read into the record an excerpt from the report of the Cotton Textile Commission to the United States of America, March-April, 1944, which was prepared by the Ministry of Production of England, along with a number of prominent business and manufacturing men of England, known as the Platt report. Here is what they say, and it is very interesting along the line you are talking:

> With present conditions of staffing and fully running plant it is estimated that the British labor requirements exceed the American by approximately 12 to 63 percent in coarse and medium count spinning, whilst in fine spinning they are less than the American by approximately 5 percent. The percentages of winding, beaming, and weaving are estimated to show no significant change from those given for normal staffing.

I don't know whether that means anything, or whether it helps you or not, but if that report is ture—and I assume it is because it is a publication that is standardized throughout the world—you do not agree with them?

Mr. HARROWER. I read that report, sir.

Senator LUCAS. Do you agree with them?

Mr. HARROWER. No. I do not think anyone can take figures like that and rely on them entirely. I have talked with members of the American commission that returned to England in exchange for the English planning commission that visited here.

They told me that while the present English manufacturing system is definitely below the standard of the American, they have potentialities and plans for the future in which they intend to bring up their efficiency materially.

Senator LUCAS. Well, when that time comes maybe we will do something about that situation, too.

Senator TAFT. Was not the very purpose of this report inducing them to buy modern machinery so they could increase their production?

Mr. HARROWER. That is what is happening. That is, a great part of their plan is to purchase machinery here. We already have branches of American textile machinery producers in England, you know, equipped to furnish the English with the most modern type of machinery, and they are on the way towards this, we know that.

Senator RADCLIFFE. You stated just a moment ago, I believe, that you did not believe in that report entirely. Do you believe in it substantially?

Mr. HARROWER. Well, I believe in it substantially as to figures. I do not see how you can go behind a report like that, sir.

Senator RADCLIFFE. So you would accept it substantially?

Mr. HARROWER. I accept it as the condition was at the time the report was written.

Senator RADCLIFFE. Do you have any reason to think that the condition is materially different today?

Mr. HARROWER. I think it is changing all the time. I think the British have resolved to overcome that situation.

Senator LUCAS. The reciprocal trade agreements are not stagnant, they are flexible; we can change them from time to time to meet those conditions if they change theirs.

Mr. HARROWER. I understand that, sir. As Mr. O'Neal said this morning, of course, the reciprocal trade authorities of the State Department are not going to reduce tariffs so it hurts anybody, but if they do not reduce them so it hurts somebody, how in the world is foreign merchandise going to come here?

Senator LUCAS. Perhaps you are just a hypercritical tariff man.

Mr. HARROWER. No, sir. In fact, after a meeting here the other day I said to a Representative with whom I was talking perhaps we ought to go out of business. This particular Representative thought that it might be a good idea to sacrifice the textile industry, if that were to the good.

Senator LUCAS. The foreign competition has not put you out of business.

Mr. HARROWER. No, sir.

Senator LUCAS. The folks right here at home, as you testified a while ago, practically put you fellows in New England out.

Mr. HARROWER. That is right.

Senator LUCAS. You cannot complain too much about the reciprocal trade agreements or the tariff, or anything else putting you out of business.

Mr. HARROWER. I do not say we are put out of business, but I do say, taking this particular example that I gave you, if England can reduce their cost to 2¾ cents a yard——

Senator LUCAS. That is one of those problematical things in the future.

Senator RADCLIFFE. Mr. Harrower, I think you said you understood labor conditions were changing in Great Britain.

Senator TAFT. Machinery conditions.

Senator RADCLIFFE. Labor conditions, you stated, did you not?

Mr. HARROWER. I meant labor efficiency.

Senator TAFT. Due to machinery.

Senator RADCLIFFE. Can you amplify that statement to any extent? Is that partly based upon imports, or have you any specific date or anything to indicate that there has been any material change in English labor efficiency from what it was sometime ago?

Mr. HARROWER. I know, Senator, there have been studies by them of our manufacturing methods and are proposing to do do a great deal more over the next couple of years. They are doing it now.

Senator RADCLIFFE. That necessarily would not be reflected in any material change in labor efficiency, the fact that they are making studies, would it?

Mr. HARROWER. Those can be translated pretty quickly into operating conditions.

Senator RADCLIFFE. Well, have there been any changes in operating conditions?

Mr. HARROWER. I do not know, sir.

Senator TAFT. Do you know how many million dollars is in the British lend-lease agreement for so-called rehabilitation machinery?

Mr. HARROWER. No, sir.

Senator MCMAHON. Mr. Harrower, as I understand it, you stated you were willing to take a chance on the present situation as it exists now.

Mr. HARROWER. That is the present tariff structure?

Senator MCMAHON. Yes.

Mr. HARROWER. Yes.

Senator MCMAHON. Now, what you fear is that there will be a further cut if it goes through?

Mr. HARROWER. That is right.

Senator MCMAHON. Which you claim would be ruinous to your industry?

Mr. HARROWER. That is right.

Senator MCMAHON. I assume you read President Truman's letter to the Speaker of the House of Representatives, which he sent over a week ago Saturday, in which he said:

> Under my Presidency no American industry will be endangered—

that was not the word he used, but that was the effect—

> more than it was done under the Presidency of my predecessor.

You read that letter?

Mr. HARROWER. Yes; I did. The only point I wish to make in this whole question is that you are exchanging machine-hours of product, of inventive genius of this country that has displaced labor for the man-hours which is going to come in and compete with the man-hour industries of this country.

Now, if you are perfectly satisfied about that, gentlemen, if that is what the competition is that we have got to face then we are wrong and we are alarmists.

Senator TAFT. What was the effect of the Underwood tariff of 1913 on the industry?

Mr. HARROWER. It was just starting to work, Senator, when I started my business career. I was in a textile plant in 1914 and the owner of that mill had a chart of imports from England that were going up and his own loom operation going down.

When I left that plant to go to war in 1916 we were operating 50 percent in our mill, which was then the most modern mill in New Bedford.

Senator McMAHON. How does the tariff rate under which you are operating now compare to the Underwood tariff?

Mr. HARROWER. It is higher today, Senator, I think. I could not give you that figure because textile operations vary so.

Senator McMAHON. Between articles?

Mr. HARROWER. Between articles.

Senator TAFT. Is it not a fact that the present rate is slightly higher than the Underwood rate, and a 50 percent cut would be way under the Underwood rate?

Mr. HARROWER. Yes, it would.

Senator WALSH. Thank you, sir.

(Mr. Harrower submitted the following brief:)

RECIPROCAL TRADE AGREEMENTS AS THEY MAY AFFECT THE TEXTILE INDUSTRY

(Brief of Gordon Harrower on behalf of Manufacturers Association of Connecticut)

1. While foreign trade developed, even at the expense of domestic industry, may be the answer to a widened and more complete world economy we believe that with reconversion of industry ahead of us we should wait to see which industry, if any, should be sacrificed in whole or in part to foreign trade, and we believe that Congress should reach that decision rather than the Secretary of State, for—

(a) Foreign trade can only be developed by importing an amount of merchandise of approximately equivalent dollar value to that exported.

(b) Since our wage standard is more than twice that of our highest-cost competitor, England, and many times that of other countries who will be able to take advantage under the most-favored-nation clause of any treaty we make with England.

1. Our exports can only be built up by the machine-hour products our efficiency has created through importing the products in which cheap man-hours become the preponderant part.

2. Imports will, therefore, tend to displace labor in our own industries like textiles and leather when the labor increment of cost runs as high as 50 percent or more.

3. Thus, if imports are to be built up at all there is grave danger they will be built up by displacing in exchange for our efficient machine-hours, the man-hours that would be consumed in an equivalent amount of such goods as textiles.

4. Every dollar so exchanged will aggravate our unemployment.

II. A strong sentiment has developed throughout the country in favor of almost complete restriction in immigration as a protection to job security in this country. This is a fallacy, for—

1. Without tariff protection foreign labor can compete as effectively against domestic labor through the importation of merchandise as though actually in the field of domestic employment.

2. Foreign labor may be restricted in this competition to low-cost raw material such as Indian or Brazilian cotton in the textile field.

III. There are 2,000,000 people employed in textiles and their allied industries in this country of which 35,000 are employed in Connecticut. These people manufacture $6,000,000,000 worth of merchandise. If we are to export $10,000,000,000 worth of material it is not an unreasonable assumption that textiles might have to assume $2,000,000,000 of offsetting imports. Therefore—

(a) It is estimated that the $2,000,000,000 in total textile imports distributed over all classes would employ about 330,000 souls and this number of employees may then have to be displaced at a time when, due to decreased military requirements, there is serious likelihood will be declining anyway.

IV. Twenty-five years ago 80 percent of the textile industry was in New England and 20 percent in the South. Today, because New England has been unable to compete with a wage level 10 to 25 percent lower, New England has lost her position in this industry. Eighty percent of the cotton spindles are now in the South. Therefore—

(a) If New England could not compete with a 10 to 25 percent lower wage the whole industry will be in grave danger if exposed to wage competition of 50 to 80 percent lower, and

(b) New England being the highest cost will feel whatever foreign competition there is first. Thus—

(c) There will be persistent pressure on textile wages as manufacturers attempt to lower their costs to meet competition before being forced out of business, at a time when we should be making every effort to improve this so-called substandard industry.

Senator WALSH. Mr. Gerry.

STATEMENT OF JAMES L. GERRY, CORN INDUSTRIES RESEARCH FOUNDATION

Senator WALSH. You are Mr. James L. Gerry, representing the Corn Industries Research Foundation?

Mr. GERRY. Yes, sir.

Senator WALSH. You may present your statement to the committee.

Mr. GERRY. Mr. Chairman and gentlemen, I will address myself solely to a question of law or customs procedure. In the presentation of this question the corn industry is not concerned at all in the continuance of the act or in opposition to it, they simply wish to have a certain provision contained in it stricken out and amended.

When the reciprocity bill of 1934 was before the House Ways and Means Committee there was a provision in section 2 (a) of the bill to the effect that the provisions of section 306 of the Tariff Act of 1930 should not apply as against any article that was included in the trade agreement.

The bill went to the Senate and then finally it was passed out and reported to the Senate by the Finance Committee, and it was not until it got on the floor that this provision that I am speaking of was amended at the instance of Senator Harrison so as to include section 516 (b) of the tariff act.

That provision was not discussed either before the Ways and Means Committee or before the Finance Committee. When it got on the floor of the Senate, Senator Harrison was requested to state what the purpose of the thing was and he, referring back, said it was intended to prevent any domestic industry from interfering with the operation of any trade agreement.

In 1937, when the Trade Agreements Act was up for renewal, Dr. Sayre of the State Department was before this committee and he was questioned by Senator Vandenberg and Senator Gerry and Senator Connally with respect to the operation and purpose and intent of the inclusion of that 516 (b) provision in the act, and he said 516 (b) gives to the American producer the right to intervene with respect to any protest pending before the United States Customs Court and represent the interests of the domestic industry.

Under the law as it exists today all entries of merchandise covering that particular class of goods that were subject to the protests would be susceptible so far as the liquidation and determination of the amount of duties was concerned, until the final disposition of the litigation, and hence, said Dr. Sayre, if that were permitted then certainly, insofar as that particular line of merchandise is concerned, the treaty would be suspended until the final conclusion of the ligitation, and it had been their purpose, in putting that in, to prevent the suspension of the treaty with respect to any article which they had included in the treaty.

That explanation having been given in 1938, the Merchants Association of the City of New York, and others concerned, came down here on the question of amending the Customs Administrative Act, and section 516 (b) was expressly limited in its operation so it had effect only as against one single importation of what might be referred to as one test case. So that all of the argument presented by Dr. Sayre with respect to the suspension of the treaty naturally fell to the ground; it disappeared into thin air; it was dissipated.

Senator TAFT. Mr. Gerry, may I interrupt? As I understand it, under the regular tariff law on goods not affected by the trade agreements an American importer could go into court and challenge the classification or the aggregation of the rate and make the claim that the Treasury is not administering it in accordance with its terms; is that correct?

Mr. GERRY. Yes.

Senator TAFT. The effect of this amendment in the law is if that particular rate is fixed by the trade agreement then the American industry can no longer come in and challenge that rate. That is the actual contention, isn't it?

Mr. GERRY. That is right.

Senator TAFT. Now, you want him to have that right; is that it?

Mr. GERRY. That is right. In other words, you have presented a most anomalous situation here. It has been argued, and the argument has been presented in the House, and I am rather inclined to the thought from the hearings that perhaps Senator George, the chairman here, has the same view, that the American producer, the American importer, has no actual right to protest.

Now, as a matter of fact, the importers had a so-called right since March 4, 1789, or July 4, 1799, when the first tariff act was passed, to come in and protest against the liquidation of an entry. No such similar right was given the American producer until 1922.

Now, then, in 1934 this provision appearing in section 516 (b) was put in the Trade Agreements Act, but it only affected those articles which appeared in the trade agreement. In other words, you have right here today the right or the permission, so to speak, that the American importer can come in, that he has the right to come in and intervene in a protest if he does not intervene with respect to some subject matter that is included in the trade agreement. In other words, you would not be concerned with the enactment of legislation as to the suspension of the treaty, because that was obviated in 1938. The idea was without doubt that if the American manufacturer was permitted to intervene in this manner he could raise the question as to the constitutionality of the Trade Agreements Act, and that was not desired by the State Department, and that was the fundamental purpose that they had when they put this thing in.

Now, so far as I am concerned here in this matter, I was Chief of the Customs for 5 years, and I practiced customs law since I got out of the Treasury Department, and I am quite familiar with the decision of the Supreme Court as to the constitutionality of trade agreements, and that sort of thing. I have gone to the Supreme Court on three occasions with respect to this act, so I think I can speak by the card.

When we come to the question of constitutionality, Dr. Sayre—who is admittedly a great lawyer, at least Senator Vandenberg conceded that to him—has argued that this act is constitutional. He supports his position with the several decisions of *Field* v. *Clark*, the Hampton case, and the Curtiss-Wright case, to establish the fact that this is a constitutional act.

Now, I am not going to argue the constitutional question here, either for or against, except to say that in the Hampton case the flexible tariff act was held to be constitutional on the ground that there was a formula and a delegation of authority within that formula. Now, they argue that likewise there is in the trade agreement of 1934 a sufficient formula. You will bear in mind that the Curtiss-Wright case involved an executive agreement on the part of the President with Paraguay by virtue of which munitions were barred from that country to keep them out of Chaco. Curtiss-Wright were indicted and convicted. Justice Sutherland writing the opinion figured that the President, by some curious devisement from George IV, through the confederation, was invested with authority to negotiate executive agreements outside of the Constitution if they related to foreign affairs.

Senator TAFT. Are you sure it was not George III?

Mr. GERRY. Dr. Sayre said since the rendition of the Curtiss-Wright case, the constitutionality of this had become academic. Well, personally, I am quite willing to admit that if, as a matter of fact, the writing of a tariff act which under the Constitution is delegated to the House of Representatives to initiate—and you will recall in the Cuban treaty the act of December 17, 1902, under which it was put into effect, the House expressly reserves the right with regard to trade agreements because they constitute revenue legislation—if the tariff act by virtue of a delegation of legislative authority by the President to negotiate trade agreements with foreign nations, becomes a matter of foreign affairs and ceases to be a matter of internal concern, then, of course, the Curtiss-Wright case would be absolutely controlling in the matter. If, on the other hand, the Curtiss-Wright case did not concede that that was true, you might have another question.

However, in 1940, the chairman of the Ways and Means Committee, reporting his bill, H. R. 407, goes on to say that the Trade Agreements Act was in fact renewed in 1937, it was renewed in 1940, it has been renewed in 1943, and personally I haven't any doubt in the world it will be renewed in 1945, and hence you might say with great justification that there has been a congressional ratification of whatever the President did in this connection, just the same as we have had Congress ratify the administrative rulings of the Attorney General, or the War Department, or the Treasury Department subsequent to the authorization originally offered.

If, therefore, the statement of all these experts is true and that there is no doubt but what the constitutionality of the Trade Agreements Act is now academic, and that is what they assert, so far as I am concerned I am perfectly willing to accept their statement and say, "All right." If, therefore, your issue is confined to one protest and if, therefore, there is no longer any doubt or misconception as to the fact that this act is constitutional, then there is no reason for preventing the American manufacturer from coming in and defending his rights before the customs court.

Now, bear in mind, so far as the importer is concerned, he has enjoyed this right since the beginning of the Government. The importer brings into this country something like $5,000,000,000—let us call it $10,000,000,000—but the domestic producer is concerned with the product of $150,000,000,000; that is, between 5 and 7 percent so far as the interest of the importer is concerned.

Now, who is the importer?

The law provides that when merchandise comes into this country and is entered at the customshouse, the owner of the bill of lading, duly endorsed, is regarded as the owner of the merchandise. He is the one that files the protest. He likewise files a declaration with the collector disclosing the ultimate owner, and thereby he divests himself of all liability of any kind, character, or description insofar as the importation of that merchandise is concerned. All he is interested in is a brokerage fee, a forwarding fee. The railroad, the express company, the forwarding agent, or the customshouse broker will enter 99.44 of all the merchandise that is in litigation before the customs court, yet they have no more interest than what I have disclosed. They are the ones that are to file the protests, however.

The American manufacturer, on the contrary, has a deep and vital interest. Going way back to the Tariff Act of 1890 of Mr. McKinley's, the Dingley Act of 1897, the Tariff Act of 1922, and the Smoot-Hawley Act of 1930, they were all enacted and provided for the definite protection of the American industry. The importer, the minute one of these acts is passed, immediately starts in filing protests, and millions and millions and millions of dollars have been refunded in the way of refunds, as you know, and then comes along a time when a new act is written and you start mending the fences and stopping up the holes and gaps, but really what you are doing is trying to protect the American producer.

We, therefore, ask, in all deference, that—under the circumstances as I have presented them here—that 516 (b) be eliminated, because we have nothing to lose and everything to gain in the sense that it will protect the American producer, and there will be further taxes and increases, and so on.

Senator WALSH. Thank you, sir.

(Mr. Gerry submitted the following matter:)

IN RE AMENDMENT OF H. R. 2652

The Corn Industries Research Foundation has the following membership:

Home-office address	Plant address
American Maize-Products Co., 100 East 42d St., New York, N. Y.	Roby, Ind.
Annheuser-Busch, Inc., 9th and Pestalozzi Sts., St. Louis, Mo.	721 Pestalozzi St., St. Louis, Mo.
Clinton Co., Clinton, Iowa	Clinton, Iowa.
Corn Products Refining Co., 17 Battery Pl., New York, N. Y.	Argo, Ill. Pekin, Ill. Kansas City, Mo.
The Hubinger Co., Keokuk, Iowa	Same as home-office address.
The Huron Milling Co., 9 Park Pl., New York, N. Y	Harbor Beach, Mich.

Home-office address	Plant address
The Keever Starch Co., 538 East Town St., Columbus, Ohio.	Same as home-office address.
National Starch Products, Inc., 270 Madison Ave., New York, N. Y.	Indianapolis, Ind.
Penick & Ford, Ltd., Inc., 420 Lexington Ave., New York, N. Y.	Cedar Rapids, Iowa.
A. E. Staley Manufacturing Co., Decatur, Ill	Same as home-office address.
Union Starch & Refining Co., Columbus, Ind	Granite City, Ill.

When the reciprocity tariff bill of 1934 was originally introduced in the House, it contained the following provision, to wit:

"SEC. 2. (a) * * * The provisions of section 336 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."

The bill was fully considered before the Committee on Ways and Means and when passed by the House was again fully investigated before the Finance Committee of the Senate.

On the floor of the Senate the provision above quoted was amended so as to include section 516 (b) thus denying a day in court to American producers to determine the classification of imported merchandise.

Under section 516 (b) of the Tariff Act of 1930 an American producer could intervene and protest the classification of any import, and having so protested, the liquidation of all subsequent entries of such merchandise was suspended until the determination of the case in the courts.

When the Reciprocal Trade Agreements Act was up for renewal in 1936 (H. J. Res. 96) (see exhibit 1) Senator Vandenberg asked Dr. Sayre to state the reason for thus depriving American producers of their rights.

The answer given was that American producers had no rights and that this privilege granted by Congress would suspend the operation of trade agreements.

Subsequently in 1938 the Customs Administrative Act was passed and section 516 (b) was amended so as to limit the manufacturer's or American producer's protest to but one single entry as a test case.

This will be confirmed by reference to the Treadway minority report to accompany House Joint Resolution 407 when the Reciprocity Act was up for renewal in 1940. (See exhibit 3.)

The fact is that Dr. Francis B. Sayre, although concededly a very able lawyer (Senator Vandenberg accorded him the unique position of being the smartest man that ever appeared before the Finance Committee), yet it would not be unseemly to say that he was not entirely ingenuous in making this statement in that his fundamental and abiding purpose was to prevent anybody from raising any question in the courts as to the constitutionality of the act.

CONSTITUTIONALITY

This question was up for discussion and consideration back in 1934. Dr. Sayre and others from the State Department filed briefs citing *Field* v. *Clark* (1892) (143 U. S. 649, 681). *Hampton Co.* v. *United States* (1928) (276 U. S. 394), and *United States* v. *Curtiss-Wright Export Corporation* (December 2, 1936), and maintained assiduously and earnestly that since the decision of the Curtiss-Wright case the question was purely academic.

The question was discussed and argued again in 1937, 1940, 1943, and now again in 1945 and all of this appears in the report of the chairman of the Ways and Means Committee to accompany House Joint Resolution 407 in 1940. (See exhibit 2.)

On these several occasions the Reciprocal Trade Agreements Act was renewed by the joint action of House and Senate. So we may say that there has been legislative ratification of the power exercised during 11 years without question in the courts by anybody and that with this sanction the issue is closed.

That would seem to be the attitude of the majority.

So be it.

The Congress in 1938 having limited to one single entry the protest of the American producer, Dr. Sayre's stated reason for the inclusion of section 516 (b) in the Trade Agreements Act no longer holds water, and since Dr. Sayre and others and the majority of the House and Senate have consistently believed and held that the act is constitutional, there is reason for including 516 (b) in the act on this ground.

We therefore respectfully request that the act be amended by striking out 516 (b) and that the right of the American producer to litigate questions of classification in the courts just as the importers are now under the law so privileged to do, be restored to the said American producers.

Respectfully,

CORN INDUSTRIES RESEARCH FOUNDATION,
By JAMES L. GERRY, *Counsel.*

EXHIBIT 1

Hearings before the Committee on Finance, United States Senate, Seventy-fifth Congress, first session, on House Joint Resolution 96, a joint resolution to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended. Consolidated, February 10, 11, 12, and 15, 1937

The CHAIRMAN. So then Senator Vandenberg correctly interprets that.

Senator VANDENBERG. Dr. Sayre, may I ask you what the effect was of the repeal of 516 (b) of the Tariff Act of 1930?

Mr. SAYRE. Yes, sir. As you know, Senator, prior to that repeal—that partial repeal, I should say—there were two sections, one covering importers, and a second one covering producers.

The effect of the partial repeal of section 516 (b) was to leave to importers the same rights they had before, and to leave to producers the same rights which every taxpayer has when rate adjustments are made. As you know, the Supreme Court has expressly held that no one constitutionally has a vested right in a tariff rate or in a tax rate. We all agree to that, of course.

Section 516 (b) was passed, if I remember correctly, in 1922, originally in order to give to producers, as distinguished from importers, a right to contest importations on the ground that the rate of duty being charged was illegal.

Many importers and others, felt that the application of the law only resulted in harassing tactics. In very few, I believe, of the suits that were brought did the courts sustain the contention of the producers. The effect of the Trade Agreements Act was to repeal section 516 (b) so far as products covred by trade agreements are concerned, because Congress felt at the time the matter was brought before it that to leave that provision in effect would simply allow any producer who cared to, to interrupt and prevent the successful operation of the Trade Agreements Act, and to strip from the foreign countries the benefits which they bargained for and supposedly obtained under trade agreements. In other words, under section 516 (b), as I understand it, the Secretary of the Treasury at the instance of competing producers could be made to hold up the adjustment of the import duty for months, sometimes even for years, during long court proceedings, although, in very few of those proceedings heretofore have the courts finally sustained the producers' contention. Nevertheless, the result has been indefinitely to hold up the modification of import duties. I believe it was for that reason that Congress passed the partial repeal.

I have before me here an excerpt from the Congressional Record in which the matter was discussed, which, if you so desire, I should be glad to read, or to insert in the record.

Senator VANDENBERG. You may insert in the record anything that you care to put in. I was interested in finding out this: At the time of the debates, perhaps that is in your memorandum, Senator Hébert said this was going to rob the American citizen of the right to litigate, which he felt was important in the protection of his interests.

Mr. SAYRE. I have that here, sir.

Senator VANDENBERG. Have you Senator Harrison's reply?

Mr. SAYRE. Yes; shall I read it? I think it would be just as well to.

First, Senator Harrison said:

"The purpose of the amendment is as follows: In 1922 we gave the privilege to producers in this country or other parties interseted, of taking certain appeals when there was an importation of goods into this country, whether it was with reference to valuation, or classification, or the amount of tariff duties imposed. That was broadened greatly, as those who were here in 1930 will recall, so that any producer could interpose a protest when goods were brought into this country, and would have the right of appeal to the courts, which might interfere with importations and might delay a matter indefinitely. The object of this amendment is merely to remove those restrictions which are in the present law from the operation of the proposed trade agreements."

He spoke from experience. There were very great delays.

Senator VANDENBERG. Yes.

Mr. SAYRE. And then comes Mr. Hébert's statement, Senator, if you wish it.

Senator VANDENBERG. Yes.

Mr. SAYRE. Senator Hébert stated:

"Mr. President, as I listen to the explanation made by the Senator, I assume the privilege which the law now extends to American producers to interpose objections to changes made in the tariff act in pursuance of the provisions of the law now in force will be removed entirely?"

To which Senator Harrison answered:

"So far as the proposed trade agreements are concerned, the object is not to permit any person to come in and destroy the effect of a trade agreement by interposing some objection when goods come in from some country with which we have such an agreement, whether it is directed against a classification, or valuation, or what not, and taking an appeal and tying the matter up in the courts indefinitely. That is the object of the amendment."

Then Mr. Hebert came back with this reply:

"In other words, the protection afforded to American manufacturers under the tariff law of 1930, so far as articles subjected to the operations of this measure are concerned, is to be removed by the proposed amendment?"

And Senator Harrison says:

"So far as the trade agreements are concerned. Otherwise they would have no effect."

That was the conversation which took place, sir.

Senator VANDENBERG. Then, somewhere in connection with the record the very able Senator from Mississippi added:

"That is what we intend to do, since we want no interference or delay from domestic interests.

Mr. SAYRE. May I interrupt for 1 second? It was not domestic interests, because domestic importers have a full right.

Senator VANDENBERG. The record says "domestic interest."

Mr. SAYRE. I am sorry to interrupt.

Senator VANDENBERG. What I am interested in is, Do you know, and I ask for information because I do not know, whether this robs the American producer of an essential litigating right affecting his interest realistically?

Mr. SAYRE. My answer is, "It does not." It takes away from him no right that the American taxpayer ordinarily has. It does take away from him a privilege, as distinguished from a right—a privilege which was given him in 1922, and which was, as our experience shows, exercised in an abusive way.

Senator VANDENBERG. Does this in any way involve the joining of issue to test the constitutionality of the act?

Mr. SAYRE. It does not prevent an importer from bringing a case to test the constitutionality of the act.

Senator VANDENBERG. Does it prevent a producer from bringing a case to test the constitutionality of the act?

Mr. SAYRE. Not if he can prove damage. You remember, Senator, that under the Constitution our Supreme Court and the other constitutional Federal courts are limited to "cases and controversies." Of course, one must prove he has a "case" or a "controversy" in order to come before a Federal court, a constitutional Federal court, including the Supreme Court. That means that the Supreme Court is not going to waste its time trying moot cases. In other words, you have got to prove some damage. But the producer is on no different plane with respect to this than any other taxpayer.

Senator VANDENBERG. You are so confident of the constitutionality of the act I assume you would welcome a decision of the court so we could quit arguing about it, or would that start the argument all over again?

Mr. SAYRE. I should have no hesitation in going before the Supreme Court, but I think really as the result of the recent Curtiss-Wright decision the question has now become academic. You will remember I argued 3 years ago, and I still maintain the truth of what I said then, that this act is within the principles laid down by the Supreme Court for determining within what limits Congress has the constitutional right to delegate power to the President. You remember that the Supreme Court laid it down, if I correctly remember in the Hampton case that the legislation must set forth an intelligible principle for the guidance of the Executive in making his determinations. We spoke of that matter 3 years ago. I then pointed out that the Trade Agreements Act does lay down such an intelligible principle. I reiterate that, and I am prepared to argue it here and now if you desire me to.

Senator VANDENBERG. No; I would not want to argue the question, Dr. Sayre. I would not presume to do that.

EXHIBIT 2

[H. Rept. No. 1594, 76th Cong., 3d Sess.]

EXTENDING THE AUTHORITY OF THE PRESIDENT UNDER SECTION 350 OF THE TARIFF ACT OF 1930, AS AMENDED

FEBRUARY 14, 1940.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DOUGHTON, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. J. Res. 407]

From the first we have recognized the responsibility which rests upon every committee of the Congress to give the most attentive consideration to any questions which are raised concerning the constitutionality of proposed legislation. The concern of the committee in this question is necessarily deeper than that of those persons who, while voicing constitutional objections, are in fact opposed to the legislation regardless of its constitutionality. Furthermore, recognizing that this is a matter which involves not alone our domestic affairs but also our contractual obligations with many other nations, the committee has an especial concern that there should be no reasonable doubt concerning the constitutionality of this legislation. We are entirely convinced that this act stand squarely within the bounds of the Constitution as laid down both by court decisions and the long-established and unquestioned practices of the Congress from the earliest days of the Nation.

In 1934, when this legislation first came before this committee, the constitutional question was considered with painstaking care. Then, as now, only two issues were raised: (1) That the act involves an unconstitutional delegation of legislative power and (2) that agreements are treaties and as such must be approved by two-thirds of the Senate. We do not propose at this time to review the many authorities and precedents which were considered by us in 1934 and since then, in reaching our conclusion; they are all to be found in the records of the three hearings which have now been held by this committee and the two hearings previously held by the Senate Finance Committee on the Trade Agreements Act. We shall simply state for those who have not had an opportunity to make an exhaustive examination of this matter for themselves that on the delegation of power issue there are precedents going back to 1794 which show that throughout the entire course of the Nation's history Congress has delegated to the President broad discretionary powers in the regulation of foreign commerce. So far as we have been able to discover there has never been a single successful challenge in our courts to any of these acts. On the contrary there are numerous decisions by the United States Supreme Court squarely rejecting such challenges and upholding the power of Congress to invoke the assistance of the Executive in dealing with these peculiarly difficult and delicate problems which touch and sometimes go to the very heart of our foreign relations. Suffice at this time merely to refer to the leading cases of *Field* v. *Clark* (143 U. S. 649 (1892)), which involved an unsuccessful attack on the McKinley Tariff Act of 1890 on both the delegation of power and treaty issues; *Hampton* v. *United States* (276 U. S. 394 (1928)), involving an unsuccessful challenge of the so-called flexible tariff provisions of the Tariff Act of 1922; and *United States* v. *Curtiss-Wright Export Corporation* (299 U. S. 304), which in unequivocal terms upheld the power of Congress to delegate broad discretion to the Executive in matters which concern the regulation of our foreign commerce.

On the treaty issue the precedents and authorities are equally conclusive. Again the precedents go back to the early days of the Republic. The various agreements entered into by this Nation which have been brought into force without being submitted to the Senate under the treaty-making procedure number at least 1,000. Many of these were concluded pursuant to congressional authorization; for example, the postal conventions and notably the reciprocal agreements negotiated pursuant to section 3 of the Dingley Tariff Act of 1897. These latter reciprocity agreements, some 15 of which were concluded without Senate ratification, constitute inescapable precedents on the treaty issue for the trade agreements which are authorized by the Trade Agreements Act. Moreover, no executive agreement has ever been stricken down by the courts as being a violation of the treaty-making power. Chief Justice Taft, as Solicitor General in 1890, upheld the power of Congress to authorize the Postmaster General to adhere to postal conventions with foreign governments without Senate ratification. The Supreme Court itself on several occasions has expressly recognized the standing of such agreements concluded without Senate ratification. In the Curtiss-Wright decision, cited previously, the Supreme Court referred to "treaties, international understandings, and compacts," declaring that "the power to make such international agreements as do not constitute treaties in the constitutional sense," although not "expressly affirmed by the Constitution, nevertheless exists as inherently inseparable from the conception of nationality." And in 1937 the Supreme Court again spoke unmistakably to the point when it stated in respect to certain executive agreements concluded by this Government: "The assignment and the agreements in connection therewith did not, as in the case of treaties, as that term is used in the treaty-making clause of the Constitution (art. II, sec. 2), require the advice and consent of the Senate" (*United States* v. *Belmont*, 301 U. S. 324, 330).

We have deemed it desirable to refer to the Curtiss-Wright and the Belmont decisions because both are highly pertinent pronouncements of the Supreme Court which had not been decided when the Trade Agreements Act was enacted in 1934. Both of these decisions strongly fortify the conclusion which we reached in 1934 on the basis of precedents and authorities then available: The Curtiss-Wright decision passes directly on the delegation of power issue and speaks directly to the treaty-making power issue while the Belmont case bears directly on the latter issue.

Exhibit 3

[Rept. 1594, Pt. 2, 76th Cong., 3d sess.]

Extending the Authority of the President Under Section 350 of the Tariff Act of 1930, as Amended

February 16, 1940.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Treadway, from the Committee on Ways and Means, submitted the following

MINORITY VIEWS

[To accompany H. J. Res. 407]

ACT DENIES AMERICAN PRODUCERS THE RIGHT TO TEST ITS CONSTITUTIONALITY

In connection with the discussion of the constitutionality of the act, we deem it advisable to point out that the reason there has been no test of its constitutionality in the courts is because those who drafted the law took particular pains to prevent such a possibility. This was done by the insertion in section 2 of the Trade Treaty Act of this apparently innocuous provision:

"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 effect of this provision, insofar as it refers to section 516 (b) is to take away from American producers the right, which they otherwise would have had under that section, to litigate matters arising out of trade treaties, including the question of their constitutionality.

This particular provision of the act was inserted on the floor of the Senate at the instance of the State Department. It was not considered either by the Ways and Means Committee or by the Senate Finance Committee. The chairman of the Finance Committee [Senator Harrison] offered the amendment, and it was called to his attention that its effect would be to divest American producers of their right to litigate matters arising out of treaties. His reply was:

"That is what we intend to do, since we want no interference or delay from domestic interests."

In our opinion, this high-handed denial of constitutional rights cannot be defended. It amounts to a tacit confession on the part of those responsible for drafting the act that it is unconstitutional and could not successfully pass a court test, even by the Supreme Court as now constituted.

EXCUSE FOR DENIAL NO LONGER EXISTS

The original excuse given for denying American producers the right to litigate matters arising out of the trade treaties was that it would cause undue delay, since, under the law, liquidation of customs entries was required to be held up pending final determination of the issue in the courts.

This excuse, if it ever had any real validity, no longer obtains, for the reason that under an amendment to section 516 (b) made by section 17 (a) of the Customs Administrative Act of 1938, final liquidation of entries is no longer required to be suspended pending the outcome of litigation instituted under this section.

In the few court tests which American producers have attempted to bring, jurisdiction to hear the case on its merits has been denied on the ground that their right of appeal under section 516 (b) had been taken away by Congress.

In the absence of the availability of the remedy which section 516 (b) would afford them if it were not suspended by the Trade Treaty Act, there does not appear to be any other means by which they could raise the constitutional question. Normally, this can be done by showing injury, but of course no one could show injury by reason of importing goods at a lower rate of duty under trade treaties than he would otherwise have to pay.

We believe that the right of American producers to have access to the courts in matters arising out of trade treaties should be restored, not only because the present denial of this right is inconsistent with fundamental principles of justice and equity but because there is no longer any possible excuse for denying this right on the ground it would result in undue delay.

NEW YORK, *June 1, 1945.*

DEAR MR. SENATOR: We have most respectfully to submit in reference to H. R. 3240, that when the State Department (through Dr. Sayre) received an amendment to the reciprocal trade agreement bill, H. R. 8687, denying to American producers the opportunity to go into court with respect to the classification of imported merchandise under section 516b of the Tariff Act of 1930, it was asserted or alleged that this did not deprive said producers of a "right."

This statement has been repeated and reiterated as if it constituted a perfect justification of this manifestly unjust, wrongful and discriminatory legislation.

Everybody knows (or ought to know) that you cannot bring the sovereign into court otherwise than by the permit or consent of the sovereign.

So far as importers are concerned, this permit runs back to July 4, 1789, or March 4, 1799, and has been exercised from that date on uninterruptedly. But the permit did not extend to domestic producers.

All that section 516b did was to remove the discrimination in favor of importers and grant or extent to domestic producers the opportunity or privilege of setting the classification of imported merchandise in the courts, a permission enjoyed by the importers for 146 years.

The domestic producers are just as much interested in the correct classification of imported merchandise (and are financially affected to a far greater extent) than are the importers.

The Government of the United States is more deeply concerned in the safeguarding of the producers than the importers.

The domestic producers are concerned with the establishment or creation of $150,000,000,000 income.

The importers are concerned (at most) with $10,000,000,000 or about 7 percent imports and exports.

Are these American producers to be less favored under the law than the importers?

Here was enacted a piece of legislation which contrary to the Constitution denied to domestic producers an equality of treatment under the law with importers; the enactment of class legislation granting to one group of citizens a privilege which was denied to another group.

It was alleged or represented that if section 516b were not barred in application to any article covered by a trade agreement, it would suspend the operation of such trade agreement until the litigation was concluded.

But the importer could protest the classification of that same article of merchandise, and every single, solitary importation of that merchandise covered by the protest would remain suspended until the determination of the litigation; and the final liquidation for duties of all entries included would be controlled by the final decision of the courts, even though the duty rate on that particular article was lowered or "bound" in the agreement.

At any rate, in 1938 Congress amended the Customs Administrative Act and confined 516b to one entry; i. e., one test case. So all of this argument on the part of the State Department fell to the ground. However, the proponents of renewal continued to support and uphold the bar to producers to invoke section 516 b.

Why?

They were afraid the law was unconstitutional and did not want to open the door for this issue to be tested in the courts.

Now, however, they come forward and assert, with all the outward semblance of actually believing their utterances to be correct and true, that since the decision of the Curtiss-Wright case, the question of constitutionality is resolved, it is "academic."

If these gentlemen are right, if they are honest, if they are not indulging in a bit of merry persiflage or even misrepresentation, then why continue the injustice, the discrimination, the class legislation, the denial of equal rights?

Is there anybody in the entire United States of America so utterly immature and ill-advised as to hope or believe for a moment that the nisi prius Federal courts, as now constituted, would hold the Trade Agreements Act unconstitutional or that the Supreme Court of the United States, as now constituted, would grant a writ of certiorari?

From this standpoint, of course, the question is academic.

If in the wisdom of the Senate the Trade Agreements Act were allowed to expire, no harm would be done to any nation on earth.

Fifty percent of imported merchandise is free of duty. Of the remaining 40 percent, 1,190 items have been reduced up to 50 percent, and under the general most-favored-nation clause all the world has been accorded these reduced rates. All of the trade agreements will continue until denounced, even if this law be not extended. So no harm can come to anyone.

But all we ask is that if the act be renewed, then permit the American producers a day in court as to one test case to establish classification of any article of merchandise, whether covered by a trade agreement or not.

Very respectfully,

Corn Industries Research Foundation,
By James L. Gerry.

The Tariff Act, insofar as the dutiable list is concerned, levies duties on goods, wares, and merchandise.

The duties constitute a lien on the goods. The collector of customs reviews the entry and makes his decision as to the amount of duties chargeable against the merchandise, and the entry is liquidated accordingly. This liquidation is final and conclusive within 60 days thereafter unless "the importer, consignee, or agent * * * shall within 60 days after, but not before such liquidation * * * file a protest in writing with the collector setting forth * * * the reasons for the objection thereto."

Section 483 of the Tariff Act of 1930 provides.

"For the purposes of this title—

"(1) All merchandise imported into the United States shall be held to be the property of the person to whom the same is consigned, and the holder of a bill of lading, duly endorsed by the consignee therein named, or if consigned to order, by the consignor, shall be deemed the consignee thereof."

Who is the importer, consignee, or agent?

Who, almost to 100 percent, acts in this capacity?

The railroad company, the express company, the forwarding agent, or the customhouse broker; and no one of them has any interest in or personal liability whatsoever for the payment of the duties on the merchandise itself, otherwise than to collect a forwarding or brokerage fee after filing a declaration disclosing the ultimate owner.

Yet it is these parties who, having made the entry as consignee, are authorized to file a protest.

It is alleged that the American or domestic producer has no valid interest, that the interest lies solely with the person filing the protest.

This is absolutely and unqualifiedly an erroneous statement based on a wholly false conception of the facts.

The consignee as above outlined has no interest whatsoever; yet this consignee without an interest is allowed to file a protest. Whereas the domestic producer has a very vital interest, and it was to protect this interest that the Tariff Act and the Customs Administrative Act and all the other revenue law provisions were enacted.

What is the preamble of the Tariff Act of 1930?

"An act to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labor, and for other purposes."

Read the preamble of the Trade Agreements Act itself:

"For the purpose of * * * 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 * * *."

And then, after all this, section 516 (b) is barred to the domestic producer, contrary to the interest and purpose of both acts unless the preambles are not to be construed according to the language used therein.

It may be true that some question might be raised as to whether the Trade Agreements Act of June 12, 1934, was enacted to protect the domestic producer, but the preamble reads as quoted, just the same.

However, the Trade Agreements Act of June 12, 1934, is, in fact and in law, a part of the Tariff Act of 1930. It is section 350 of the Tariff Act of 1930. All parts of the act must be construed in para materia. The preamble of the Tariff Act of 1930 does not equivocate, evade, or misrepresent its statement of purpose, and intent is clear and express.

To protect the American producer and his interests.

To say that the American producer has no interest is violative of the principles of statutory construction. To enact legislation to bar the domestic producer from his day in court, as a part of the Tariff Act of 1930, is clearly and unmistakably in violation of the purpose and interest of that act.

Perhaps 99.44 percent of all litigation before the Federal courts in customs matters is promoted by the consignee (having no interest as aforesaid) to break down, impair, and destroy the effectiveness of the tariff act as enacted by Congress.

Every time the tariff is up for revision the Tariff Commission or other proper governmental agencies report to Congress with reference to this litigation and its successful impairment and destruction of the tariff act as written by the Congress; and thereupon Congress again attemps to repair the fences and stop the gaps and holes that have been established through these so-called consignees.

In this way the Government has been prevented from collecting millions and millions of duties which Congress sought to have collected.

And now the American producer is alleged to have no interest, and he is not permitted to come into court and aid the Government in the enforcement of the law and the collection of these duties pursuant to the tariff act which was enacted by the Congress in his behalf and for his protection.

Obviously such an assertion or contention is nothing short of a legal perversion, and it would be utterly wrong and improper not to correct it.

Senator WALSH. Mr. Rieve.

Mr. BARKIN. I am appearing on behalf of Mr. Rieve.

Senator WALSH. You may proceed.

STATEMENT OF SOLOMON BARKIN, DIRECTOR OF RESEARCH, TEXTILE WORKERS UNION OF AMERICA

Mr. BARKIN. My name is Solomon Barkin. I am director of research of the Textile Workers Union of America.

Senator TAFT. What is your union?

Mr. BARKIN. The Textile Workers Union of America, CIO.

Senator TAFT. Neither Mr. Hillman nor Mr. Dubinsky are in that union?

Mr. BARKIN. No; that is the Garment Workers.

Gentlemen, you had appear before you today and on several occasions, to discuss the problems of the textile industry, people who have explained their opposition to the reciprocal trade agreements because of their concern for the effect of the reciprocal trade agreements upon the American textile industry. Our union represents the workers in this industry, and we have a vital stake in the final determination of policy.

The traditional position of the textile workers' unions on the problems of tariff is very well known. It has always been in favor of high protection, and it was with a considerable amount of investigation, soul searching, and concern that we proceed to review our policies and to determine afresh what our attitude would be to the present proposed act as it was passed in the House.

The report by the House committee—it was indicated that we appeared in favor of the continuance of the Reciprocal Trade Agreements Act and the approval of the Doughton amendment. We also appear before you here in favor of it, and our concern is to see that you do, or your committee does, vote out this particular proposal.

This is a novel position for a textile workers' union, which has engaged in representing the workers in probably one of the most highly protected industries in this country, and needs some explanation, because we arrived at this position after very close study. Our position can be summarized in five general conclusions. We believe that this Reciprocal Trade Agreements Act as proposed, with amendments, should be extended, because we believe that its extension is necessary as a symbol of our future international policy and our willingness to cooperate with other countries in the reconversion and reconstruction of our destroyed world.

We also have accepted this position on the Reciprocal Trade Agreements Act because the administration has affirmed time and time again its willingness and continued interest to further a full employment program in this country.

We must say that the international trade program must be part of a full national employment program. International trade will facilitate the adjustment of our war economy to a full employment program in our post-war world.

We must, however, point out that it would be foolhardy for us to initiate a free trade program—that is, a more expanded international trade program—unless we resolve to maintain internal full employment.

It is our belief that unless this country maintains this policy of internal full employment we may do more harm to the world than if we limited ourselves to a limited international trade program, because if full employment is not maintained in face of extended international trade the repercussions on other countries would be most serious.

The problems that we faced after the last war, which has frequently been referred to in the testimony, resulted primarily because we loaned money abroad but were unwilling to adapt ourselves to such an expanded international trade program.

We do not, and we have stated time and time again we do not, want temporary prosperity in the form of increased shipments abroad with an assurance of a collpase in 5 or 10 years from now. We do not want such temporary prosperity. Consequently, in passing this particular act, we indicate that the administration is doubly endorsing a full employment program in this country, because it is declaring that, both in the interest of internal full employment and peace and international peace, full employment in this country will have to be maintained.

Our third reason for coming to the support of this legislative action is that this is enabling legislation which will permit careful study of the types of concessions which should be made and the types of the industries which may be affected by international trade. Our conclusion is that there is always going to be a place for the American textile industry in this world. A rising standard of living in this world will mean a need for an expanded textile industry throughout the world. In Mr. Rieve's statement we have indicated that we now possess 19 percent of the cotton spindles of the world, 25 percent of the ring spindles, 20 percent of all cotton looms, and 70 percent of automatic looms, 15 percent of the woolen and worsted spindles, and 12 percent of the woolen and worsted looms. We now consume 22 percent of the world's apparel fiber, and our per capita apparel-fiber consumption is 36 pounds and the rest of the world is 8 pounds. In other words, we came to the conclusion that international competition is a problem which can be met in a world which is expanding and in which standards of living are rising, because we are going to multiply manyfold the textile industry in this world if you are going to realize freedom from want. If we are going to raise the standard of living of the rest of the world, they must have textiles, and that is the first industry we have got to rehabilitate. In France, the first thing we are doing is bringing coal and raw materials to the textile mills. The same thing with Holland and Belgium, and in other devastated countries. We are thinking of transporting the spindles of Japan to China as a penalty, and to further lift the standard of living in China.

It is interesting that one of the problems during this war is the shortage of textiles. The reason is low wages; the workers do not stay in the textile industry, they go to the munitions industry. That is not peculiar to this country. Interestingly enough, the very prolific British Ministry of Production and Industries in England have written extensively on this subject and they, in January 1944, issued a report of the Cotton Board Committee on Postwar Problems. And what is their problem? Their problem is that during the war they had an expansion of the machine industries, and in the machine industries they had built up new conditions of employment, such as canteens, healthful conditions, better living, higher wages. They closed down part of their textile industry, particularly the sector which has normally been in export. They cannot get the workers back now into the cotton textile industry, and the consequences are that on April 23, 1945, they had a rise in wages in England of 7 shillings, which was coincident with the wage increase in this country. I am not indicating any relationship between the behavior of the unions in this country and other countries, but we keep each other informed of how we raise our standards, how we promote conditions throughout the world.

We are interested in raising the standards of living of textile workers everywhere. We have, therefore, constantly promoted and urged the

State Department and our Federal Government to promote international labor standards. In fact we went so far as to issue a small pamphlet which I would like to enter into the record.

Senator WALSH. That may be done at the conclusion of your remarks.

Mr. BARKIN. We issued this statement and we urge your committee, in its report, to call further attention to the State Department and to the Federal Government of the necessity of our promoting international labor standards throughout the world, first as a means of insuring to people the benefits of industrialization, the benefits of the loans we are going to give them. The International Bank is going to give them loans, and we are repealing the Johnson Act. When we are doing these things, let us be sure that the standards of living in these countries are raised, so the people will enjoy them, and our part in promoting better standards of living and furthering the international peace will be advanced and appreciated.

We have got to tie all of our international action with the basic conditions. Our contribution must be aid and the obligation of these countries to promote the standard of living of those people. We know when you promote the standard of living you have more markets, and more markets means more goods and more demand throughout the world.

We have, in our statement, made two additional proposals. We believe—and we have discussed this with the administrative authorities—we believe that it would be of great advantage in the administration of this act that a foreign trade policy commission be established to coordinate and promote a considered process of selection of industry and of the determination of the degree of protection which each industry can accept. In other words, in our statement we have said that such a foreign trade policy commission could examine the whole range of American industry, as is not always possible when you review the treaty for an individual country. If you are discussing the problems of Great Britain you have got one series of products. You cannot review the entire American industry, and we think that a sane and desirable approach to this problem would be the establishment of a national foreign trade policy commission which would review American industry as a whole and furnish guides and principles to the individual negotiators on trade agreements. That principle has been accepted by very many diverse interests. For example, I happen to be a member of the International Committee of the National Planning Association, in which a report was issued on this subject favoring broader international trade, and despite our very diverse interests we all agree that the one thing that we need in this country to establish greater confidence in our negotiations is to supplement the present administrative process by a national foreign trade policy commission.

We hope that your committee will make some note of that in your reviews and will take into consideration the fact that not only is the proposal made by our union but it has been endorsed and has been proposed by such impartial organizations as the National Planning Association.

Secondly, we have proposed in our statement that we must carry further the principle of the quota system which was announced in the Mexican treaty. It is necessary, for example, if we are going to make concessions that we have got to guard the concessions so that they are not immediately destructive and that they make their influence felt in time rather than with full force and effect at any one moment. We thirdly have recommended that in these negotiations we should give special attention and special favor and grant special grades to the countries which are deliberately attempting to raise labor standards within their own confines, and therefore supplement our own efforts to get wider acceptance of fair international labor standards.

Senator WALSH. You want Mr. Rieve's statement to go into the record?

Mr. BARKIN. Yes, sir; together with the pamphlet that I have submitted.

(The statement and pamphlet are as follows:)

STATEMENT OF EMIL RIEVE, PRESIDENT, TEXTILE WORKERS UNION OF AMERICA, CONGRESS OF INDUSTRIAL ORGANIZATIONS

I represent 450,000 organized textile workers, and shall set forth what our organization believes to be the views and best interests of the American textile workers, and offer you their special experience to help you in your consideration of the present proposal for the extension of the Reciprocal Trade Agreements Act.

I. RECIPROCAL TRADE AGREEMENTS ACT IS SYMBOLIC OF OUR FUTURE INTERNATIONAL POLICY

The most significant fact in the consideration of the present act is its symbolic importance in the development of international relations. Most countries look to action on this legislation as an indication of the role which this country intends to play in the postwar international economy. By defeating these proposals, we shall deliberately isolate ourselves. It is not feasible and would bring in its wake a world of strife. We shall be destroying rather than helping to build the foundation for permanent peace. The defeat of these proposals will limit our ability to participate fully in the family of nations and prevent us from occupying the position we can command. Our absence will make the continued reconciliation of the various nations difficult.

The world frankly looks to us for aid. My recent visit to England reinforced this conclusion. The war has ruined much of the capital structure and wealth of the nations of Europe and Asia. People have been starved, abused, and displaced. The cruel hand of the oppressor has left deep scars upon the world. The liberated peoples are exhausted and unequal to the task of reconstruction and rehabilitation. They need a helping hand. But they do not want mere gifts. They are prepared to trade their products and labor for our goods, which will help them in the rapid recovery necessary for international peace.

This will create many problems. We will grant credit; goods will be exported. But we shall also expect repayment for these goods. The time for repayment may be delayed by the volume of our capital loans, but goods and services will have to be exported to this country.

The long-term economic programs of these nations will be shaped by the case with which they will be able to export goods to this country. Full employment in this country will facilitate imports. It has been estimated that even without any change in our present tariff policy, an American economy of full employment will permit total imports of $7,000,000,000 (National Planning Association). The industries which they will expand, the resources which they will develop, the talents which they will foster, in no small part will be determined by our policy and by the goods and services we will be prepared to accept. To repay us and other countries, they must link their economic development to ours or to the countries which are willing to accept their goods. If closed economies are to prevail. nations will have to raise their trade walls and improve their lot by their own efforts, with little international assistance. We must set forth policies so that future economic unbalance which precipitates depressions and wars will not be produced by our failure to formulate clearly defined policies.

The twenties taught us that easy loan policies, together with markets closed to imports, will ultimately lead to international conflicts. The collapse of 1929–33 was aggravated by the economic dilemma induced by our generous loans and our closed market.

The Reciprocal Trade Agreements Act has become an instrumentality for defining our foreign-trade policy and represents to the world our determination to work out a rational policy.

We of the Textile Workers Union of America are not prepared to shoulder the responsibility of telling other nations that we are not going to aid them, that we will isolate ourselves, and that plans for economic cooperation between the nations of the world cannot be undertaken. We must extend the act and announce our willingness to be part of the family of nations. We must formulate a realistic international trade program for our own guidance. The Reciprocal Trade Agreements Act permits such a conscious formulation of policy.

II. RECIPROCAL TRADE AGREEMENTS ACT IS ENABLING LEGISLATION FOR THE NEGOTIATION OF TARIFF RATES AND NOT A TARIFF LAW

The proposed Doughton amendment does not set forth specific tariff rates. It is enabling legislation to permit the executive branch of the Government, within specified limits, to modify existing rates through negotiations with foreign countries. The actual consideration of the merits of specific rates to be considered in negotiations, and the degree to which protection should be afforded various industries, will be discussed at meetings and hearings on the specific trade treaties, as has been done in the past.

There is general agreement that the volume of industrial changes that have taken place require modifications in our tariff rates. There may be justification for a grant of a much wider range of powers to a tariff agency, so that new tariff arrangements and trade agreements might be more comprehensive and more nearly adequate for present needs.

The issue is whether enabling legislation permitting negotiations of trade agreements with foreign countries is to be passed. In view of the tremendous significance attached to it by the world, it appears to us that its extension is imperative.

III. THE ADOPTION OF THE RECIPROCAL TRADE AGREEMENTS ACT IMPOSES MARKED RESPONSIBILITIES ON OUR COUNTRY

I cannot avoid pointing out at the same time that in discharging our basic obligations to the world, and therefore to ourselves, and in helping these countries reconstruct their economies, we are assuming tremendous responsibilities, of which our Congress and people must be fully and clearly aware. Such a program implies an expansion of international trade over the highest level previously realized—possibly even to the $10,000,000,000 mark which some have wistfully projected. As a result, the economies of many countries will have to be adapted to ours and to those of other countries.

Domestic economic stability becomes essential to peaceful and orderly international relations. An extensive foreign trade program presupposes domestic programs for guaranteeing full employment. Sharp swings in American business activity such as we have had in the past violently affect other countries. The present discussions between Latin-American countries and our own Government concerning the termination of war contracts which would completely upset their internal economies illustrate the sensitivity of economic relations. The continuance of business fluctuations would endanger our position with the rest of the world. We must, therefore, be prepared to develop an active program for full employment, to insure successful and orderly relations among nations.

The rest of the world depends upon full employment in this country for its ultimate recovery. The price which this country and the world will pay if the American economy is not stabilized at full employment is American unemployment and disillustionment and world economic and political chaos.

Lest this conclusion be undervalued, let me add that in an economy of partial employment, truly liberal trade policies are difficult to administer and, sometimes, may not be economically sound. Imports may increase unemployment and may seriously injure the Nation's economy. Industries subject to the disruptive influence of low-price foreign sources will seek support for their own continuance and will secure such support from workers and employers who fear the absence of alternative employments and opportunities. Adjustments in an economy of partial employment are costly to both people and capital and will not be made easily or willingly.

A full employment program in this country is vital to the implementation of a liberal foreign trade policy and to the recovery of other countries.

IV. PRESENT LEGISLATION MUST BE IMPLEMENTED WITH DEFINITE POLICIES TO ASSURE US OF THE CONSIDERATIONS EMPLOYED IN THE NEGOTIATIONS OF TRADE AGREEMENTS

The present reciprocal trade-agreements program rests on a general thesis of increasing the volume of international trade by lowering tariff rates among nations and lifting trade restrictions. The insecurity felt by many groups is in no small part due to the lack of precise guides for the negotiators and to uncertainty created by present procedures. Hearings are now held by the Interagency Committee but charges have been made, and answers furnished, respecting their adequacy and influence. Such deliberations must be integrated more completely into the process of agreement negotiations. They must become active parts of the administrative process.

A full program can be evolved, stating clearly the direction which these agreements will follow. The history of the United States tariff unfolds the various interests and influences which went into shaping tariff legislation in Congress. Extensive hearings and negotiations resulted in compromises of interests and policies. Proceedings under the Trade Agreements Act have been transferred to administrative agencies which have sought to reconcile broad national and international interests and those of specific individual groups within our country. But there is no definitive statement of the policy pursued by the negotiators or the criteria employed in reconciling economic interests. Moreover, a trade-agreements procedure does not always offer the most advantageous method for securing such a balance of interests, since the solutions are defined in terms of specific bargains with specific countries. What is needed is an over-all examination of the interests of this country prior to the negotiations of specific agreements.

A trade agreements act, to be fully successful and inspire confidence, should be implemented by a detailed statement of policy as a guide to the negotiators. We urge your committee, therefore, to recommend to the Interdepartmental Committee the establishment of a National Foreign Trade Policy Commission, which shall carefully consider the formulaton of guides and lay down principles for the conduct of trade agreements. It shall set forth the factors which shall determine the products on which concessions may be granted and the degree to which the national interest will permit varying amounts of imports. In rating American industry, it may well include the following criteria: The reasons for national differences in cost; the probability of developing the individual industry to a comparatively low-cost status; the probability of area self-sufficiency for the product; the effects of concessions on domestic, national, regional, and local economies; the availability of alternative employment and uses for capital; and the cost and other effect of foreign imports on our capital and our people. This committee shall consist of representatives not only of governmental agencies but also of all major ceonomic interests, including labor. The deliberations of such a commission would provide guidance to other countries in the development of their economies.

The Reciprocal Trade Agreements Act must therefore be renewed to reassure the nations of the world that we shall share in the orderly conduct of international trade. The Executive can develop a tariff rate structure consonant with our national and special interests. Our tariff policy must be reconciled with the larger economic programs and policies adopted by Congress or pursued by the administration, in order to assure consistent economic policy.

Aided by a National Foreign Trade Policy Commission, which we strongly urge, negotiations can be conducted on the basis of a sound program, clearly understood by all groups in the Nation. Other countries will thereby be greatly aided because they will be aware of the direction of our economic course.

V. THE AMERICAN TEXTILE INDUSTRY CANNOT BE SUBJECTED TO INTERNATIONAL COMPETITION

The reciprocal trade-agreement program is, to date, properly not subjecting the textile industry to full international competition, particularly because of war conditions. Much care was employed in developing these agreements. A summary of the concessions indicates the following reductions in rates of duties under the reciprocal trade program.

Tariff Act of 1930	Number of paragraphs affected	Number of reductions in each percent range					
		1 to 25 percent	26 to 39 percent	40 to 49 percent	50 percent or up to 50 percent	No appraisal	Total reduction
Schedule IX. Cotton manufactures	17	17	19	6	7	1	50
Schedule X. Flax, hemp, jute, and manufactures of	18	11	11	9	14		45
Schedule XI. Wool and manufactures of	17	24	21	20	5	8	78
Schedule XII. Silk manufactures	5	4	5	4	1		14
Schedule XIII. Manufactures of rayon or other synthetic textile	5	2	3	1			6

It is evident from the above that in the case of cotton, the major effect has been to reduce the tariff rates for specialty goods and for the finer yarns and fabrics. In terms of 1939 imports, 36 percent were affected by concessions. In the case of woolens and worsteds, however, the tariff regulations affected well over 95 percent of all imports regularly coming into this country. The number of instances in which the full 50 percent reduction was applied is small, though in the case of the woolen and worsted industry the reductions are very substantial.

There is no actual experience to determine the precise potential effects of these concessions. The treaty with the United Kingdom became effective only on January 1, 1939. The volume of imports was affected during the year 1939 by many factors which do not permit clear determination of the potential volume of imports which would enter this country under the agreement. Some of these factors are the deliberate withholding of 1938 imports to this country until the turn of the year with the change of duty; the period required by the United Kingdom to develop styles and fabrics peculiarly adapted to the American market; the need of developing a clientele within this country; and, finally and most important, the outbreak of the war in September 1939.

Many prophecies have been made with respect to this treaty in the woolen and worsted field. Some of these may be realized. Unfortunately, the documentation for these statements has been sketchy and our inquiries for supporting data have not always resulted in adequate replies. Fear of all foreign competition has been a sufficient reason for many persons to declare themselves in opposition to the Trade Agreements Act. The National Foreign Trade Policy Commission, recommended above could develop fact-finding processes so that we will all be better able to appraise the results of the agreements.

In negotiating agreements with foreign countries, we believe many facts concerning the American textile industry should guide policy. We recognize that this is not the forum for a full evaluation of foreign trade policy for this industry but a few notes would be helpful in furnishing a perspective for policy and for your committee. We look to a further opportunity to present our full story.

The textile industry was among the first of American industries to be protected. It probably would never have grown to its present proportions without the tariff. It has become one of America's largest industries. In fact, its manufacturing division now employs about one and one-quarter million persons directly. Many more millions of persons are employed indirectly in the sales and distribution of its raw materials and end products.

This nation has pioneered in the development of the textile industry. With respect to technology, we are the most advanced and maintain the best-managed textile plants and the most productive textile labor force throughout the world. Wages are higher than in other countries but generally below the standards in newer American industries. The man-hour output is greater than that in any other country. While our costs are higher, there are some textile products which can meet and beat the manufacturing costs of countries which pay lower wages, with the exception of such countries as Japan.

It is probable that no country enjoys any over-all industrial advantage in textiles over the United States as it is provided by lower wages and overhead costs and some types of styling creativeness. The equipment of many foreign countries originates in the United States.

The exact competitive position of the textile industry is difficult to evaluate at the present time, since there are in the making in this country technical and managerial changes, together with new methods of labor utilization, which will contract employment, reduce costs, and widen the services and uses of textile products. Many of these impending changes are most significant and will alter the competitive structure of the industry.

The increased drive toward higher labor standards in other countries, illustrated by the current wage increases granted in Great Britain, will no doubt narrow the differential in actual prices. The widespread adoption of the International Labor Organization 40-hour week convention for the textile industry will also do much to eliminate these contrasts in costs. The demands for higher wages and for the 40-hour week are being pressed by unions of other countries. Our nation should be in the vanguard of nations urging these countries to advance labor standards.

To allow lower wages in other countries to be a reason for underselling our industry would be fatal to the very large part of the United States textile industry. Our economy has been adapted to, and our standard of living demands, this industry. It is large and vital. The war could not have been as successfully fought if we were not capable of producing our own textiles. We possess 19 percent of the cotton spindles of the world, 25 percent of the ring spindles, 20 percent of all cotton and 70 percent of automatic looms, 15 percent of the woolen and worsted spindles, and 12 percent of the woolen and worsted looms. We consume 22 percent of the world's apparel fiber, using 36.03 pounds of apparel fiber per person in comparison to a consumption of 8.4 pounds per person in the rest of the world. The textile industry of other countries has a long way to go to clothe their peoples at anywhere near the inadequate level prevailing even in this country. Despite this condition, some of these will attempt to export textiles.

A handful of countries, particularly Great Britain, have textile industries which until recently were the cornerstones of the country's export system. Such countries have an equal responsibility of adapting, as Great Britain is, their export industry to the new facts of the world economy. Such adjustments are possible on an international basis through conferences and negotiations.

One further factor must be observed. The Combined Resources Board reports that there will be an overwhelming immediate shortage of textiles throughout the world which will not be relieved for some time.

Tariff action respecting the textile industry must be soberly considered because the industry is pivotal to the economy of three geographical areas—New England, Pennsylvania, and southern New York—and the Southeastern States. Most textile communities are one-industry towns. Alternative employment is not available. Even during the war, migration to new regions was the only way in which textile workers found jobs in war industries.

The manufacturing industry is interrelated with the raw-materials industry. If one were to reduce the consumption of cotton and wool by the American textile industry, there would be no comparable outlet for these raw materials. The raw cotton industry might continue to sell on the international markets but not at its domestic price. The raw wool market would probably completely disappear.

The price of American textiles is in no small part determined by the price fixed by the Government for raw materials. Cotton constitutes 40 percent of the finished price of gray cloth and raw wool constitutes 35 percent of the finished price of woolen and worsted goods. The establishment of world raw material prices for the domestic industry would narrow the disparities in cost.

American national interests and those of other countries demand the continuance of the American textile industry.

On the over-all basis, it appears that further reductions in tariff rates for textile products are not feasible.

VI. COUNTRIES WITH FAIR AND ADVANCING LABOR STANDARDS SHOULD BE FAVORED IN OUR RECIPROCAL TRADE AGREEMENTS NEGOTIATIONS

The Textile Workers Union of America believes that world peace depends upon freedom from want. Economic activity which results solely in the industrialization of nations will not further world peace. The peace treaty of World War I recognized the fact that unjust labor conditions in one country obstruct "the way of other nations which desired to improve conditions in their own country." We, therefore, believe that disparities in living standards, diseases of poverty and the handicap of economic inequality remain as constant threats to the achievement of world peace. We are dedicated to the Atlantic Charter, "to improve living standards, economic adjustments, and social security." We, therefore, believe the most serious step which may be taken in the direction of eliminating substandard conditions of living and the tension which they create is the adoption of international labor standards. This country must make every effort to further them. We must implement this effort to establish minimum standards of living and fair labor practices throughout the world. The negotiators of the reciprocal trade agreements should be instructed to favor countries which accept international labor standards and which are faithfully promoting improved labor standards within their own country. The National Foreign Trade Policy Commission should recognize this consideration as a substantial part of its policy.

VII. RUINOUS EFFECT OF FOREIGN COMPETITION SHOULD BE BARRED BY QUOTA RESTRICTIONS

There are many considerations which point to the inadequacy of the tariff rate structure as a means of controlling the flow of imports into this country. One is the variation in foreign currency values and variations in cost due to price and governmental policy. But equally important is the fact that present tariff rates in textiles are applied on the cost of the exporting countries.

Imports into this country frequently have very unfavorable competitive results, and pressure the industry into chaotic competition. American producers tend to offset foreign competition through destructive price practices which may ultimately affect labor.

The Federal Government in its negotiations with Mexico introduced for the first time the quota principle to protect domestic industry. The treaty with Mexico provides "if, as the result of unforeseen developments and the concessions granted on any article enumerated and described in the schedule annexed to this agreement, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles, the governments of either country shall be free to withhold the concessions, in whole or in part, or to modify it to the extent and for such time as may be necessary to prevent such injury. Accordingly, if the President of the United States finds, as a matter of fact, that imports of any article enumerated and described in schedule II or schedule III are entering the United States of America under the circumstances specified in the preceding sentence, he shall determine whether the withdrawal, in whole or in part, of the concession with regard to the article, or any modification of the concession, by the imposition of quantitative regulations or otherwise, is necessary to prevent such injury, and he shall, if he finds that the public interest will be served thereby, proclaim such finding and determination, and on and after the effective date specified in such a proclamation, and so long as such proclamation remains in effect, imports of the article into the United States shall be subject to the customs, treatment so determined to be necessary to prevent such injury."

We are led to understand by the testimony offered by Tariff Commission Chairman Oscar Ryder on April 26 before your committee that the United States Government plans to insert this type of provision in future reciprocal trade agreements so that it can subsequently impose quota limitations on imports of any commodity should such limitations prove necessary for the protection of domestic industry.

The insertion of quota provisions will do much to relieve anxiety among workers in essential American industries. A number of reciprocal trade agreements, moreover, provide specific mandatory quota limitations on individual commodities as permanent parts of these agreements, as witness the limitation on the imports of boots and shoes from Czechoslovakia to 1.25 percent of the annual domestic production of such items as boots, shoes, or other footwear made wholly or in chief value of leather and with soles composed wholly or in chief value of leather. In the textile industry, we have had experience with such quota arrangements as a result of the voluntary agreements with Japan on limited imports.

Such quota arrangements have merit both for this country and for foreign countries. It establishes a market for a definite amount of goods and does not endanger labor standards and employment in American industry through destructive competition from low-priced merchandise manufactured at lower labor standards. The quota system permits the most careful planning of the volume of imports into this country and exports by foreign countries with a resulting stabilizing effect. We believe that such mandatory quota regulations are appropriate for the textile industry.

VIII. CONCLUSION

We believe that the Reciprocal Trade Agreements Act should be extended because it provides assurance to the rest of the world of our willingness to integrate into the world economy. A sound program of trade agreements must be based on full employment, otherwise liberal trade policies will not survive. We propose that the act be implemented by the appointment of a Foreign National Trade Policy Commission, which would provide policy and formulate guides for the negotiators in terms of the full balance of our general and specific interests. The administrative process can assure full justice to all groups. In addition, such a program must further the advancement of fair labor standards in other countries through special considerations and concessions.

The American textile industry must be considered by the governmental agencies as being just entitled to the protection from foreign competition which it has enjoyed. Probably the most advantageous method of promoting the interest of all groups is by means of mandatory quota controls.

International Labor Standards, a Key to World Security

By Emil Rieve, general president, Textile Workers Union of America, CIO

The war has made the interdependence of man an obvious and inescapable truth. We are all united in defeating aggression which stands in the way of the full economic and democratic emancipation of man from want. Men and women from the advanced economic states have joined with those of the retarded areas in building the armies of resistance to fascism and the corps for final victory. No nation can stand alone in this battle.

The war against dictatorship and enslavement rallied all nations in a drive to establish citizenship for all in a new, democratic world permeated by the "four freedoms"—freedom from want and fear, freedom of worship and speech. We must realize these goals if we are to establish world peace.

A world of "haves" and "have-nots" cannot endure. The advanced industrial countries cannot remain indifferent to the plight of the economically retarded nations. Poverty in one area infects the entire world order. A depression in one nation can become the slide on which our civilization would toboggan into economic collapse. World War II represents part of the price we are paying for having failed to meet the needs of all peoples for economic security and the continued advancement of standards of living. Peoples who fail to share in industrial abundance too often become the victims of dictators and the instrument of combat. Backward nations retard the peacetime advance of highly developed regions.

The riches of the world and our human resources can establish an ever-rising standard of living for all peoples. Poverty can be banished. The war has united us through the use of nature and man, in the defeat of an aggressor; peace should bind us in the determination to employ to the utmost our natural resources and human attainments to guarantee the minimum needs of all peoples.

Trade, industry, and technology must be the tools for human advancement so that all nations may develop their economic organizations to guarantee minimum standards of living. Through them we must realize freedom from want—a major goal of all people. This means a guaranty of food in adequate amount and kind to insure good health; clothing which will be warm and comfortable; housing which will be clean and adequate; medical attention which will protect against ill health; education which will vouchsafe social usefulness and individual satisfaction; and opportunity for useful employment.

Mere economic development of nations does not guarantee better conditions for their people. International trade has frequently meant the enrichment of industrial countries and financiers, the exploitation of colonial resources, and labor, and the permanent dependence of backward areas on industrial empires. Industrialization has been made the means of achieving national self-sufficiency so as to be better prepared to wage war.

At the same time, it is abundantly apparent that if the industrialization of any nation is based upon substandard wages and a consequent substandard level of living, it may well result in increased exploitation of workers and also create a menace to those nations in which industrialization has been accompanied by an improved standard of living. The peace treaty ending World War I recognized that unjust labor conditions in one country obstructed "the way of other nations which desire to improve the conditions in their own countries."

World peace and political security are essential prerequisites of industrial advancement and the rise in the standard of living of the people of the world. Economic understandings regarding monetary relations afford a base for financial stability without which trade would be encumbered. Mutual aid in technology and finance, relief, recovery and rehabilitation, provide the tools of production.

Educational, cultural, and scientific collaboration can spread out human knowledge and sharpen our understanding of man and his world. Such agreements provide the mechanics for discussion, consultation, collaboration, and legislation. But all will be in vain, if, at the core, the disparities in living standards, the disease that is poverty, and the handicaps of economic inequality remain constant threats to these achievements and the source of international tensions.

International peace and amity cannot be established while poverty and misery fester in the greater part of the globe. The protest of poverty cloaked the march of aggression. Complaints of inequality were sounded repeatedly between the two great wars. We heeded them only slightly.

We are now dedicated, through the Atlantic Charter, "to improve living standards, economic adjustments, and social security." Full employment and rising living standards have become international objectives. The task ahead of us is great. The disparities in conditions of living among peoples of the world and within each nation are enormous. But so long as these exist, fears for economic security are engendered. Alarms over competition become widespread. Trade policy becomes a tool for self-protection, rather than a means for the promotion of international development. These inequalities are barriers to economic and political equality. They promote discriminatory policies. They must be eliminated by improving the conditions and raising the standards of the people of the world.

THE EXTENT OF SUBSTANDARDS

The economic backwardness of the greater part of the world and the destruction caused by the war demand deliberate and concerted effort to realize the promise of freedom from want. We shall have to gird ourselves for this major task, with all the resources and wisdom we possess, to make available our knowledge and our facilities of production for the most rapid increase in output.

Before the war, the national wealth and the productivity of agriculture and industry were relatively low in the greater part of the world. The poverty and backwardness of areas like India and China contrasted with the relatively high levels in such countries as New Zealand and the United States. The average farm family in New Zealand produced $2,400 worth of products per year in contrast to an output of $50 in India. (The dollar value is the international unit, developed by the noted economist Colin Clark, and corresponds to the value of one dollar in the United States from 1925–34.) The American industrial worker outdid all other workers. His output was three times greater than that of the English and German worker and many more times greater than the worker of Japan and India.

These wide differences in productivity resulted in sharp contrasts in national material wealth and well-being. Clark's estimates of the average real per capita income of the various civilized countries places the range between $1,381 for the United States and $100 to $120 for China. At the bottom of the scale, with less than $300, are such countries as South Africa, Bulgaria, Rumania, Lithuania, and British India. Of 34 countries, only eight had a real per capita income more than half of that in the United States (table I). Eighty percent of the world population received a per capita income well below a quarter of that of the United States. The five great prewar nations, including the United States, Great Britain, Germany and Austria, France, and the U. S. S. R. had some 54 percent of the world's income.

TABLE I

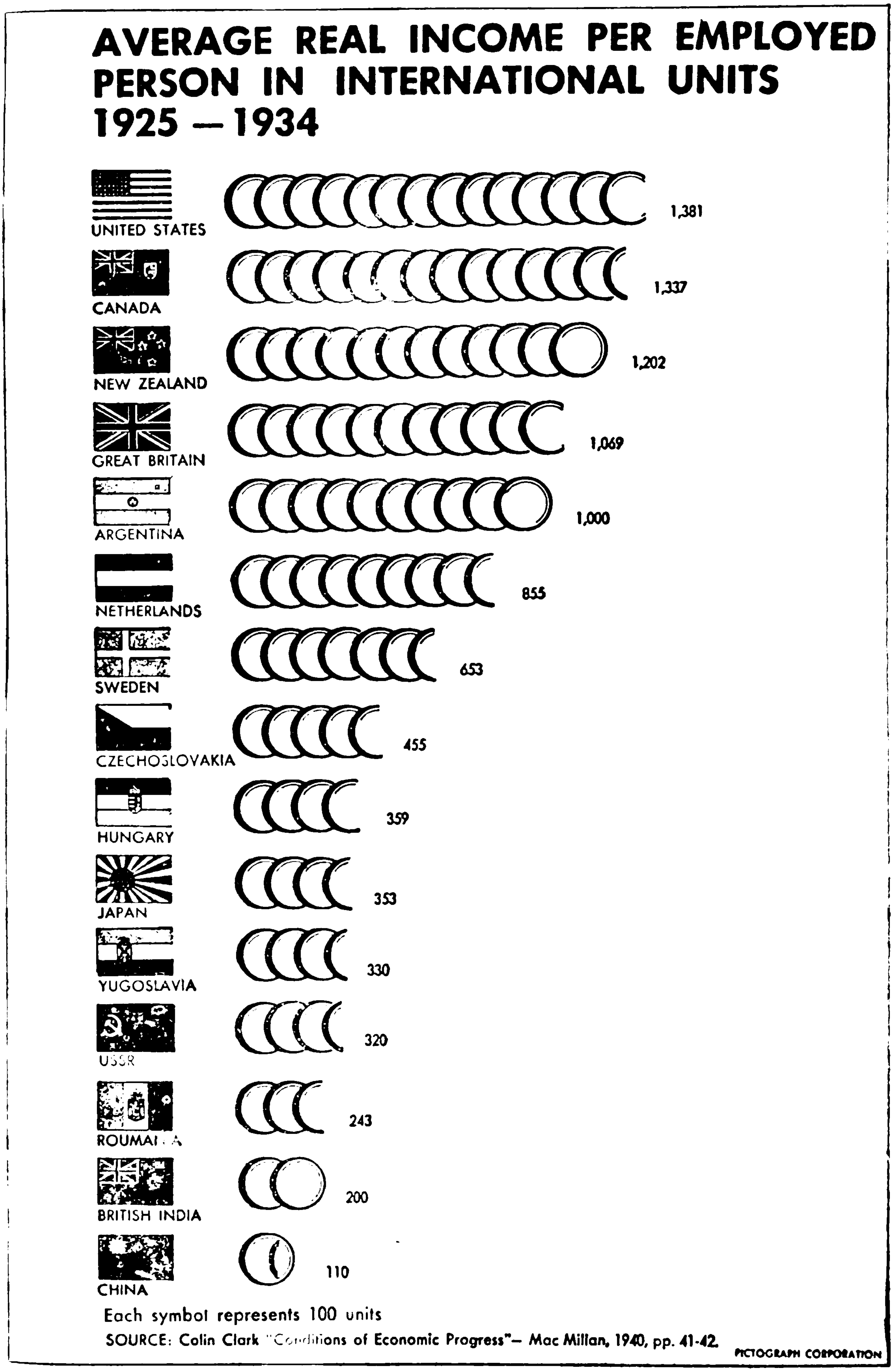
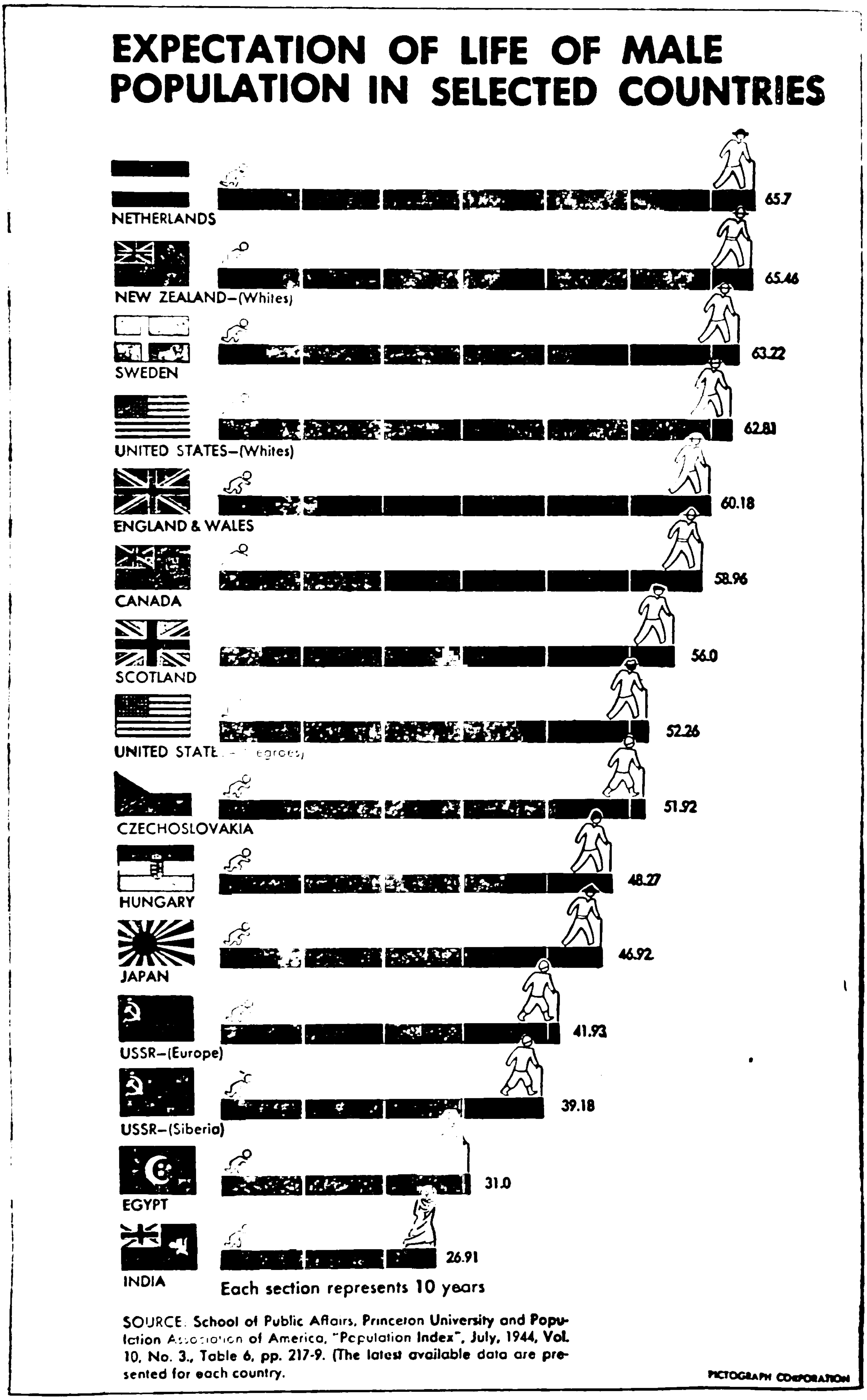

AVERAGE REAL INCOME PER EMPLOYED PERSON IN INTERNATIONAL UNITS 1925 — 1934
UNITED STATES
1,381
CANADA
1,337
NEW ZEALAND
1,202
GREAT BRITAIN
1,069
ARGENTINA
1,000
NETHERLANDS
855
SWEDEN
653
CZECHOSLOVAKIA
455
HUNGARY
359
JAPAN
353
YUGOSLAVIA
330
USSR
320
ROUMANIA
243
BRITISH INDIA
200
CHINA
110
Each symbol represents 100 units
SOURCE: Colin Clark "Conditions of Economic Progress"— Mac Millan, 1940, pp. 41-42.
PICTOGRAPH CORPORATION

TABLE II


EXPECTATION OF LIFE OF MALE POPULATION IN SELECTED COUNTRIES
NETHERLANDS
65.7
NEW ZEALAND—(Whites)
65.46
SWEDEN
63.22
UNITED STATES—(Whites)
62.81
ENGLAND & WALES
60.18
CANADA
58.96
SCOTLAND
56.0
UNITED STATE
52.26
CZECHOSLOVAKIA
51.92
HUNGARY
48.27
JAPAN
46.92
USSR—(Europe)
41.93
USSR—(Siberia)
39.18
EGYPT
31.0
INDIA
26.91
Each section represents 10 years
SOURCE: School of Public Affairs, Princeton University and Population Association of America, "Population Index", July, 1944, Vol. 10, No. 3., Table 6, pp. 217-9. (The latest available data are presented for each country.)
PICTOGRAPH CORPORATION

The results of substandard levels of living are in evidence in another direction. For poverty means lower life expectancy. While Netherlanders and New Zealanders enjoy a life expectancy of 65 years, the people of India can look forward only to 27 years. The life expectancy of Balkan peoples is about 15 years less than that of the people in the most advanced nations. In areas for which statistics are not available, the expectancy of life is probably even lower than that reported for India. These simple facts dramatize the disadvantageous position of the greater part of the world (table II).

Short life expectancy reflects high infant mortality, so we find infant death rates ranging from 39 per thousand live births in the Netherlands to 160 in India. Chile, for which data are available, has an infant mortality rate of 217 per thousand. Tuberculosis flourishes among the poor. The Athenians, in 1938, suffered 405 deaths from tuberculosis for every 100,000 persons in their population. Tuberculosis stalked the low-income nations of Mediterranean Europe and in the East. The highest world death rates from tuberculosis prevail in South America. The city of Callao, Peru, reported 514 deaths per 100,000 population. Australia on the other hand, had consistently low rates of less than 50.

The food which the people of the world eat is inadequate. While wage earners in the greater part of the civilized world devote more than half of their income to food, they still do not eat enough to meet minimum standards. Malnutrition is general. Before the war, it is estimated that three-quarters of the one billion people of Asia and more than one-half of the people of Europe had a diet below that necessary for a minimum standard of living.

Clark's estimate, which sets $60 annually as a measure of the cost of a food allowance per person for the period of 1925–34, places only Switzerland, Argentina, New Zealand, Uruguay, Canada, United States, and France above that minimum figure, with such countries as India and China at the lowest measurable end of the range. Nor can we overlook the recurrent famines which decimate whole nations. While these figures project the disparities among nations, every authoritative survey also concludes that few families "even in the most prosperous food-producing countries, such as Canada and the United States, have diets that are adequate in all respects." These nutritional deficiencies prevail despite the general agreement at the United Nation's Food Conference that "the goal of freedom from want of food, suitable and adequate for the health and strength of all people, can be achieved."

Clothing, which is essential for protection and health, is lacking throughout the world. The United States, in 1939, consumed 36.03 pounds of apparel fiber per person and 22 percent of all apparel fibers produced in the world. Apparel fiber consumption on a per capita basis outside the United States was 8.4 pounds. While cotton per capita consumption in the United States was 26.8 pounds, the average per capita consumption of cotton in the world was only about 6¼ pounds. Of all fibers except flax, the consumption outside the United States was extremely low. This country consumed 10 percent of the world's wool; 44 percent of the available silk; and 27 percent of the rayon fiber.

Few countries of the world, including the most advanced, can boast of having even approximately adequate housing facilities for all their people. The number of homes is below any reasonable standard of occupancy and their conditions do not meet appropriate levels of sufficiency. Even in the United States housing is the most outstanding inadequacy of our national standard.

In other countries, conditions are even less satisfactory. A comparison of the quality of the predominant types of workers' dwellings throughout the world in the prewar period places such cities as Montreal, Manchester, and Basel at the top of the list, despite their deficiencies, and scales down the various cities to the lowest and most inadequate category which includes such important population centers as Paris, Glasgow, Florence, Milan, Trieste, Warsaw, and Shanghai.

In the matter of medical care, education, and recreation, the people of the world sadly lack even minimum provisions. Medical care was most extensive in New Zealand, with the United States next. Yet we know how sadly lacking these countries are in providing curative and preventative facilities. Current estimates place the estimated cost of needed health facilities in the United States at a minimum of 2 billion dollars merely to bring this country up to current standards. Provision in Germany before the war was about 15 percent below New Zealand, with Japan about 60 percent below and India about 90 percent below the highest standard.

These inadequate conditions of life, resulting in high mortality and short life span, are reflected in low productivity and low income. The wage rates even in the most advanced industrial areas, seldom equal, on a direct currency basis, one-half of that enjoyed by the American worker. In the less advanced nations, hourly earnings are no more than 10 to 20 percent of the American rate of pay, and in the most backward countries, they frequently are as low as 1 percent or even lower. Long hours do not compensate in markedly higher weekly earnings. While the advanced nations before the war were striving to adopt the 40- and 48-hour week, backward nations still observed work weeks of 60 hours or more. The inadequacies of income have driven people to send their children to work at the earliest ages. Child labor is commonplace. Mothers are compelled to work to supplement the family's income. Even slavery and forced labor have been common methods of exploitation.

The war has depressed conditions even below the levels previously existing. Whole nations have been decimated and others displaced; industry and cities have been destroyed; farm lands have been laid waste. The occupied nations have had their standards of living reduced. Disease and famine have been widespread. Labor standards have broken down completely in many nations We must rebuild not only the pre-war conditions which we have described as totally inadequate, but quickly exceed them by progressing to the international minimum standard necessary for independent, healthy, vigorous, and intelligent citizens in a democratic world. We can meet these new tests of production and of living standards. There is no reason for despair since we have the technology, the physical resources, and the people. We must find the determination to move directly and determinedly to the goal of freedom from want.

INTERNATIONAL MINIMUMS NEEDED

We have long since learned that strong, free trade unions and national minimum labor standards are the only safeguards against the exploitation of labor. In our separate national economies, we have combated misuse of economic tools by insisting upon higher incomes and legislation to protect the worker against unsocial conditions and to assure him of at least a decent level of living.

Such gains have spread the benefits of industrialization to all people of the nations that have undertaken them. Improvements in the lives of the workers and the general population of such industrial countries, moreover, led to a correspondingly higher productivity and greater incentives to industrial efficiency. Improved labor conditions and legislation setting up minimum standards encouraged industrial progress and helped keep in rein wide fluctuations of industrial activity. Industrial nations have learned that controls are essential to the realization of an economy of full employment and security at high living levels.

It this is true on a national scale, it can be no less true internationally. Freedom from want can only derive from minimum standards of working and living; peace can only be secured if there is freedom from want. The problem is at once as easy as that and as difficult as that.

The movement for international labor standards dates back at least a century. Its results are concrete and numerous—but insufficient. We must move further—and faster. We cannot dissipate the effort to free our world from want by rebuilding upon old economies. ill adapted to our new concepts. We must strike out anew by means of a joint determination to compel the international observance of minimal requirements through the maximum use of the national incomes of all peoples.

Voluntary adherence to international labor standards has been a will-o'-the-wisp. The 67 conventions adopted by the International Labor Office still generally remain unobserved. We must now proceed boldly, on two fronts: By international legislation requiring minimum standards and by adopting additional voluntary agreements on more advanced standards. The price of failure will be international instability, world depression, and another war.

We therefore urge that the United Nations Conference at San Francisco prescribe minimum labor standards for all signatories—a world labor charter. We further suggest and urge that this charter be twofold—a basic international code of fair labor practices incorporating the immediate objectives to be attained, and a broader international program of fair labor practices incorporating longer-range objectives, to be attained over a greater period of time, in consonance with the more gradual abilities of the world family of nations ultimately to bring their people up to such standard.

The international code of fair labor practices that we propose shall become the qualification for participation in world affairs. All nations seeking the benefits of international trade shall be required to observe these standards forthwith. All international loans, commodity agreements, and arrangements for the transfer of materials, or with respect to air transport or other international understandings, shall require adherence to these standards as immediate qualifications for participation.

The provision that beneficiaries of developmental loans shall conform with minimum labor standards has frequently been urged. The American Regional Conference of the International Labor Office in 1939 proposed that "all credit agreements between the nations of the American continent should make provision for the effective enforcement of fair labor standards upon all work financed by virtue of such agreements." The British Colonial Development and Welfare Act has laid down minimum fair labor standards as prerequisite of financial aid. The United States has required the maintenance of minimum working standards in its loans. Such sanctions must now become established international practice.

Minimum labor standards have been accepted as necessary for international commodity agreements. If these arrangements are to concern themselves with the problems of surpluses, reserves, and prices, they must also assure that the labor employed in the production of these commodities enjoys at least minimum standard conditions and that the respective nations conform freely with the specific labor conventions that might be adopted for particular industries or areas. The principle of prescribing acceptance and compliance with minimum labor standards in other international agreements has been widely endorsed.

We must make conformance with such standards the minimum obligation of all nations. Economic self-interest, as it requires participation in these international economic relations, will impel nations to conform. In the United States, the right of the industry of one State to trade outside its own borders is dependent upon the observance of a Fair Labor Standards Act. The principles underlying this act must become the cornerstone of international relations.

THE LONG RANGE GOALS

The world charter of labor should provide for the acceptance by all nations of the following basic policies and principles, an international program of fair labor practices:

1. The governments will assume the responsibility of insuring employment to all persons willing and able to work at rates of pay which will insure them at least a minimum standard of living needed by workers. It will pursue such policies respecting expenditures and controls over prices and monopolistic practices and economic arrangements as will result in full employment.

2. The governments agree to abolish all forms of servitude and compulsory labor in colonial or dependent areas.

3. The governments will pursue such policies and take such measures as are necessary for the fullest development of their natural and capital industrial resources to secure the earliest possible realization of the minimum necessaries of life, including food, clothing, shelter, medical care, education, and cultural facilities required for vigorous and healthy participation of a citizen in a democratic society.

4. The governments agree to establish minimum-wage machinery and regulations of hours of work which will assure the highest possible level of wages, the early realization of the 8-hour day and 40-hour week, and the guaranty to all workers of at least 2 weeks' vacation with pay and full pay for all legal holidays.

5. The governments undertake to protect labor's right to organize freely in trade-unions by abolishing all repressive measures and penalizing all interference, restraints, or coercion, so that free association may follow and unions may perform their normal functions.

6. The governments will establish a system of social security which will protect all workers and their dependents from loss of earnings from their employment for any cause, be it unemployment, disability, old age, illness, accidents or disease, and will provide such medical facilities and care as are necessary for the person's full recovery, and such training as will prepare him for full employment. Legislation will be enacted to safeguard employment and minimize industrial accidents and disease. The government will establish free employment offices to facilitate the proper placement and training of workers. Educational facilities will be provided for training.

7. The governments will enact legislation designed to allow for the development of healthy children by assuring adequate food, medical care, housing, educational facilities, and other opportunities.

8. The governments will protect the right of all people, irrespective of race, creed, color, or sex to all opportunities and to equal terms.

9. The governments will arrange for the participation of trade unions in the administration of all labor and welfare laws.

IMMEDIATE, ENFORCEABLE OBJECTIVES

The general principles promulgated in the international program of fair labor practices must be implemented forthwith by specific regulations. The experience of the last 25 years can serve to define precisely the standards which can be made immediately obligatory.

The World Labor Charter should therefore further provide for the acceptance by all nations of the following International Code of Fair Labor Practices and for the immediate achievement of the provisions of the code, as here set forth. As indicated above, compliance with these provisions shall be a condition for participation in world trade.

1. *Child labor.*—No person under 14 years of age shall be employed in nonindustrial employment; no person under 16 years of age shall be employed in industrial employment, and no person under 18 years of age shall be employed in hazardous occupations. All persons under 18 years of age shall be prohibited from working in excess of 8 hours per day, 40 hours per week, 6 days per week and during designated hours of night work.

2. *Hours.*—The normal work hours shall be 8 hours per day and 48 hours per week and all hours warked in excess of these shall be paid at an overtime rate in excess of the regular rate of pay, except when current international conventions call for a shorter workweek. No work shall be performed by any person during a specified minimum number of consecutive hours from the end of one workday to the beginning of the next. A minimum rest period of 24 consecutive hours a week shall be prescribed for all workers.

3. *Wages.*—Minimum wage legislation shall be provided for establishing a national minimum wage necessary for the attainment of a satisfactory budget and providing for the progressive advancement of wage rates to this standard by industry and/or area, and legislation shall be passed making wage standards established in union agreements the prevailing rates of pay for such areas and industries.

4. *Women.*—No woman shall be employed at occupations harmful to women, such as in underground mines, and in the use of substances known to poison or otherwise injuriously affect women more severely than men, and at night work. A provision shall be made for the temporary leave of all women without loss of job or pay for a 6-weeks' period before and after childbirth.

5. *Vacation and holiday with pay.*—All employees with requisite periods of service shall be entitled to 2 weeks' vacation with pay per year, and full pay for all legal holidays.

6. *Trade-unions.*—Workers in all occupations and industries shall be free to join labor organizations and participate fully in their activities and their organizations.

7. *Social insurance.*—Each country shall enact a comprehensive social insurance program providing for industrial injury and disease, old age, unemployment illness and disability, death and survivor benefits, and establish facilities for medical care, hospitalization, sanitation and education.

8. *Safety.*—Compliance with minimum safety and health standards for all industrial employment shall be required of all establishments.

9. *Employment offices.*—Free employment offices shall be provided.

10. *Dependent areas.*—Slave trade and slavery and forced or compulsory labor shall be prohibited. Recruiting of labor shall be controlled.

11. *Reporting compliance and inspection.*—Each signatory shall report action taken to comply with these obligations and make such other reports and furnish such information as may be necessary. Compliance with these provisions shall be determined by the appropriate international agency which shall also be charged with the responsibility of making independent investigations of compliance with these provisions.

THE UNITED NATIONS MUST ACT

In a spirit of deep conviction of the need for increasingly higher international labor standards and for international commitments to enforce such standards in the interest of all peoples, these proposals are offered to the United Nations Conference in San Francisco.

This war has taught many lessons, to nations no less than to individuals. It is sad to realize that most of these lessons were known before, but ignored or forgotten. Unless our newest and bloodiest instruction in the need for enforceable international cooperation to banish want from the humblest and remotest nation on earth is learned once again, this time forever, there may never be another chance to learn it.

Senator WALSH. I am submitting for the record a statement on the tariff by Senator John Thomas of Idaho.

(The statement referred to is as follows:)

STATEMENT ON TARIFF BY SENATOR JOHN THOMAS OF IDAHO

I am vigorously opposed to the first paragraph of H. R. 3240, whereby the executive branch of Government would be authorized to enter into reciprocal trade agreements for another period of 3 years from June 12, 1945.

I feel that the extension of time should not be longer than 6 months after the end of the war and that upon the elapse of that period Congress should again assume its constitutional control over tariffs.

Also I am strenuously opposed to section 2 of the bill in that the executive branch of the Government thereby would be permitted to increase or decrease by 50 percent those tariffs in effect on January 1, 1945.

Under the terminology of section 2 it would be permissible for the Chief Executive to reduce by another 50 percent a duty that had already been reduced as of January 1, 1945, by 50 percent, thus making a total cut of 75 percent in the schedules fixed by the Tariff Act of 1930.

I appreciate the difficulties to be faced in solving many new economic problems, but it seems clear that we in America cannot hope to maintain a high standard of living for our people, which we all certainly desire, if we are forced to compete in free and furious competition with all nations, regardless of wages paid the labor of other countries.

It is important that we pause to consider the disastrous effects any further reduction in tariffs would have upon the agricultural, livestock, wool, mining, beet-sugar, and timber industries of our country. Those industries simply cannot continue to pay living wages and market their products in competition with imports produced by what amounts to slave labor performed by unfortunate peoples, whose standards of comfort in many instances are lower than that afforded our livestock.

Representatives of each of the industries I have mentioned, and many others, will no doubt present to the committee specific data which will confirm the generalizations I have summarized, therefore I will be brief in pointing out a few examples.

The measure under consideration would permit a reduction of 37½ cents per hundredweight on sugar imports. Even with the cost of shipping and such a levy upon imports, the American beet-sugar industry cannot compete. To do so will mean the lowering of wages and the reduction of living standards for the many men and women of the industry and their children at a time when high incomes are necessary to produce revenue for the payment of the national debt and operation of our Government. And it will mean resort again to quotas and limitations of production.

Many of our sheepmen and cattlemen are suspending operations now. With the war over and competition from Argentina and other meat-exporting countries, where production costs are low, our producers cannot survive.

We have only to look back over recent industrial annals to observe the effects of low tariffs upon our mining and lumber industries. Many of them collapsed before the war because of reciprocal trade agreement competition they simply could not meet.

Free trade theories in this country date back to prerevolutionary days. Those theories have prevailed at times, but invariably history records that depressions have followed their application.

It is my contention that the first rights in the American market belong to the American producer, and we of the West are certain that any further reduction in tariffs can have only disastrous effects upon our national well-being.

Senator WALSH. We will meet again at 2 o'clock.

(Whereupon, at 1 p. m., a recess was taken until 2 p. m., of the same day.)

AFTERNOON SESSION

(The committee resumed at 2 p. m., pursuant to recess.)

Senator WALSH. The committee will come to order.

Mr. Harry Beyster? (No response.)

Mr. Reid Robinson?

Mr. ROBINSON. Yes, sir.

Senator WALSH. Come forward please.

Mr. ROBINSON. Yes, sir.

Senator WALSH. You are Reid Robinson?

Mr. ROBINSON. Yes, sir.

Senator WALSH. Where are you from?

Mr. ROBINSON. Chicago, Ill.

Senator WALSH. And you represent the Mine, Mill, and Smelter Workers?

Mr. ROBINSON. Yes; I am the president of the International Union of Mine, Mill, and Smelter Workers.

Senator WALSH. Have you a statement?

Mr. ROBINSON. Yes, sir.

Senator WALSH. I hope it is brief.

Mr. ROBINSON. It is about five or six pages, Mr. Chairman.

Senator WALSH. Please make it as brief as possible as we have other witnesses this afternoon.

Mr. ROBINSON. Yes, sir; I will do so.

Senator WALSH. You may proceed.

STATEMENT OF REID ROBINSON, PRESIDENT, INTERNATIONAL UNION OF MINES, MILL, AND SMELTER WORKERS, CIO

Mr. ROBINSON. Mr. Chairman, and members of the committee, I appear before you today in behalf of workers employed in the mining, milling, smelting, and refining of nonferrous and other metals in the United States and Canada, as well as in behalf of workers employed in brass mills and die-casting shops in this country.

The International Union of Mine, Mill, and Smelter Workers lends its unconditional support to the extension for another 3 years of the Reciprocal Trade Agreements Act. We believe that the extension of this act, as embodied in the bill under consideration, H. R. 3240, will supply a necessary pillar in that structure of international cooperation and postwar prosperity envisaged by the late beloved President Roosevelt.

Widely accepted is the proposition that if we are to maintain full employment and prosperity in this country after the war it will be necessary to find a greatly expanded market for our products, particularly for the products of our vast capital and consumer durable goods industries.

If we expect to keep our greatly expanded plant operating at full capacity after the war, it will be necessary to import hundreds of thousands of tons of metal and metal concentrates. In formulating our postwar plan a little more than a year ago, we had a study made which indicated that in an economy of full production and full employment this country would consume annually about 1,490,000 tons of copper, 1,070,000 tons of lead, and 1,130,000 tons of zinc. We estimate that domestic production of copper under the most favorable circumstances—continuance of premium prices at substantially present levels—would be roughly a million tons or less annually, lead 450,000 tons annually, and zinc 700,000 tons annually. These estimates correspond rather closely to estimates made in April 1945 by the

Tariff Commission in response to Senate Resolution 341, Seventy-eighth Congress, second session. Their figures on zinc are slightly lower than ours and their figures on lead slightly higher.

Let us consider, for example, what the possible effect of a high tariff on copper would be in a postwar economy of full employment. Our study indicated that this country would need to import about a half-million tons of copper annually to supply such an economy. There is at present on the books an excise tax on imported copper of 4 cents per pound. If this tariff continues in effect after the war and copper becomes scarce, as we expect it will, the price will increase by the amount of the tariff, resulting in an added cost to manufacturers of $120,000,000 annually. When the pyramiding of costs is taken into consideration the consumer will probably have to absorb an even greater increase in cost.

In theory the tariff is supposed to compensate the domestic producer for the added cost of his labor as compared to the foreign producer's labor cost. In fact the tariff provides a subsidy to domestic producers through higher prices whether they need such a subsidy or not. We contend that in the case of copper the tariff does not protect the high-cost domestic producer but merely provides a source of exorbitant profits for a few low-cost producers who can compete favorably in the world market.

In this respect the following figures are significant. These figures give the tonnages of refined copper exported by the two largest copper producers in the United States—Kennecott and Phelps-Dodge—during the years 1934-39, together with the domestic price and the export price prevailing in each year.

Year	Tons exported (2 companies)	Cents per pound	
		Domestic price	Export price
1934	65,000	8.43	7.27
1935	67,000	8.65	7.54
1936	33,000	9.47	9.23
1937	11,000	13.17	13.02
1938	50,000	10.00	9.70
1939 [1]	32,000	10.97	10.73

[1] First 7 months.

Source: TNEC report, vol. 25; Minerals Yearbook, 1940, p. 92.

I want to consider briefly the case of the highly protected metal, molybdenum. As a result of the Mexican agreement the tariff on this metal was cut to 17½ cents per pound. If the Trade Agreements Act is renewed it is possible this tariff will be cut to 8¾ cents. Would the further reduction of this tariff necessitate cutting wages of workers in the industry? We think not.

In 1938 the Climax Molybdenum Corp., whose workers are organized into our union, produced 85 percent of the domestic output and 78 percent of the world output of molybdenum. In 1942 total imports of this metal amounted to a mere 756,000 pounds, while exports in the same year totaled 11,618,000 pounds. In that year Climax made a net profit of $24,346,912. In 1939 Climax employed a total of 1,340 workers and made a net profit of $12,954,599, or a net profit per employee of $9,667. Had the tariff been just one-half of what it was, and had the price been correspondingly lower, this company still could have made a profit of about $5,000 per worker. Under such circumstances, even if wages had been double what they were, the company would still have made a handsome profit.

The molybdenum that is not produced by Climax comes as a byproduct of copper. In the case of the Utah Copper Co., the value of the molybdenum obtained from the ore is equal to 2 cents per pound of copper produced. If the tariff is cut to 8¾ cents and the price is decreased accordingly, the cost of producing a pound of copper at the Bingham pit would increase by approximately a quarter of a cent. We know that Utah Copper makes a profit of at least 6 cents for every pound of copper produced. In other copper operations the percentage of molybdenum is much smaller. It is apparent to us that the domestic producers of this metal will not suffer as a result of a further reduction in tariff.

In copper, in zinc, in lead, in molybdenum—the major producers need little or no tariff protection. High tariff for them means windfall profits through high prices; whereas the high-cost operator is not protected by the tariff.

Our union is concerned with maintaining the wage and working standards of our members in the high-cost mining industry, and we want to see measures taken to keep them employed after the war; however, we cannot see how a tariff will protect the wages or jobs of our members in the high-cost operations. We find that in mining operations competition does not tend to equalize costs as in manufacturing. Let me go a little further into this problem.

The differentials in cost in mining cannot be due to the degree of efficiency of management because the industry is not new and most high-cost mines are also highly efficient. It is quite apparent that the differentials in cost are due mainly to natural conditions beyond the control of the operators. That is, the character of the mineral deposit and the methods that can be used in exploiting the deposit determines the cost of extracting of the ore. The cost of a pound of copper varies from around 5 cents a pound at the Bingham pit of Utah Copper to well over 20 cents a pound in the Michigan mines. With such a wide range of costs, adequate protection for all operators would necessitate a tariff rate of over 8 cents a pound. If the tariff were effective it would induce a price of over 20 cents a pound, forcing copper-users to turn to substitute metals wherever possible. Although the range of costs in different lead and zinc mines is probably not as wide as that for copper, the same difficulties must be faced if higher prices induced by higher tariffs are to be used to maintain all high-cost mines in operation.

Our union feels very strongly, not only from the standpoint of employment in the mining industry, but also from the standpoint of national interest, that an effective program of conservation and development of our rapidly diminishing mineral resources should be practiced by our Government.

To effectuate such a program, we proposed in our postwar plan issued in March of last year, that the Government provide a direct subsidy to those operations where costs are too high to operate profitably except with an unusually high price and where ore reserves would be lost if they were shut down.

Senator BUSHFIELD. What is the difference between a tariff and a subsidy?

Mr. ROBINSON. A tariff is a subsidy.

Senator BUSHFIELD. I came in late, but I understood you, Mr. Robinson, to be against the tariff?

Mr. ROBINSON. We are against the tariff on a blanket over-all basis. We feel that a subsidy is necessary for the high-cost operations, to deal specifically with certain plant or mine operations, and that a subsidy program gives the same result as a tariff in the high-cost operations, but does not add to the profits of those corporations that do not need the protection of a subsidy.

Senator BUSHFIELD. But a subsidy comes out of the pockets of all of us, doesn't it?

Mr. ROBINSON. To a degree; yes.

Senator BUSHFIELD. There isn't any "to a degree" about it. Everybody that pays taxes has to pay the subsidy.

Mr. ROBINSON. Well, the consumers have to ultimately pay the cost of the tariff.

Senator BUSHFIELD. The consumer may not necessarily be all of the public, though.

Mr. ROBINSON. The products of the mines and mills are consumed by practically every citizen. Therefore he would be paying the bill finally.

Senator BUSHFIELD. Very well.

As a westerner I know that there is a widespread feeling in the West about the domination of eastern interests and the extent to which the Government in its various actions has hampered the development of the West. However, I think this feeling is somewhat exaggerated, and I note with satisfaction the recent action of the Interstate Commerce Commission to reduce freight rates which should help in the building of both the West and South. Our union wants it clearly understood, however, that when we propose a program for mineral conservation we are not asking for special favors. We think that the interests of the country as a whole, and particularly the interests of consumers of metals who are concentrated in the large centers of population in both the East and West, require conservation as much if not more so than the western and other mining regions. Our proposal is intended to get as much benefit for consumers as for producers.

Many legislators in recent years have indicated that they oppose hidden taxes and that they want the taxpayer to know just how much he is being taxed to help certain mining and industrial monopolists by way of the tariff. We feel that if the national interest requires continued output from high-cost metal mines for the conservation of irreplaceable resources, the cost should be an open and obvious one paid by the taxpayer for his benefit as a consumer, rather than in the form of a hidden tariff which redounds to the benefit of a few monopolistic producers favored by nature. We are in favor of protecting the small operator, but we feel he gets little protection from tariff. We think that people who support high tariffs are actually supporting exorbitant profits for monopolists against the interests of small business in the mining regions.

We can point to the operation of the premium price plan during the war as evidence that a direct subsidy program can be worked out successfully. Such a program would insure conservation, protect operators and workers in those operations which need subsidies to keep operating, and do this at a small cost to the taxpayer as compared to the cost of tariff protection. Such a program would insure that the consumer would receive benefits in the form of lower prices and increased quantities of metal.

We believe that the President should be given the authority under H. R. 3240 to reduce our tariffs by as much as 50 percent in return for concessions from foreign countries. We realize fully that the people who will administer this act have a great deal of power and that they can use it for the better or for the worse. We are confident, however, that the negotiators for our Government will not take steps that will undermine wage standards in this country or any other part of the world. You can rest assured, gentlemen, that if I thought wage standards would be imperiled by this act I would not be for it; but I have confidence in our Government, as well as confidence in our labor organizations' ability to protect wage standards.

Senator BUSHFIELD. Mr. Robinson, may I ask a question at this point?

Mr. ROBINSON. Yes, sir.

Senator BUSHFIELD. You say you have confidence in our Government. Congress is part of this Government, isn't it?

Mr. ROBINSON. That is correct.

Senator BUSHFIELD. Those who are opposed to this reduction of 50 percent believe that the Congress should be the one to decide what duties, if any, should be lowered, rather than some individual who is not personally responsible to the electorate. Have you any comment to make on that?

Mr. ROBINSON. Well, it is our feeling that in discussing the question of international relationships under the program outlined by the reciprocal trade agreements program, that the Congress, which is a responsible body, can vest in another responsible governmental agency the authority to negotiate such contracts, and that they will be in the best interests of our Nation and in the interests of sound international relationships and a lasting peace.

Senator BUSHFIELD. Well, the point I am trying to make is to get your idea on this. Do you think that an appointive official, who is not directly responsible to the electorate, is a better authority for arranging that than the Congress itself which is elected?

Mr. ROBINSON. We feel that the Congress of the United States can lay down the necessary broad rules to take care of the administrative efforts of any other section of the Government.

Senator BUSHFIELD. Well, if this bill is enacted as it is written, with a 50 percent maximum reduction, there isn't any broad framework there except to say that they can go ahead and cut it down 50 percent.

Mr. ROBINSON. But the President has that authority under this act, as contemplated, and he is responsible to the electorate, also.

Senator BUSHFIELD. But the State Department is the body which makes this arrangement, whatever it is.

Mr. ROBINSON. But the President has the final authority in making the cut, as I understand it.

Senator BUSHFIELD. He would probably approve it, yes.

I would like to ask one further question, if I may. To what extent do you represent the views of the local CIO unions in the metal mining trade?

Mr. ROBINSON. I am the president of the international union and we have some 150,000 members from Connecticut to California, and in line with my duties as president of the organization I am in constant contact with them, discussing their welfare, both their immediate and future welfare, and as a result of our discussions in recent months, at our convention held in Pittsburgh last fall, we decided upon a program such as we are outlining here, by delegate representation from all over the United States and Canada.

Senator BUSHFIELD. Did the representatives of the local organizations direct the international organization to take this course?

Mr. ROBINSON. That is correct.

Senator BARKLEY. Is there any greater likelihood that you would misrepresent the members of the organization for whom you are speaking, than that members of the Senate would misrepresent those who elect them here?

Mr. ROBINSON. I certainly hope not.

We expect that in line with a policy of expanding world trade the Government will do its best to grant concessions only where there is reasonable assurance that the benefits of the concessions will not accrue wholly to cartels and monopolies. Furthermore, we expect that this Government will do all in its power to obtain tariff concessions on the necessities of life and consumer goods abroad so that in this way also the living standards of foreign workers will be raised, thereby further increasing world trade and enlarging the market for American products and creating more jobs for American workers. From personal acquaintance with representatives of workers in the mining industry of other countries I can vouch for the fact that labor is in a much stronger position now than ever before to gain in the form of increased wages and better living standards a fairer share of the benefits of any American tariff concessions.

We are hearing again the age-old story that tariffs prevent the products of coolie labor from taking away the jobs of our high-paid American workers. This myth is based on the notion that high tariffs bring high wages and low tariffs create low wages and low standards of living. As a result of our experience during the depression that followed the end of the First World War, when mines were closed down right and left and ghost towns appeared all over the mining regions, we became convinced that the tariffs were not the solution to our problem. Rather we believed it was the large number of unemployed workers seeking the jobs of their fellow-workers that reduced wages and lowered standards of living.

I believe that low wages are the result of a lack of sufficient jobs for all workers who are seeking employment; and to say that a lowering of tariffs will create unemployment just does not jibe with our own experience.

As I have said before, lower tariffs will encourage an expansion of foreign trade which will in turn permit a high level of operations for our domestic industries so that no worker who wants a job need go unemployed.

Our wartime experience has shown us that even with restrictions on wage increases and with removal of tariffs, employment expanded and wages increased. Certainly our members cannot be convinced that higher wages that came with full employment during the war period were the result of high tariffs. It is clear they resulted from the fact that we had our plant operating at full capacity in order to export unheard of quantities of products from our domestic industries.

We want to substitute in peacetime a market that will absorb products for peacetime pursuits equal at least in volume to that absorbed by the market for war. If we are going to build up such a market in peacetime we cannot permit obstacles like high tariffs to remain. We must remove these obstacles to expansion of foreign trade. This will create a condition in which all of our workers can be employed. Through our strengthened organizations we will insure that wage and living standards are protected. Through organization we will make certain that the workers will get a share of the higher profits going to industry as a result of an expanding market for our products.

In conclusion, gentlemen, I urge early and favorable action on H. R. 3240 in the interest of full employment and rising standards of living in a postwar world of lasting peace.

Senator BUTLER. May I ask a question?

Senator WALSH. Certainly, Senator Butler.

Senator BUTLER. Mr. Robinson, you spoke of getting higher wages and better standards of living for our workers with an increase in our export trade. I wonder if you have the idea that the profits on export business are greater than the profits on the domestic business of our industries here in America?

Mr. ROBINSON. I am not in a position to say whether they are or are not. I know that the more trade we have, both domestic and foreign, it provides more jobs for our people and creates a better general economic condition in the country.

Senator BUTLER. Between 90 and 95 percent of our business is domestic, and somewhere between 5 and 10 percent is foreign trade. Do you feel that there is an opportunity to increase the export business as against the domestic, to the advantage of the American worker? The only way it could be done would be for the profits on the export business to be greater than on the domestic business, and I think it is generally conceded everywhere that an export market is the lowest price market that anybody has. We have always clamored, here in this country, about the manufacturers selling their machinery—sewing machinery and farm machinery, for instance—at a much lower price abroad than they sell it at for domestic use.

Mr. ROBINSON. Well, as I pointed out in the statement I gave, we are interested in full productivity and full employment in this country——

Senator BUTLER (interposing). We all agree with you on that.

Mr. ROBINSON. And we say that in the event that we do have full employment and full production we will be put in the position, in the copper, lead, and zinc fields especially, of importing enough to meet our own domestic demands, and if we are put in that position, surely we don't want to build a tariff wall around us.

Senator BUTLER. You represent a CIO organization?

Mr. ROBINSON. That is right.

Senator BUTLER. Yesterday I placed in the record petitions from quite a number of CIO unions in Nebraska, asking just the reverse of what you ask today, but I guess that simply confirms that the men who make up the unions are like every other segment of America: they are divided in their opinions on these questions?

Mr. ROBINSON. Undoubtedly there are differences of opinion within the trade-union movement just as there are in Congress.

Senator BUTLER. So you speak for your segment?

Mr. ROBINSON. I speak as a result of having discussed this with our nationally elected officers, and having discussed it in conventions of our organization, which are representative of every section of the mining and milling and fabricating industry.

Senator BUSHFIELD. May I ask a question, Mr. Chairman?

Senator WALSH. Certainly.

Senator BUSHFIELD. Mr. Robinson, I have a paper here called the Pioche Record, of Pioche, Nev., in which some fellow who lists himself as a zinc miner expresses himself quite fully and at length, and he is in radical and complete opposition to your ideas about the effect upon the zinc miner of these trade agreements. It is too long for me to read but I just wanted to tell you that. And he says that there are a lot of other zinc miners who feel just as he does.

Mr. ROBINSON. Well, there are individuals who do express a different opinion on this. We have to be guided by the results of our study of the problem, as a result of democratic meetings and discussions, and arriving at conclusions, and I am here testifying on behalf of an action that had no opposition in our duly authorized and delegated body, the convention, and our executive board.

While I don't deny the zinc miner from Pioche an opportunity to express himself, I think that in a democracy we have to arrive at these conclusions in a democratic manner.

Senator BUSHFIELD. The particular point that he stresses in his letter, printed in this paper, is that he cannot be convinced, if he loses his job in the zinc mines, and his area closes down because of the market for the product of those mines being no longer needed, that this reciprocal trade business is of any benefit to him as a miner.

Mr. ROBINSON. Yes, but if he has been mining in that section very long he will find that those mines did close down, as did the mines in which I worked, when we did have a tariff. I have never, in my experience, been able to find where a tariff protected the jobs. I look at the record and find that the monopolistic producer, the big corporation, can completely ignore the fact that there is a 4-cent tariff and eliminate the small operator completely from the market, selling domestically at practically the same price that he sells his product in the world market.

Senator BUSHFIELD. If I understood you correctly a few moments ago you said that the smaller mines, with less resources, who could not make a go of it, ought to be kept going by subsidies out of the Federal Treasury?

Mr. ROBINSON. That is in the interest of the conservation of a natural resource. The most recent estimates would point out that we have about a 17-year supply of copper in this country, that the estimated known resources are for about 17 years, to take care of our normal domestic consumption for that period of time. And there are mines in several sections of this country that, without some form of subsidy wouldn't be able to operate, and as a result much of this resource which will be badly needed in a few years, will not be available to the people of this country.

Senator BUSHFIELD. If I get your thought, Mr. Robinson, it is that the Government should continue these mines for the purpose of building up a stock pile?

Mr. ROBINSON. A stock pile only for a temporary period, a period which we might term a reconversion period. We say that if through the cooperative effort of industry and labor in this country we arrive at a program of full employment, that we will not only need the production from each and every mine, small and large, in this country, but we will have to import some. Therefore, if it is necessary during this reconversion period to build a small stock pile, that that is in the interests of the people of this country, through the conservation of a resource that might have been permanently lost——

Senator BUSHFIELD (interposing). You haven't answered my question yet. If we have got a 17-year stock pile of copper in this country there is no necessity for operating these small mines which cannot stand on their own feet.

Mr. ROBINSON. You probably misunderstood me. We haven't a 17 year stock pile. The known reserves in this country are estimated to last approximately 17 years.

Senator BUSHFIELD. I misunderstood you, I am sorry.

Senator BARKLEY. Let me ask Mr. Robinson this question. I haven't seen this letter of this miner who seems to be working in a zinc mine, who seems to fear, I gather, that if this law passes permitting the extension of the Trade Agreements Act that he may lose his job. As a matter of fact, under an Executive order, as a war measure purely, and at the requisition of the Navy, many metals are admitted now free of any duty whatever, are they not?

Mr. ROBINSON. That is correct.

Senator BARKLEY. That has nothing to do with the trade agreements; they are admitted under an Executive order which was issued under the War Powers Act, in order that strategic metals needed, for the Navy especially, could come into this country free of tariff. Those Executive orders will automatically expire at the end of 6 months. They may expire sooner, they may be rescinded sooner, but none of them are issued on the basis of the Trade Agreements Act but purely as a war measure. Now my understanding is that in none of these trade agreements that have been negotiated so far has there been any great injury done to the metal industry, to the mines, and to the metals produced in the United States. It may be that the writer of this letter is assuming that the Executive orders affecting miners are perpetual and permanent and will not automatically expire at the end of 6 months, or be rescinded by the President himself by withdrawing the Exeuctive order.

Are you able to say, as a miner, having worked in metal mines heretofore, whether trade agreements entered into prior to 1939 under this law have been particularly injurious to the metal industry?

Mr. ROBINSON. We have seen no evidence of where the reciprocal trade agreements program has injured the metal mining industry.

Senator BARKLEY. And, of course, when these automatic expirations take place—if they are not rescinded sooner—the metal industry goes back on the same tariff that it enjoyed prior to the war, and in cases where there has been no reciprocal agreement affecting rates on metals, it goes back to the rates carried on the Smoot-Hawley bill. That is true, isn't it?

Mr. ROBINSON. That is as I understand it.

Senator McMAHON. I think the House put in a specific amendment saying that the power granted under this act, Senator, could not be based upon the rate fixed by Executive order.

Senator BARKLEY. Those rates were fixed entirely independently of the Trade Agreements Act and would have been issued if there had been no Trade Agreements Act in existence. They were purely war measures, and they expire with the end of the war. A great many people have gotten the impression that because of that the metals industry and the mining industry would be permanently affected by these temporary orders, Executive orders, affecting minerals purely as a war measure, which is a mistake. When those orders expire, or are rescinded, the tariff on metals goes back to where it was prior to the war.

Mr. ROBINSON. That is correct.

Senator MCMAHON. Mr. Chairman, because Senators Butler and Bushfield seem to have found it necessary to inquire into the percentage of the people in the organization that agree or disagree with the stand taken by the witness, it strikes me that it might be a good idea to put in the record a recent Gallup poll which was published in the Washington Post on May 23 of this year, showing what they found as a result of their poll on this question. I would like to have that put into the record.

Senator WALSH. Thay may go into the record at this point.

(The document referred to is as follows:)

[Washington Post, May 23, 1945]

THE GALLUP POLL—TRADITIONAL GOP OPPOSITION TO TARIFF CUTS FOUND REVERSED

(By George Gallup, Director, American Institute of Public Opinion)

Princeton, N. J., May 22.—If public opinion may be taken as a guide, traditional Republican thinking on the tariff issue, as reflected in current opposition to renewal and extension of the Reciprocal Trade Agreements Act, may be due to break-down before very long.

A Nation-wide survey among voters who know what the Trade Agreements Act is finds a substantial majority of best-informed Republican voters in favor of renewing the life of the act. Following tradition, the best-informed Democratic voters are found overwhelmingly in favor of the renewal of the act.

The bill under consideration would authorize a further reduction of tariff of not more than 50 percent below the level of January 1, 1945.

Democrats who are familiar with the principle of reciprocal trade agreements are overwhelmingly in favor of this crucial issue of a further reduction in tariffs. Republicans who are familiar with the agreements are more evenly divided. A slight majority of those interviewed in this survey favor further reductions.

The whole question of trade agreements and tariff cuts is of course extremely complicated. For this reason, the institute limited this survey to those familiar with the Hull agreement; that is, able to tell what they are.

The questions put to this small group, which amounted to about 1 in 10:

"Congress has to decide whether or not to continue the trade-agreements program. What do you think—should the program be continued or not?"

Replies of those included in the survey:

	Percent
Should be continued	75
Should not be continued	7
Undecided	18

"Would you approve or disapprove using this program to get further reductions of tariffs in both the United States and other countries?"

	Percent
Approve	57
Disapprove	20
No opinion	23

Senator BUTLER. There is just one additional matter that I would like to call attention to. You just answered Senator Barkley to the effect that you had heard of no instance where industry had been affected injuriously in any respect by the issuance or entering into of a reciprocal trade agreement——

Senator WALSH (interposing). He said in the mining industry.

Senator BUTLER. Yes; in the mining industry. But you stated a moment ago that you knew from personal experience of where mines had been closed because of a high tariff.

Mr. ROBINSON. I didn't say it in quite that way. I say that there was a tariff, or has been a tariff for some time, on copper. In 1937 and 1938 the employment in mines was at its lowest ebb in the history of this country, and there was a protective tariff at that time. So the Pioche miner and the other miners were out of work at that time, and there was tariff protection then.

Senator BUTLER. The tariff was a little higher then. I was simply going to remark that if you can substantiate the theory that you advance—that labor goes up when tariffs are low—that you really ought to write a book for the State Department. I think they could use it to pretty good advantage right now.

Mr. ROBINSON. We haven't found any relationship between tariffs and wages. We find that our wages are high where our unions have been strong enough to get an adequate return for the work done, and that actually the tariff program hasn't provided any more jobs or any higher wages for domestic workers.

Senator BARKLEY. Well, it is a fact that the more trade there is between our Nation and other nations, the more men it takes to handle that trade; and that means employment, doesn't it?

Mr. ROBINSON. Certainly.

Senator BARKLEY. International trade cannot be a one-way street. It is impossible for us to sell to other countries unless we buy something from them, and in the condition that the world will be in from now on for a considerable period of years, about the only way they will have to pay for things that we want to sell to them is in something that they want to sell to us?

Mr. ROBINSON. Yes, sir.

Senator BARKLEY. And if that is a two-way street, so that it is an exchange, it certainly employs more people to handle the trade than if it were a one-way street and we were only selling to other countries, if we can even assume that we could sell to them without buying anything. So it is your view that international trade does give more men work, and therefore increases employment, and increases wages also, and maintains a higher standard of living—is that correct?

Mr. ROBINSON. We are in favor of the broadest possible exchange of goods throughout the world. We have found in this country that when organization went into the South, and we raised the general standard of living of the workers there, that it tended to increase the standard of living of the workers in the North. And we feel that if that holds true in this country, that it can be established on a broader international basis, and not only will we raise the standard of living of the people throughout the world, but we will reduce the economic causes of war.

Senator ROBERTSON. May I ask a question, Mr. Chairman?

Senator WALSH. Certainly.

Senator ROBERTSON. Will you tell us how the wages paid to copper workers in this country compare with the wages paid to copper workers in foreign countries?

Mr. ROBINSON. Our dollars-and-cents standard of wages is higher than the standard of wages of copper miners in other countries.

Senator ROBERTSON. Generally what percentage higher?

Mr. ROBINSON. Offhand I would say 50 percent higher than they are in South America, for example.

Senator ROBERTSON. Can I gather from that that the copper mined in South America could be mined considerably cheaper than the copper mined in this country?

Mr. ROBINSON. We can produce copper at the Utah Copper Co.'s open pit for 5 and 6 cents a pound.

Senator ROBERTSON. Do you mean the pit at Ely, Nev.?

Mr. ROBINSON. No; the one just outside of Salt Lake City—and they can't put it into this country any cheaper than we can.

Senator ROBERTSON. Yet their wages are 50 percent less than our wages here?

Mr. ROBINSON. That is correct.

Senator ROBERTSON. To what do you attribute the difference?

Mr. ROBINSON. Lack of organization, for one thing.

Senator ROBERTSON. If they were properly organized they could put their copper into this country cheaper than we could produce it?

Mr. ROBINSON. They probably could compete pretty evenly on the open market. We haven't seen that the tariff has changed that situation one way or the other.

Senator ROBERTSON. Well, I am not talking about the tariff yet. I was asking you if, with management equal to ours, they could put copper into this country cheaper than we could produce it?

Mr. ROBINSON. Not any cheaper than we can produce it at our open pits.

Senator ROBERTSON. Well, you named one pit. I mean generally, with 50 percent higher wages here, and equal management and production methods, they could put copper into this country cheaper than we could produce it, could they not?

Mr. ROBINSON. This is where we get back to the question, again, of the difference between a tariff and a subsidy——

Senator ROBERTSON (interposing). Never mind that.

Mr. ROBINSON. I must say this to make my point, if I may, Senator. There are different types of mining which make for a different cost of the product. Labor has a certain influence on it, but the most important influence is the influence of nature itself. An open-pit mine, such as at Bingham or the one out at Ely, can produce copper for as low as 5 and 6 cents a pound. As to the producers in Montana, or some of them out in Nevada, and especially in upper Michigan, their costs are as high as 20 cents a pound, some of them. So a 4-cent tariff would have no relationship between the wages; it wouldn't create any difference as far as the importing of copper from South America is concerned, or the low-wage factor down there.

We are hopeful that through our reciprocal trade program there will be a raising of the standards of living of the people in these other countries, so that they will be able to purchase more of the goods that we produce here, so that we will have more jobs and more production of copper.

Senator ROBERTSON. But I am really more interested in the work of the copper miner in this country, and as to the effect that cheaper copper, if imported here, will have on his job.

Mr. ROBINSON. Well, the answer to that is that under the tariff program it has not affected his job, and it has not affected his standard of living. He has been able to maintain a higher standard and there has been the importation of copper all the way through.

Senator ROBERTSON. And that is because, you say, the methods of production in foreign countries are not as up-to-date or as efficient as ours?

Mr. ROBINSON. That plays a role in it. The natural operation itself, how nature put that product there, plays the greatest role. Labor costs are not as important.

Senator ROBERTSON. I take it that in foreign countries there are the same physical conditions prevailing as in this country, with the various types of mines. As you say, in Utah it can be produced for 5 or 6 cents, and in Michigan for 20 cents. I presume those conditions obtain in other countries just as they do here. What I want to get at is this: Do you agree with me that provided that all things are equal generally, with the exception of the labor item, and we pay 50 percent more to our labor, that the foreign countries can put copper into this country cheaper than we can produce it?

Mr. ROBINSON. Cheaper than some of our operators can produce it.

Senator ROBERTSON. We have gotten on then; we have gotten down to "some of our operators." Then those operators, in the event of that coming in without any further tariff on it, or any tariff on it, would naturally be up against that competition?

Mr. ROBINSON. Yes.

Senator ROBERTSON. And wouldn't that tend to close them down and eliminate the workmen in those mines?

Mr. ROBINSON. There is a possibility of that, but that should be taken care of on the basis of a subsidy program so that we don't create an over-all condition where a few low-cost operators, who can compete in the world market, and have competed in the world market, are able to make exorbitant profits at the expense of the taxpayer in this country.

Senator ROBERTSON. I see how you figure that it could be taken care of. But still it doesn't alter the fact that that copper would be put down in this country cheaper than we could produce it, as you say, in some of our mines?

Mr. ROBINSON. But our whole program is based primarily on the hope, at least——

Senator ROBERTSON (interposing). You are basing it on a hope and I am looking rather at the actual facts. If I can get you to look at the actual fact that that copper, produced with labor 50 percent cheaper than we pay our labor, and under equal efficiency in management and production, would come into this country cheaper than we could produce it ourselves, then——

Mr. ROBINSON (interposing). If the reciprocal trade agreements program——

Senator ROBERTSON (interposing). We are not talking about that, we are just talking about the cost of copper in this country.

Senator MCMAHON. Well, Mr. Robinson, the Senator takes as his premise the assumption that all things are equal with the exception of wages. Now, what can you tell us about the relative efficiency of the copper miners in Chile, as against the copper miners here?

Mr. ROBINSON. I would say at the present time, with the lack of opportunity for training and so on, that their efficiency is probably about 60 percent of the efficiency of the American worker.

Senator McMAHON. So all other conditions are not equal?

Mr. ROBINSON. They aren't quite equal.

Senator LUCAS. There are no reciprocal trade agreements with Chile or any other country on copper at the present time, are there?

Mr. ROBINSON. That is correct.

Senator ROBERTSON. I never assumed that the conditions were equal at present. I prefaced my question with the statement or assumption that "provided" the efficiency of foreign copper production was brought up to the level of the standard of our copper production, as far as management and efficiency were concerned, and with our 50 percent higher wage, then that copper could be put down in this country cheaper then we could produce it—and you agreed that that would be true in some cases.

Mr. ROBINSON. It could be brought in cheaper than some of the higher-cost operations in this country could produce it.

Senator ROBERTSON. And that would mean of necessity, provided those conditions existed, that those higher-priced-copper companies would be driven out of existence?

Mr. ROBINSON. Unless the Government took care of them in some way.

Senator ROBERTSON. But provided the Government did nothing, it would naturally put them out of business?

Mr. ROBINSON. Well, they would also go out of business even if the tariff were continued. You couldn't reasonably have a tariff high enough to protect a mine operator in this country with a 20-cent-a-pound production cost.

Senator ROBERTSON. I am trying to protect the man working in the mine.

Mr. ROBINSON. I hope you will give me credit for being as concerned about him as you are.

Senator ROBERTSON. I certainly will..

Mr. ROBINSON. I am thinking about the future employment of the miners and the workers in this country, and if we have any program, whether it is a foreign trade program or a domestic program, that doesn't contemplate a national income that will permit all of these mines to work, then we have got to discuss it from an entirely different viewpoint; we will have to admit that we can't meet the problem, and we will have eighteen or nineteen million unemployed, as we did back in 1932. We say that there must be a national income equal to taking care of from fifty-five to sixty million jobs in this country, and if there is that type of program we have made a study and point out that there will be production in all of these mines, that there will actually have to be a large importation of these various metals in order to meet the domestic demands in the event that we have a national income that high. National income and the production of metals run in line; if one is up the other is up.

Senator ROBERTSON. You are seeking now to cure the situation which you and I agree would exist under certain conditions?

Mr. ROBINSON. Yes; but it has to be done on a long-range basis.

Senator WALSH. Mr. Charles P. Taft, will you come forward please?

Mr. Taft, the clerk of the committee informs me that Secretary Anderson of the Department of Agriculture has arranged to be here at 3 o'clock, so it may be necessary to interrupt you during your presentation, to hear from the Secretary.

Mr. TAFT. I had understood that and I will be glad to suspend when he comes in, if you wish.

Senator WALSH. Thank you. You may proceed with your statement, Mr. Taft.

STATEMENT OF CHARLES P. TAFT, DIRECTOR, OFFICE OF TRANSPORTATION AND COMMUNICATIONS POLICY, DEPARTMENT OF STATE

Mr. TAFT. Mr. Chairman and gentlemen of the committee, I have followed the hearings before this committee with the greatest interest, because they have brought to the fore what seem to me the basic issues involved in the renewal of the Trade Agreements Act with increase of bargaining power. I am testifying only because it may perhaps be useful for the members of the committee and for the record available to the other members of the Senate to bring together in one place the position of the trade-agreements organization on those basic issues, as well as on certain other questions of principle raised in the hearings.

I might interject to say that I am trying to avoid duplicating what I said in the House hearings, so you may wish to refer to that record as to some matters that I will not cover in this statement.

I do not like to labor the very ancient point that foreign trade is desirable, but at least one witness—Mr. Mote, I think, of Indiana—has opposed any foreign trade at all, and during the hearings the question has been asked whether something involving only 7 percent of our total production can be important to our economy.

You will notice at page 14 of part 19 of the House hearings the prepared statement of Franklin Johnston, of the publication American Exporter, following his most interesting testimony. He took a poll of manufacturers who export, and had 325 replies. I have the list of the businesses involved, which is quite lengthy, and I will be glad to either read it or furnish it to the committee if they are interested. Notwithstanding the fact that these manufacturers do 84 percent of their business in the domestic market, 248 favored the renewal for 3 years with increased authority, that is, the measure which is before you, and only 39 were opposed.

The general position of these manufacturers is well illustrated by the very excellent statement of G. C. Hoyt, vice president of International Harvester, presented to the House Ways and Means Committee, to which I shall refer more fully later.

"Seven percent exports" is not a fair picture of the importance of export business. There are many essential imports which we must have, since we are far from a self-sufficient nation, or one that could be made self-sufficient. For these we can pay only with exports, in the long run.

Exports offer the opportunity for good business. Frequently in a marginal business in either industry or agriculture exports make the difference between prosperity and the opposite. Don't forget that wheat in the Northwest—from eastern Oregon and Washington—ranges from a 50-percent to a 70-percent export crop.

Foreign investments through exports of capital goods can do a job of world industrialization in nonindustrialized countries, which can raise the standard of living there in an intelligent and nonphilanthropic way, to our own benefit. For our best customers abroad are the most highly industrialized countries.

In the House these export industries so-called (with 84 percent domestic business) were by inference attacked on the theory that by operating branch plants in other countries, or sending capital goods there, we "exported" jobs. Here is what Mr. Hoyt had to say on the subject of assistance to other countries in their industrialization.

I don't like to quote too much, but this is one of the best statements I have ever seen and I think it is worth while calling to your attention:

> International Harvester and its predecessor companies have been actively engaged in foreign trade for more than 70 years. Originally, all the farm equipment sold abroad was made in American factories. This situation has gradually changed in different countries. It has proved necessary and desirable to carry on certain manufacturing operations in foreign countries for several reasons.
>
> The very success of our company and its predecessors in foreign markets stimulated local competition, especially in the more industrially minded foreign nations, where capital, labor, and raw materials existed in adequate quantities [the usual pattern, as you can see]. National policies of encouraging such enterprises developed and buyers were urged to patronize home industries. This produced a situation where, after many years of successful business, we were forced to choose between losing a substantial part of our established foreign trade in such countries, or taking measures to preserve it as far as possible.
>
> Consequently, the Harvester Co., through foreign subsidiary companies, entered into manufacture in Canada in 1904, in Sweden in 1907, in France and Germany in 1910, and in Australia in 1938.
>
> The result, we believe, justified this policy. The manufacture of certain implements in foreign countries did more than preserve our market for those particular implements. It preserved and improved the good will and reputation of our company and its sales organization and trade connections. This, in turn, enabled the company to retain and even increase the market for many other types of farm equipment which were, and are made in America, exported and distributed through the same channels as the foreign-manufactured implements. The machines manufactured abroad have been either those which could not be imported from the United States on a competitive basis or those which were not used by farmers in the United States and for which there was no American manufacturing program. Because of the diversity of world agricultural methods, there were and are a considerable number of machines of this latter type.
>
> It is sometimes asserted that the entrance of an American company such as ours into foreign manufacture results in the "exporting" of jobs and the loss of employment in this country. This is true in theory but, in our experience, not in practice.

And I might put a footnote there that if it isn't true in practice I don't believe it is true in theory.

> Our foreign manufacturing has preserved and created markets for our American-made products and has actually been a substantial factor in increasing the employment in our American plants. It has even helped to level the peaks and valleys of employment in our American plants. There have been periods of business depression when our export business suffered less than our domestic business and thus had a beneficial effect in maintaining employment in this country when it was most needed.
>
> Because it has increased our total foreign business, our foreign manufacturing has had other beneficial effects. First, it has widened the use of our farm equipment, which has improved the production of foreign farmers and thereby increased their income, enabling them to buy more imported products. Second, it has increased industrial activity in the countries concerned and thereby contributed to a higher standard of living and helped to make them customers for many other

American-made products, including farm products. Third, it has been directly responsible for increased business for other American manufacturers from whom we buy supplies, parts of subassemblies. An International Harvester tractor with rubber tires represents not only the export sale of a tractor but the export sale of tires and of many other items not made but purchased by our company.

We cite our experience with foreign manufacturing to illustrate the fact that industrialization of foreign countries is not a loss to our country, but quite the contrary. To the extent that living standards are increased there is more desire for American products, and to the extent that industrial production is increased the foreign nation has more goods to trade for ours, or expressed in financial language, more available exchange. To the extent that local manufacture reduces the necessity for a foreign country to use its exchange in importing farm machinery, mathematically there is that much more available exchange to buy other American products. All of these changes take time and are gradual and involve some shifts of employment, but the net effect to both nations will, in most cases, be highly beneficial.

It is often said in this connection—and it was remarked to me, in fact, in the House committee—that our record in foreign investment is not particularly encouraging. I don't believe they were talking about the form of foreign investment that the International Harvester man was talking about. The statement is true, but our record is no worse than in investment at home. The loss in market values, or the loss by almost any other measure, in foreign loans, is certainly not as bad as in real estate bonds of the twenties, and foreign investments on the New York Stock Exchange records show up as well as domestic stocks and bonds.

The truth is that foreign investment is an art as well as a business, and the experience of the last 25 years has, I hope, given us greater capacity for success in our probable post-war character as the world's greatest creditor Nation. Certainly no one needs to apologize for the record of International Harvester or of any one of many other American companies who have invested abroad and export to build up our foreign trade.

When these investments are made—and I think it inevitable that we will make heavy business investments abroad during the postwar years—the only way to service the investment is by imports of goods into the United States, either directly or in three- or four-way trade. That obvious truth has now been so well learned that I doubt whether Mr. Coolidge's famous remark about the debts from the First World War, "We hired the money," would be repeated today.

Even Mr. Besse, the representative of the National Association of Wool Manufacturers Association, who argues so strenuously for the maintenance of tariff barriers, realizes he must do something about exports, for he has recently attacked estimates of $10,000,000,000 of postwar exports, not on the ground that they are inflated or inaccurate, but on the ground that imports should be limited to $5,000,000,000.

Senator BUSHFIELD. May I ask a question at this point?

Senator WALSH. Certainly.

Senator BUSHFIELD. You said we should do something about our exports——

Mr. TAFT (interposing). I said that Mr. Besse said we should do something about them.

Senator BUSHFIELD. That is your theory, isn't it?

Mr. TAFT. No, I think if we turn them loose they will happen. There are some things the Government can do to help, certainly. But I am relying on free enterprise.

Senator BUSHFIELD. This reciprocal trade agreements program hasn't done anything for the American farmer except to reduce the exports by 50 percent?

Mr. TAFT. I can't agree with that result, Senator. I will be glad to go into some of the figures with you when I finish, if I may.

Senator BUSHFIELD. I only take the figures that are put out downtown.

Mr. TAFT. The figures put out by the American Tariff League indicate that exports decreased from 1934 to 1939. They didn't tell you that those figures included cotton, the exports of which decreased for a very different reason, and if you take cotton out, they would show an increase.

Senator WALSH. Mr. Taft, I will have to ask you to suspend while we hear Secretary Anderson.

Secretary Anderson, will you come forward and be seated, please? The committee is pleased to welcome you and are glad to hear your testimony.

Mr. Secretary, you may proceed to present your views on the pending bill.

STATEMENT OF HON. CLINTON P. ANDERSON, MEMBER OF CONGRESS FROM THE STATE OF NEW MEXICO

Mr. ANDERSON. Mr. Chairman and members of the committee, I think that all the members of the committee—particularly those like Senator Butler and Senator Bushfield, and others, who have known me a long time—realize that I make no pretense of being an expert on the question of the importation or exportation of agricultural products. The only purpose of my appearance here this afternoon is to say that in the negotiation of reciprocal trade treaties the Secretary of Agriculture has several distinct and different opportunities to act in behalf of the American farmer and for the protection of the American farmer, and I wanted to assure the committee that each time that opportunity presented itself I would try to be alert, certainly, to the needs and the rights of the American farmer.

I realize that when the operation starts there is a list called the country list made up, which contains various items in which it is desirable, apparently, for the country to trade. When that list is being prepared, the Secretary of Agriculture will have an opportunity to present his point of view, being on that committee.

Subsequently a second list—I think called the trade agreement list, probably—is made up, and again he has an opportunity to be represented on the committee, if he is not there himself, and to present his point of view.

Then the matter comes to the President, and as a member of the President's Cabinet the Secretary of Agriculture has a third possibility for extending some protection to the American farmer.

And finally, I believe there is a committee called the Committee on Reciprocal Information, on which he again is represented.

My only point in appearing here is to say that at this time it would be impossible for me to say what I would or would not do with a specific commodity—I think that no Member of the Senate would want me to give any horseback opinion with reference to a specific commodity—but to say merely that we will have distince problems when the war is over; and to indicate that I was living in a rural community at the outbreak, at least, of the last war, and while I had had to remove by that time to another locality because of health conditions, the correspondence from my home State of South Dakota was far more interesting to me than anything else. I went back to South Dakota for the first time, after I had recovered my health, in 1920, and again in 1921, and again thereafter. I think I got some lessons out of those trips.

I could mention names that I am sure our distinguished friend from South Dakota would recognize. I wouldn't want to embarrass individuals, but one of the finest farmers in that locality was a man named Charles Bates, who was a great producer of Duroc hogs. Another gentleman was a man named Boreson—Charles Boreson. My father had been in the farm-improvements business in Mitchell, S. Dak., and these two men had been prize customers of his, because their account was good and he never had to worry if he sold either one of those two men. I talked to both of them, either in 1920 or 1921, and both of them were not only off their farms but had against them judgments far in excess of what they might ever be able to pay, it seemed. Charley Boreson met me on the street and asked me if he might become the manager of a farm which we owned at Mitchell. There was the spectacle of a man that I had regarded as one of the finest farmers I ever knew, far wealthier than I could ever hope to become, only a few years before; and yet here he was, meeting me on the street and telling me he was looking for a connection as manager of someone's farm.

Now, it was not his fault. He was not in bad financial circumstances because of improper management. He was where he was because he had tried his best to continue to contribute to what was then the war effort, and in the furtherance of what he thought was patriotic motives he had bought trainloads of cattle, put them into the feeding pens, and the price of cattle had dropped out of sight.

I don't know that the Secretary of Agriculture can prevent that thing from happening again. I merely want to assure you that in any transactions that he may have, or any opportunities that he may have, to be represented in the preparation of lists for reciprocal trading, the experiences of those days, which have burned themselves into his soul, will not be forgotten.

Senator BUTLER. I would like to make a remark or two. Knowing the Secretary as well as I do, I hope he won't object to my asking this question:

As Secretary of Agriculture, you consider it your responsibility to look after agriculture just like the Secretary of Labor is supposed to look after labor?

Mr. ANDERSON. Very specifically.

Senator BUTLER. And apparently like the State Department is looking after the interests of exporters like International Harvester and other big exporters?

Mr. ANDERSON. I can assure you that I will regard it my duty——

Senator BUTLER (interposing). And just like Churchill looks after the interests of Britain?

Mr. ANDERSON. I shall not be timid in behalf of the American farmer.

Senator LUCAS. And like the Senator from Nebraska looks after those cattle out there.

Mr. ANDERSON. That concludes my statement, Mr. Chairman.

Senator WALSH. Thank you very much, Mr. Secretary.

Mr. ANDERSON. Thank you, sir.

Senator WALSH. Mr. Taft, you may resume.

STATEMENT OF CHARLES P. TAFT—Resumed

Mr. TAFT. I didn't understand, either, that those cattle are raised on family farms of 10 acres.

Senator BUSHFIELD. He might also have told you what part the Federal Reserve Board had in the price of cattle going down.

Mr. TAFT. I want to add one point which is not in my statement. I referred to our postwar character as the world's greatest creditor nation. I understand that the effect of that has only been touched on by reference before this committee. Perhaps I might just add a word on that.

We are not at the moment the world's largest creditor nation at all; that is, on our current accounts. What we owe outside the United States by reason of the location of our troops, and so on, is probably greater than what is owed to us, omitting lend-lease items expended, or the damage to them. So that, strictly speaking, by definition, we are not currently building up a credit balance. There can be no possible doubt, however, in the course of 5 years, and probably less than that, after the war stops, that we shall become one of the very great creditor nations in history. We will do that, not because we propose to give anything away but because the demands for American goods in reconstruction will be tremendous, and our business people will unquestionably invest their capital goods in foreign countries. Now that investment will far exceed the amount of imports that we could possibly get currently, even if they were available—and they are not available—to pay for them.

We shall be a very large creditor nation. It will take many years, probably as many as 40 or 50 or longer, to repay the capital amounts, if we decide we want the investment back. But what we can look for is the repayment of the interest or dividends on those investments, and perhaps some measure of payment on the capital, if that proves desirable. That can only be done by providing, in our balance of payments, for sufficient imports of goods to cover the servicing of the investment obligation.

So that we must plan for some way that we can get paid for a foreign investment that is going to be made, no matter what anybody does.

Senator LUCAS. When you speak of foreign investments, Mr. Taft, are you speaking of money that is going to be loaned by private individuals or corporations?

Mr. TAFT. As a matter of fact, I am thinking not so much of money being loaned as of goods being shipped without receiving cash payment for them on the barrel head.

Senator LUCAS. You are thinking primarily of that coming from private sources, though?

Mr. TAFT. Yes, sir. May I say also—I think perhaps, as a matter of personal privilege—what I also said in the House committee, that the State Department is one of various agencies of the Federal Government. It is our job to investigate and be thoroughly informed on what the situation is abroad as it may affect us domestically. It may simply be the effect on our own employment of the economic situation in foreign countries, or it may be any one of many kinds of items. It is our job to call those things to the attention of the agencies that are concerned and, if necessary to the attention of the American public.

We are no more interested in International Harvester than we are in any other exporter or any other importer. We are interested in all of them only because they constitute a very important part of the economic foundations of the United States. Our first, last, and continuous interest is in the United States and in nothing else except as it affects us.

I was referring earlier to Mr. Besse's speech, in which he attacked the size of the estimates of exports, postwar.

From that particular speech it is clear that Mr. Besse is almost driven to a program for limiting exports. But I wonder whether he or any of the other opponents of the bill would want the continuance of Government controls that is necessary to implement such a program.

So in the agricultural field a small group headed by Mr. Sexauer of South Dakota—not Mr. Sexauer of New York; I find there are two of them—whose report to the U. S. Chamber of Commerce, not approved by the Chamber, has been read into the Congressional Record on this bill, advocates a similar but more extreme exclusion policy that amounts to a total economic isolationism. That group urges that we don't have to depend on imports but should raise everything except perhaps items like tea and coffee. They assert that shortages are minor and that it would take little to make us self-sufficient. They estimate with nostalgic care the acreage we could devote to cotton instead of importing jute, sisal, or abaca. They tell us about the benefits we would distribute to the natives of the Netherlands East Indies or Malaya by ending our purchases of crude rubber, the curse of their low standard of living in those areas. It may well be that we will stop buying as much crude rubber from them as we did before; but if we do it, we don't need to kid ourselves that we are doing a favor to them.

The fact is, we are getting less self-sufficient year by year, and 50 years from now at probable postwar rates of use we shall be approaching in many cases the point where we shall have to export to pay for the imports we must have to live.

Thus it is that national defense becomes an increasingly important consideration in foreign trade. It was for that reason that the State Department welcomed the addition in a formal way of the War and Navy Departments to the trade agreements organization by the Mills amendment in the House.

I might add at this point that Mr. Anderson, in referring to the function which he had in this trade-agreements process as Secretary of Agriculture, did not mention to the committee the fact that once the basis of negotiation has been fixed by the President, there can be a representative of the Department of Agriculture on the negotiating committee.

The reciprocal trade agreements program was devised in 1934 as a means for reducing what was considered by a great majority of observers an excessive United States tariff barrier to international trade and which had brought about widespread retaliation at a time of depression when the defensive psychology was prevalent around the world. The reduction of trade barriers reciprocally was conceived as one step toward an expansion of foreign trade and business on a two-way basis, with the improved international relations that should follow. That does mean, and did mean, improved employment.

The objective is the same today, adapted to the differing circumstances. Increased trade in both directions, better international relations, and the elimination of friction that might help cause war are as important today as they were in 1934. There are new reasons for the program which I shall discuss in a moment, even more cogent, to my mind.

But the program is a modest one, sometimes unduly puffed by its friends. I am not presenting it as a cure-all. I prefer the type of conservative comments, well documented, such as those presented by Prof. T. W. Schultz, then of Iowa State College of Agriculture, now at the University of Chicago, which Ed O'Neal, president of the American Farm Bureau Federation, presented as part of his statement in 1940. There was a supplementary statement prepared by Professor Schultz, which is in the record of the House hearings on this bill. They are in considerable part relevant today. Schultz said about the Belgian agreement, one of the first:

> Trade with the United States has increased markedly in the post-agreement years. Obviously this is in large measure due to generally more favorable conditions in both countries. Just as obviously, the trade agreement contributed in some measure to this result. It is not necessarily surprising that increased Belgian imports from the United States came chiefly in nonconcession items. As an industrial country, reviving prosperity in Belgium necessitated the importation of certain basic materials for the use of industry. Some such materials, especially cotton, were not subjects of negotiation in the agreement. Nonetheless, it is clear that our increased imports from Belgium, partly resulting from the trade agreement, were a necessary condition for the amount of Belgian imports from us being as large as it was.
>
> Our agricultural exports to Belgium did not benefit so greatly, due to two general considerations. First, our own drought and high prices harmed our world competitive position in some crops. Second, Belgium has not relinquished a large measure of the agricultural protectionism she imposed on herself in the earlier 1930's. To some extent this is consciously a result of the continued desire on the part of Belgium to aid some agricultural groups within that country. On the other hand, it is another example of the monotonously repetitive phenomenon that tariff and administrative protectionism, once having created vested interest groups, the trade restrictions tend to stick no matter what the good intentions of the party in power.

That is the kind of testimony—and that is the reason I cited it—that carries weight with me, and I believe most of the American public. It is the sort of careful study that lies back of the statement that from 1934 to 1939 both exports and imports with agreement countries increased twice as fast as with nonagreement countries.

Our friends of the American Tariff League have struggled hard with that one, objecting to putting Germany, for instance, among the nonagreement countries and insisting that because we had an agreement with Britain from January 1, 1939, British figures for 1934 to 1939, inclusive, should be included n agreement countries. The argument does not stand up, obviously, but the conclusive character of my figures should not be insisted on. They are not conclusive. They are the preponderance of the evidence, and in my opinion they show that the program has had beneficial results for us.

The American Tariff League has also made much of the fact that our exports and imports from 1924 to 1929 were greater in dollar value than from 1934 to 1939. The unfairness of the comparison is so obvious that I was glad to hear Senator Hickenlooper point out the other night that in a similar comparison, by volume or quantity rather than by dollar value, 1934 to 1939 equaled the prosperity years of the twenties Coming from the bottom of our greatest depression, that is a first-class showing, for which I claim some credit for our reciprocal trade agreements program. It is certainly not a demonstration, as I have heard claimed, that the program, like every tariff revision, so they say, causes our standards to suffer.

For my own part, I am convinced, on the basis of a careful study of the results, that the trade-agreements program has been significantly worth while and that it offers even greater promise for the future, provided it is given the opportunity to continue under an effective grant of authority from the Congress.

I have given considerable thought to the various proposals for attaching limitations to the authority conferred by the act, and I should like to comment briefly on one of the suggestions that has always had a considerable appeal, that is, the proposal that the authority to adjust rates should be limited to equalizing cost of production at home and abroad. I agree that such information as is available on this point should certainly be used in administering the act, as it has been used during the entire 11 years under the act, but I cannot agree with the theory that this is the whole answer to the problem. Let me give three examples that will illustrate my point.

Who is to say what is the cost of producing casein in this country or in Argentina? It is a byproduct which the farmer dumps or feeds or sells, according to fortuitous circumstances. And neighboring farmers, or farmers in other regions, may treat it very differently. And cost may vary, depending on whether it is summer or winter, what time is available to the farmer, and what his time at the moment is worth. That's one example.

Similarly the determination of costs of individual byproducts in corn products manufacturing, for instance, or in packing houses, or in certain chemical plants, is close to impossible.

Finally, the example of cotton textiles shows the possibility of wide variations in this country or in foreign countries. Many Japanese mills were inefficient compared to ours. I have seen figures that showed they were only one-half as efficient, but their best mills developed machinery much more efficient than ours, and their low wages thereupon made them a damaging competitor. The recent Platt commission of Great Britain has reported that on the various operations in a cotton textile mill a cross section of our plants, in spite of wages I have heard stated as two and a half times as much as in England, were 18 to 89 percent more efficient on a unit-cost basis. But this report has also been criticized to me by two separate people who should know something about it, as selective of the United States cross section in a way that calls for some discount of its conclusions. What kind of an average or selection or median should be taken in determining United States or foreign costs?

According to all the testimony I know on the matter of the difference in the cost of production as a criterion for tariff making, it is one element only, of varying value, and in many cases of no use at all. The truth is that the problem is largely one of exercising practical judgments after appraising a host of relevant economic factors, of which cost of production is merely one, if you can get it.

Probably the most persistent misconception which is held concerning the reciprocal trade agreements program is that it is a device by which the pattern of American industry and agriculture might be completely changed. As Mr. Clayton testified in this room on Wednesday, nothing could be further from the truth. The program has not changed the pattern of industry and agriculture; it has sought to give existing industry and agriculture a chance to expand. The very assumption of Mr. Clayton's assurance against serious injury to any essential American industry, and of the President's letter to the Speaker of the House the day this bill was passed there, is that there can be no such effort under this law.

The fact is—and I am glad that the occasion for each renewal of the act affords an opportunity to make it clearer—that the trade agreements law itself really has nothing to do with the traditional tariff issue. The issue is no longer the historic question of tariff for protection or tariff for revenue only. Congress has made it abundantly clear—and I think there is no difference on this between Republicans and Democrats—that it will not permit existing tariffs to be reduced to a point where any segment of American industry or agriculture would suffer serious injury. Within the boundary of this controlling policy the Trade Agreements Act is the mechanism by which individual rates of duty can be adjusted carefully and selectively, in exchange for valuable concessions from other nations, all with a view to creating the conditions in which a sound and thriving foreign commerce can be carried on. I suppose it is unavoidable that in the public debate on the Trade Agreements Act we are bound to hear some extreme arguments on both sides. But I think anyone who has thoroughly studied the admnistration of the trade-agreements program must conclude that it has at all times been administered with the utmost care to make certain that American industry and agriculture would not actually suffer destructive competition from abroad as a result of any concessions granted under this act. The complete congressional review which occurs every 2 or 3 years is certainly ample guaranty that the executive branch will administer the act with the same care in the future as in the past, and the President has explicitly pledged that policy.

But protection to American industry and agriculture ought to stop at the point where wholesome competition stimualtes energy and initiative and progressive methods to serve the American public, an objective in the true interest of both domestic business and agriculture, and the American consumer, who is too often neglected, I might say. In achieving that result we can admit a large volume of imports, without affecting the home market for American producers who will always have the lion's share of it.

You will see from what I have said that this argument every 2 or 3 years has been on an imaginary battlefield between free trade and high protection. What the trade-agreements program is slowly bringing about is a moderate tariff policy which will permit an expanding foreign commerce but without serious injury to essential domestic producers. Just look at the caution with which these agreements have been planned, studied, negotiated, and approved. Look at the modesty of the cuts. It took 3 years to cut 12½ percent of imports by value to the full 50 percent; 6 years to cut 24 percent of those imports; 11 years to cut 42 percent of imports to that full extent. Look at the many reclassifications that narrowed the items to which the concessions apply.

Let me give you one of them. In the Belgian agreement we granted concessions on certain steel products. Certain parts of the steel schedule were reclassified so that the concessions given to Belgium applied primarily to the type of steel products that come from Belgium. In the agreement with Sweden, other parts of the steel schedule were reclassified so that the concession applied primarily to Swedish steel products. And finally when they came to the British agreement, concessions were made on steel products of interest to the British.

Look at the escape clause in the French agreement about third countries whose imports under the generalization by that clause might unexpectedly multiply. Look finally at the escape clause in the Mexican agreement referred to by Mr. Clayton and Mr. Ryder. Even with the increased authority this is not and never could be a free-trade policy. It is in fact an intelligent moderate-tariff policy.

One of the major questions with which some members of this committee and of the Senate are concerned is the unconditional most-favored-nation clause. I have recently reviewed the Department's files on its origin and the reasons for the policy. What I have to say is based on that study.

The real question you have to decide when you approach this ancient battleground is whether you are really going out to get equality of treatment, and to give it. If you answer that question in the affirmative, then you are for the principle of the unconditional most-favored-nation clause. But there is a real difference of opinion between those who think that the world of equality in trade without discrimination is a pipe dream, and those who believe it is not impossible to achieve and is worth fighting for. The first position is stated very effectively by Matthew Woll in a speech he made in 1944 reported in the New York Times, as follows:

"There is no convincing evidence," Mr. Woll stated, "that after the war principal countries will have either the means or the desire to abandon State control of foreign trade and foreign exchange.

"Trade in the postwar period we (organized labor) fear, will be controlled by the political and economic objectives of each nation concerned with maintaining domestic employment."

The Government was charged last September with just that kind of planning to which Mr. Woll referred, in a speech by a former Government employee before the Exporters Club in New York, I believe, and at the Foreign Trade Council in October I took pleasure in denying it. All the Government agencies are aiming toward equality of treatment abroad for us, and favor giving it to others, as far as war controls permit either one.

Our tariff acts themselves give equality now, after unsuccessful experiments in the Dingley and Payne-Aldrich Tariff Acts which set up substantially double-column tariffs. It is worth recalling to you that the change in policy from the double-column tariff back to the equal tariff for all countries took place in conference on the Fordney-McCumber Act, between the House view which wanted to continue the Payne-Aldrich pattern, and the Senate which wanted to give equality and to take steps to secure it. The report of the House managers later accepted by the House makes the issue clear:

> Sections 301 and 303 of the House bill provide for special negotiations whereby exclusive concessions may be given in the American tariff in return for special concessions from foreign countries. Section 302 of the House bill places in the hands of the President power to penalize the commerce of any foreign country which imposes on its imports, including those coming from the United States, duties which he deems to be "higher and reciprocally unequal and unreasonable." Under the Senate amendment, however, 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; and the House recedes with an amendment rewriting subdivisions (e) and (f) and making further clerical changes.

The State Department, at that time in 1922, had already become involved in a study of this problem by the passage of the Jones Act in 1920, with its effects on reciprocal treatment of merchant marine matters. The Department began at once a study of foreign discriminations and the best way to overcome them. In fact, a review of the documents at that time makes one think he is looking at memoranda prepared today, for the difficulties and the questions are almost identical.

The conclusion reached by Mr. Hughes, by President Harding, and a year later when the issue was squarely raised in the German commercial treaty, by Senator Lodge as chairman of the Foreign Relations Committee, was that we should abandon the conditional or quid pro quo most-favored-nation clause, and adopt the unconditional most-favored-nation treatment, with generalization to all nondiscriminating nations of benefits given to one nation.

Two comments should be noted on this. This was not a principle imported into a tariff act by either an outside theoretician or by a free-trader. It was the decision on the Tariff Act of 1922 by the conferees. The State Department then decided that the principle adopted by Congress should be given general application and set out to accomplish this by reviewing all existing commercial arrangements. They planned to make new commercial treaties with all countries where existing treaties were outmoded, with this principle in them. The Department took the Fordney-McCumber Act as a mandate to study and eliminate discriminations in the broadest sense, and the unconditional most-favored-nation principle was considered the most effective way to do it.

The first class of discriminations they found 23 years ago were the British Empire tariff preferences. The next were the double-column duties of countries such as France, or of other countries where the lower duty was on a reciprocal basis for the equivalent concessions. About 6 months later the study of the situation turned up as important discriminations, trick tariff classifications, and nontariff discriminations, which they first described as import licenses, but which they soon identified as our old friends, the quotas.

The Tariff Act gave the President the power to impose penalties as indicated before, but it was clear that negotiation was the way to get results, with that power in the background. Imposing the penalties could easily start a tariff war, and that has happened to us.

Here is the departmental memorandum of October 1922, which shortly after was followed by Mr. Hughes' opinion in the matter:

(a) The period preceding the war [referring to the First World War] witnessed the expansion of American industrial production to a point exceeding the demand of the home market. Exportation became essential to industrial prosperity. Foreign markets in which no other exporter had an artificial advantage became, consequently, a sine qua non to continued industrial expansion. The vast increase in the actual and potential output of American factories occasioned by the World War augmented the need for foreign markets.

(b) Under the commonly employed form of the limited or conditional most-favored-nation clause its advantages become applicable only when a country, party to the treaty, is able to furnish compensation for equality of treatment equivalent to that which a third country has already paid for whatever favor has been accorded. The conditional most-favored-nation clause does not, it is thus seen, guarantee equality of treatment. It merely promises an opportunity to bargain for such treatment. In practice, the ascertaining of what may constitute equivalent compensation is likely to be found impracticable. In recent studies of the commercial relations of the United States with France, Spain, Guatemala, and Salvador, this Office has been impressed with the inadequacy of such a clause to improve our commercial position.

I would like to stop there for a moment to recite to you what happened after the Payne-Aldrich bill of 1909. That provided for a double-column duty in which you gave the lower tariff if you got an "equivalent" concession from the other country. France already was exercising considerable discrimination against the United States, and negotiations were under way with France to attempt to get them to give equivalent concessions for the cut from the high to the low of the two columns. Ambassador Jusserand took the position that while it was reciprocal, the cut that we asked was not equivalent, and they never were able to agree on equivalent cuts for the ones that we wanted. They finally ended up with a solution that was felt, on our side, to be quite unsatisfactory, and the failure was due directly to the fact that you could not figure out what an equivalent concession was in the way that was contemplated by this sort of bargaining.

Senator LUCAS. Those negotiations, Mr. Taft, were carried on exclusively between the State Departments at that time, were they not?

Mr. TAFT. Yes, sir; they were between our State Department and the French Ambassador.

2. In view of the facts just set forth, it is obvious that an extensive and expanding foreign commerce needs a guaranteed equality of treatment which cannot be furnished by the conditional form of most-favored-nation clause. The unconditional most-favored-nation clause, and it only, is applicable to the practical situation which confronts the commerce of the United States today.

3. The traditional policy of the United States has been, with much consistency, one of commercial equality and the open door. Our first commercial treaty, that of 1778 with France, sought to pry open, even if slightly, the barred door of commercial restrictions which resulted from the mercantilist conceptions then still dominant in economic thought. Because of the weakness of the United States and because of the temporary economic and political conditions then obtaining, the limited most-favored-nation clause was the most practical instrument to serve our purpose. It was accordingly made use of and was continued in subsequent treaties and in the interpretation of treaties.

With the changes which a century and a half have brought both at home and abroad the object in view is now best, indeed only, obtainable through the unconditional most-favored-nation clause. To continue the old type of clause would be to insist upon form and apparent continuity at the sacrifice of practical advantage and real continuity of principle.

4. The fairness and liberality implied in a system of unconditional most-favored-nation treaties encourages commerce through the impetus it gives to goodwill and friendship among nations. Conditional most-favored-nation treatment

permits and often results in special concessions to some instead of equal treatment for all. Comparatively speaking, it arouses antagonism, promotes discord, creates a sense of unfairness, and tends in general to discourage commerce.

I might say in that connection that we had, and perhaps still have, an 1815 treaty with Great Britain which gave rights to Great Britain somewhat resembling the unconditional most-favored-nation clause, and some of the special agreements that were made under both the McKinley and the Dingley tariff produced very vigorous reactions from the British, and got us immediately into a negotiation with them, as each one of these matters came up.

5. The conditional form of most-favored-nation clause has no advantages over the unconditional except to a nation which wishes to obtain—and consequently must be willing to give—special concessions. Whilst tariff concessions, obtained through reciprocity treaties, seem to bring certain immediate advantages in the markets to which they apply, they also invite retaliation from those countries that are discriminated against in our markets. The experience of the United States in the past has been that special concessions secured by reciprocity transactions are not generally worth their cost.

Senator McMAHON. That is the bilateral theory?

Mr. TAFT. That is strictly the bilateral one.

6. There is advantage in having uniformity of language and interpretation in the treaties of the leading nations of the world. The other leading nations, prior to the World War, had adopted, generally, the unconditional most-favored-nation clause. It is the consensus of opinion that, in their postwar treaty development, these nations are gradually returning to the old unconditional system. The peculiar interpretation adopted by the United States has caused a number of serious diplomatic misunderstandings in the past. Uniformity would tend to eliminate conflict, prevent charges of unfairness, promote commerce, and improve international relations.

I would stop to say only this, that the difference in the present situation, as compared to 1922, is that the economic situation of the other countries is far more difficult, and there is far greater pressure on them to retain wartime controls than there was at the end of the last war. It will, therefore, take greater leadership and more bargaining to get them going back in the other direction.

The usual argument against the most-favored-nation clause is that the third country pays nothing for what it gets by our generalizing a trade-agreement concession to it. But that is not true, for it gets the concession only if it does not discriminate. The consideration it gives is to remove existing discriminations and in effect to agree that it will give equal treatment in the future.

When the trade-agreements program was first put in effect in 1935—this, I think, happened perhaps in the Belgian agreement—the question arose at once as to whether or not our generalization should apply to nations which were then in fact discriminating against us. The decision that was made was this, that the generalization would be made on a probationary basis, and that the countries which were then discriminating against us would be given a few months within which to remove their discriminations. If they didn't, then the generalization would be withdrawn.

Now the effect was that none of those had to be withdrawn because the effect of it was to induce those nations to withdraw their discriminations against us.

Starting in as we are now, we must be equally firm about discriminations in the subsequent negotiations that take place under this act.

Senator McMAHON. You would consider such a discrimination a continuation of the sterling block and the barring of our commerce from India?

Mr. TAFT. Well, the sterling block, Senator, is a subject by itself. I covered it pretty fully in my testimony at the House hearings. If you like I would be glad to summarize that after I have completed my statement.

Senator McMAHON. Very well.

Mr. TAFT. If the nation does not give equal treatment in the future, but makes a special deal with someone else which hurts us, that is ground for withdrawing the generalization. If the third country is one with which we have a most-favored-nation arrangement, it has agreed to give us the benefits in the future of any agreements it makes.

But all this is largely theoretical. In fact, no one objecting to the most-favored-nation clause has shown a single instance to my knowledge where generalization of a concession has hurt us. That is because the agreements have been made with the principal supplier in fact—the only exception being some of the wartime concessions when the products were not available from the normal principal supplier, and the one with which we made the agreement was at the moment the principal supplier, and the incidental equality of treatment to other suppliers is simply the open door policy in reverse on which we insist for our exporters.

But you are probably thinking in very specific terms of various kinds of producers when you are disturbed at possible effects of generalization of concessions.

The first are the backward countries who are planning to industrialize. But it is completely clear, I submit, that they will only be industrialized by proceeds of export of their raw materials and by loans; that is, they will not in general pay for their industrialization by exports of manufactured goods. China will be fully occupied in supplying her own people with urgent necessities of life, textiles for instance, just as Mr. Rieve pointed out in his testimony in the House. I am not sure whether he repeated it here or not. These textile industries, he said, on a world-wide basis, would have to multiply manifold before they can meet their own market.

Another group are the devastated continental countries like France, with industrial experience and knowledge, which need to expand exports rapidly to achieve a balance with payments for their essential imports. The very fact that they must expand quickly is assurance that they must stick to the old products and old customers. The inflation against which they are all struggling and the difficult labor conditions are equal assurance that their costs are not going to be low—as I have sometimes heard stated—or their wages either, in relation to countries like the United States and the United Kingdom, where in general the line has been held. Dumping here we can, of course, prevent by the existing Antidumping Act.

Mr. Clayton has stated most effectively the reasons for an increased authority. I only wish to underline the delicate balance in those nations across the water, between the supporters of state-managed foreign trade and those who want to move from necessary current controls to free enterprise as soon as possible.

I want to give you just one or two quotes that may be of some interest.

A year ago the Federation of British Industry said this in a report of their committee on world trade:

Directional trading.—A world trading system is desirable, but to achieve it, constant direction will be necessary. There will need to be created an international economic council, the nucleus of which might be found in the existing collaboration between the United Nations. This council should estimate the needs of and the possibilities of supplying the different countries in principal commodities, guide world trade to channels where it would most benefit producer and consumer, act as coordinating body with the aim of helping countries whose standard of living should be raised or whose industrial and commercial activities should be extended.

On February 19 of this year Mr. L. S. Amery, the Secretary of State for India, said, in an address in England:

It is sheer delusion to imagine that, in future, unregulated imports or unregulated foreign investment will somehow automatically create exports, or, indeed that a general expansion of international trade or a general lowering of tariffs will necessarily help this country. * * *

Not go-as-you-please promiscuity, but careful selection, a well-thought-out order of priorities, must govern both our import and our export policy in peace, as it has governed them in war.

And again:

To control the character of our imports will not be enough. It will be no less important to exercise selection as to their source.

Now, on the other hand the British Government has signed, and so officially approved, the objectives stated in article 7 of the master lend-lease agreement of February 23, 1942, which reads as follows:

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them, and the betterment of world-wide economic relations. To that end they shall include provision for agreed action by the United States of America and the United Kingdom open to participation by all other countries of like mind, directed to the expansion by appropriate international and domestic measures of production, employment, and the exchange and consumption of goods which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the joint declaration made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

The support of that policy was reaffirmed in the British white paper on employment policy of May 1944, and has been endorsed in this country by various British spokesmen.

In February 1944 the British branch of the International Chamber of Commerce issued a special supplemental report on world trade, which is so relevant and so effectively stated that I want to read it to you entire:

The general conclusion is that the United Kingdom's public policy in relation to exports after this war may choose from two opposed lines of action, either—

1. (*a*) Forcing up the volume of exports, either by depreciating the value of sterling or through export subsidies without heed to the prospect that this may cause a decline in the real value which they yield in terms of imports;

(*b*) Tying up export with import transactions in an endeavor to improve the real value of the one in relation to the other in specific transactions or trades;

(*c*) Increasing, by political methods the volume and value of the United Kingdom's exports at the expense of other peoples.

That is one alternative.

Or—

2. (*a*) Improving the productive and selling efficiency of industries which provide actual or potential exports;

(*b*) Securing a freer field for the competition of exports upon their merits in foreign markets;

(*c*) Work for an expansion of world production and trade in general.

Of these, the first set present only problematical chances of success even in the short run. In the long run they are certain to be self-defeating. They will also conflict directly with the second set which are complementary and mutually sustaining.

The pursuit of these latter three aims is the only general policy consistent with British interest, but its adoption will raise problems which cannot be belittled. It must involve, in due course, considerable displacements of industry in the United Kingdom, as well as elsewhere, and therefore calls for a high degree of business initiative and labor mobility. It is consistent with the admission, under proper safeguards, of certain important exceptions. It demands a positive and unambiguous lead before the war ends from the United Nations, and above all, from London and Washington.

If a general policy along these lines should prove impracticable, either from the reluctance of the Government of the United Kingdom to face the risks and difficulties involved, or from the unwillingness of a sufficient number of other powerful governments to collaborate, the alternative is a relapse into the conditions of the 1930's, in which the currents of trade are governed by the shifting pulls of political power, without any ruling principle of law and order.

Now, I have read those two opposing viewpoints, gentlemen, to indicate the delicate balance on that exact question in Great Britain, and the same is true in France. I could document that, too. The decision in England will be determined, to a considerable degree, on the extent of leadership that is offered by the United States.

We need bargaining power beyond the little that is left, for dealing with the British and the other great trading nations who are our best customers and for demonstrating, in such dealings, that we can provide leadership to get back to a real competitive system in the field of foreign trade. With any of them the concessions we can afford to give may not be great, but in sum they mean a real boost of trade. They are one of the few ways we can fight to lead the world from the directed economy of war slowly back to what is essentially a free enterprise system.

What is our alternative? We don't want bilaterialism, discrimination, increasing Government management of foreign trade, and increased danger of Government conflict instead of ordinary business competition. Surely no one can advocate that we let discriminations pass with no action. So we are left with only one real alternative, and that is a vigorous use of the reciprocal trade agreements program, fully implemented, together with all other means at our disposal to promote equality of treatment in foreign commerce.

Senator WALSH. Are there any questions?

Mr. TAFT. I was asked to say a little something about the sterling bloc. Do you want me to start on that?

Senator MCMAHON. I think we should have something on it, Mr. Taft, because I know that is one of the principal arguments that is made against the adoption of this act—at least it so appeared in communications to me. For instance, I am told that in order to get a Ford automobile into India, we can't export it in there directly, but we have to send it through Canada, and it costs $3,100 landed in India. Do you know whether that is a fact or not?

Mr. TAFT. I don't know that, sir. I do know some of the Indian troubles. We had difficulty with drugs and difficulty with leather belting, which got a very wide publicity at one stage last fall.

In general I might say this: I had some responsibility, as I indicated in my testimony in the House, for dealing with this kind of complaint during the year 1944. Nearly all the complaints that came in had to do with this sterling area dollar pool, and it is a very serious complaint. I also heard Lord Keynes expound the British view of the dollar pool in November, so I think I know what their position on it is.

Now the sterling area came into existence, or the name began to be used, following the devaluation of the pound in 1931. It described those countries which followed the British depreciation of that year and tied their currency to sterling instead of to gold. It covered British countries, and also certain continental countries—Sweden, Finland, Norway, Estonia, Denmark, and Portugal. There was nothing formal or legal about it.

With the outbreak of war, a different consideration came into view. Regulation 10 of the British defense regulations of 1939 gave the British Treasury power to introduce exchange control, and they did so, in the United Kingdom, and that included nearly all the colonies. That was a regular exchange control.

By 1944——

Senator MCMAHON (interposing). Except Canada and Australia?

Mr. TAFT. That is right.

By 1944 the sterling area, within which that exchange control was being exercised on a substantially uniform basis, included the United Kingdom; the dominions, excluding Canada; any other part of His Majesty's dominions, excluding Newfoundland—those are the two exceptions—Canada and Newfoundland; any territory in respect of which the United Kingdom or dominion had a mandate; any British protectorate or protected state—Egypt, the Anglo-Egyptian Sudan, and Iraq, Iceland, and the Faroe Islands.

Now, none of the continental countries are included within the sterling area for this purpose. There are certain countries—and there is quite a list of them—where Great Britain has had to buy goods needed for the war, or has had to pay troops, or make other expenditures in those countries. With those countries, they have exchange agreements.

Now the difference between the two kinds has to do with the position as to dollars. Any dollar which is earned by an exporter in the sterling area has to be turned in to his bank, and from his bank into the Treasury, the British Treasury. If somebody sells to the United States in Argentina, sells vegetable oils, they may keep those dollars; there is no requirement that they turn those dollars in to the British Treasury. That is the difference between the two groups. In the case of Argentina and of the sterling area, the arrangements as to sterling are somewhat alike, but not identical in that case, either. In the sterling area the British Government has financed its operations by establishing sterling balances in London. Those balances totaled, at the end of 1944, about 3 billions of sterling, which is about 12 billions of dollars. They are estimated to amount, by the end of this year, to perhaps 16 billions of dollars worth of sterling.

Now that sterling—according to Lord Keynes—is not officially blocked, but for all practical purposes it is. It can only be spent in the sterling area, and since there is very little that they can buy in the sterling area that they want, relatively speaking, it just stays there and pays a small rate of interest.

Now, the dollars are rationed, the dollars which are earned within the sterling area. The total amount outside the United Kingdom, I believe, comes to a net dollar balance per year of about $100,000,000. But the entire sterling area, except India, is a deficit. The surplus of India is about $200,000,000.

I might go back just a little to say that the British and ourselves worked out lend-lease because the British dollar and gold balances had gotten down to a point somewhere around $250,000,000 in the spring of 1941, where they just couldn't pay for anything else in the United States. This compares roughly with $4,200,000,000 in 1938 and $2,450,000,000 at the beginning of the war in September 1939. At present British net gold and dollar balances have risen to somewhere around $1,700,000,000, and there they are about stable. Once they get to be stable, as they are now and have been for almost a year, then there is a certain amount of dollars earned in the sterling area, which can only be spent in the United States and is spent in the United States, perhaps not directly—they may go through Argentina or some place else—but ultimately they are spent in the United States.

Because they are not enough to finance the total amount of trade which is desired, the total amount of our export trade, if you please, the British have to decide how those dollars shall be used. For a long time they avoided that decision because when we had shortage of shipping and shortage of various items of supplies that were needed, we sat down with the British and decided what items could be shipped on the basis of supply and of shipping, and that automatically limited the amount of dollars that could be used. But beginning toward the end of last year, the supply increased, shipping increased, and the pressure then came squarely on the exchange control. That is where it is today.

Now all you can say about the Indian situation is this, that when the British say "you can't buy drugs from the United States," or "you can't buy leather belting from the United States," they say it on the ground that the total amount of dollars available to India is such that they can only use them for essential imports, and that the particular item, like drugs or like leather belting, is not considered an essential import.

Now there is the possibility of discrimination, without any question. For instance, let me take the leather belting case. It was announced in the NAM Weekly Bulletin one day, and spread all over the New York papers and others, too, that there was an agreement between the United States and Great Britain that Great Britain would thereafter supply leather belting to India.

We had had a substantial market for leather belting in India. We looked into it and found that there was no such agreement in fact. The British were in perfectly good faith. There was a misunderstanding about it. They thereupon withdrew their instruction to India that they couldn't use dollars for leather belting. It took, I think, about 5 months, but we ultimately got an agreement out of them that permitted the importation from here into India of about 380,000 pounds of leather belting in the first half of 1945, which was an amount greater than the imports from the United States in any previous full year. That worked out well.

There are other cases in which it just hasn't worked out as well.

There is a general instruction outstanding by the British to the sterling area countries that where possible they are to use sterling for purchases in order to limit the number of dollars that they need, and thereby, up to date, that has reduced the amount of lend-lease that we had to send them.

Definite arrangements have been reached by the British Treasury with specific countries, and by and large those arrangements have given to those countries more dollars than they would get if they simply took their earnings.

For instance, the allocation for the year 1945 for Egypt is $41,000,000. Now that is more than the Egyptian goods that we buy, the dollars they own. The allocation for Iraq is $14,000,000, and that is more than the goods from Iraq that we buy.

You don't hear from the fellow who is enabled to use those dollars for what he sends to Iraq, but the fellow who tries to send it to Iraq and can't get the dollars is the one that complains.

Senator McMahon. You have described a wartime situation, for which I can see good reasons. What I am interested in is whether, if we pass this bill, we will be able to use the reciprocal trade principle in order to break down that sterling bloc?

Mr. Taft. I think unquestionably it will serve as one means to secure the progressive elimination of that kind of exchange control insofar as the trade end is concerned, and the Bretton Woods agreements affect the strictly technical exchange factors that are involved.

Senator La Follette. But Bretton Woods can't take care of the sterling that is blocked now?

Mr. Taft. Absolutely not.

Senator La Follette. And that runs up to maybe——

Mr. Taft (interposing). Sixteen billion, and of course the total of the two, the bank and the fund, is barely over that——

Senator La Follette (interposing). So it is clear that that can't deal with the problem.

Mr. Taft. Yes. The problem of the sterling balances has to be handled on its own.

Senator La Follette. How do you deal with it? How do you prevent it from becoming a factor to upset this whole program?

Mr. Taft. Well, the first thing I would say——

Senator La Follette (interposing). After all, $16,000,000,000 is a tremendous amount of pressure; and it is pressing, as I see it, against this general application of the unconditional most-favored-nation policy.

Mr. Taft. It helps to create a discrimination.

Senator La Follette. Certainly.

Mr. Taft. That is right.

Senator La Follette. And how are you going to deal with that?

Mr. Taft. Well, the first thing I would say is that the British, up to date, in our negotiations with them on various other matters of some importance, have indicated an unwillingness to enter into any future dollar obligations. Now it is anybody's guess as to whether that position will break down and they will ultimately seek a loan from the United States. Up to date there has been no question of whether or not we wanted to offer it to them; they said, "We won't take it even if you are ready to offer it to us."

There are several things that could be done. Part of those balances could be invested in England. Now that is not totally inconceivable, so far as the Indians are concerned. The Indians might very well invest in England if they can't find any easier way to get the sterling out.

A second thing——

Senator McMahon (interposing). The more likely thing would be to take English tableware and silver and things that they need by way of goods.

Mr. Taft. Well, it can't really work that way, because here is $16,000,000,000 that has been spent, in sterling; it is not there, it is a debt. It can be used to some degree as pressure, but you will note that if you used it to buy British goods, then the British have to find some way to finance the making of those goods, because it is not money, it is a debt.

Senator McMahon. Owed by England?

Mr. Taft. Owed by England. And therefore, if the creditors say to England, "You have to give us that sterling in goods," England has got to find a new way to finance the making of those goods.

In the last analysis they have to fund that sterling, or they have to find some way in which they get somebody to give it to them as part of the cost of the war. On the analogy of lend-lease which we and Canada have given to them, they could make a strong case to India or to anybody else, to lend-lease them part or all the amount of those goods and services that are represented by that debt. Having done that they still undoubtedly have a very substantial piece of that debt left, and the only solution that I can see, which they are driven to soon, is to fund it.

If they fund it, then they only have to pay interest on it, and they only have to export the debt service, and that debt service they can find ways to finance through normal industrial financing.

While it would look, at first, as if the sterling balances are a big argument for somebody to whom they wanted to sell goods, it doesn't relieve them of the financing of the manufacturing of those goods, because it is a debt, it is not money that is sitting there. It is a piece of paper that says, "We owe you so much sterling, and we will pay you a little interest while it is here on deposit." The sterling balances give no needed purchasing power to pay for necessary imports.

The dollar pool, I think, on the other hand is going to break down of its own weight. Certainly no country which has a surplus of dollars, but has to turn them in, is going to keep on doing it very long for the benefit of the other countries that don't even earn as much as Great Britain allows to them. So, my own impression is that the dollar pool will break down pretty rapidly, and they will not then have to turn in the dollars to England. You still will have a shortage of dollars, and in some countries it may be even shorter than it is now. It is likely to be in the Middle East, for instance.

Senator Radcliffe. You stated a moment ago that the allocation to Egypt was 41 million.

Mr. Taft. For 1945.

Senator Radcliffe. Which was clearly in excess of what would be needed?

Mr. Taft. No, I said it was in excess of what we buy in Egypt, or spend in Egypt, and thereby make available to the Egyptians.

Senator RADCLIFFE. What was the idea of fixing it at 41 million?

Mr. TAFT. They fixed it because there was a good deal of pressure from the Egyptians, I suppose, establishing that as a minimum need for their economy, and pressure from their own traders and from our traders, and it was just a negotiation where we got more than we would normally think we were going to get before we started in.

Senator RADCLIFFE. Did it contemplate an increase in trade later on?

Mr. TAFT. Well, I am not sure that it provides an increase over the prior year, I am not sure about that, because they have been giving dollars to some of these countries in larger amounts than they have actually earned themselves.

Senator LUCAS. You spoke a moment ago about the two schools of thought in England with respect to what should be done after the war and stated that there was a very delicate balance between the two of them?

Mr. TAFT. That is right.

Senator LUCAS. What, in your opinion, if you care to express it, would happen in the event that the Senate of the United States failed to go through with these trade agreements?

Mr. TAFT. My own feeling is that psychologically the action of the Congress on the Trade Agreements Act, with the increase in it, is very important. These countries have been watching that action without any question; and I believe they would take a rejection, even of the increase by itself, as evidence that the United States was not interested in taking leadership in this very difficult problem of starting the expansion and restoration of world trade.

Senator LUCAS. In other words, it would be an indication to the trading nations like England that we were inclined to follow the old line of thought insofar as international trade is concerned, and the chances are they would follow suit, in view of what you have said in your statement a few moments ago?

Mr. TAFT. They wouldn't follow suit; they would keep on going where they are, because they now have all of these controls. It isn't as easy as if they were starting with a clear slate and could pick whichever course they wanted. They are already in the middle of very tight governmental control of imports and exports. The question is how fast you can get them to take them off. They could denounce the agreements, unless you induce them to begin relaxation of controls and lead them to move in the direction toward free enterprise.

Senator LUCAS. It has been stated here by witnesses, some witnesses at least, that we are treading the path of totalitarianism as a result of this delegation of power to the Executive and to the State Department to negotiate with these foreign governments. Would you care to make any statement on that?

Mr. TAFT. Well, I am not especially qualified; I didn't try to get up a statement on the issue of delegation and the constitutionality of the act. I do believe that it is essential, when you are attempting to provide for tariff bargaining, to do it through administrative agencies. I don't see how it is possible for the Congress—and this is not said in any sense as a reflection on Congress, it has no reference to what some people have described as logrolling, and so on—it is the simple fact that the Ways and Means Committee and the Finance Committee, and the two major bodies that they represent, cannot do a negotiating job with a particular country or a group of countries. They aren't set up for that purpose. So that it seems to me that the negotiation must be handled by the administrative agencies.

The only question then is the limitation within which you authorize Executive discretion in handling those negotiations. There has been a very limited discretion given, for instance, in the McKinley tariff, in which a penalty was put on to be used by the Executive in order to stop certain Latin-American countries from assessing high import tariffs on our manufacturers. It wasn't a protective tariff at all; it was sort of a hold-up game. The Executive simply used the club that was given to get those tariffs down.

In the Argol agreements, there was a double-column tariff like the attempt in the Payne-Aldrich bill, under which you tried to negotiate with a country to get concessions and give them in return the lower of the two possible alternatives on a particular schedule. In that act itself, the Dingley tariff—they also had a provision for a 20-percent cut, but it required an approval not only by the Congress but also a two-thirds ratification by the Senate—they gave it two hurdles, and nothing ever happened under that one.

The next one, of course, was the flexible tariff of the Smoot-Hawley Act, to which our trade agreements are a rather natural successor.

So the problem is entirely, it seems to me, the extent of the discretion which is given, and the review which Congress then exercises very thoroughly each time the bill comes up, every 2 or 3 years.

Senator RADCLIFFE. Mr. Taft, I understand you don't feel that you can work out a sound or constructive policy without the use of negotiation, and that should be done under the most favorable circumstances?

Mr. TAFT. I think that is correct.

Senator RADCLIFFE. And you think that the administrative body is the better one to do it?

Mr. TAFT. I don't think, with all respect, I don't really see how Congress is set up to conduct negotiations at all.

Senator RADCLIFFE. I agree with you on that, but I wanted to be sure I understood your points.

Senator LUCAS. From the study that you have made—and it is apparent that you have made a very deep study of this question, and I want to congratulate you upon your progressive and forward-looking attitude on one of these great international problems—you are convinced, from your testimony as I understand it, that in order to eliminate the trade discriminations and these bilateral agreements that are bound to return, and in order to eliminate wartime controls, that it is necessary at this particular time to extend this Trade Agreements Act for 3 years and give the discretionary authority to reduce tariffs a further 50 percent?

Mr. TAFT. Yes, sir.

Senator BUTLER. I have only one or two questions, Mr. Chairman.

You spoke at considerable length just now with reference to the sterling block, in answer to the inquiry from the Senator from Connecticut——

Mr. TAFT (interposing). May I say, Senator, that that appears in part 19 of the House hearings, beginning on page 38, in a rather fuller way.

Senator BUTLER. You didn't include in your remarks anything with reference to what effect the British imperial preference policy might have on the situation?

Mr. TAFT. Well, I mentioned that as being one of the first types of discrimination which the Department met when it started investigating, after the Fordney-McCumber Act. I think in the long run it is more important than the sterling block, although I think the latter is for the moment far more difficult.

Senator BUTLER. Are they giving up any of those at all?

Mr. TAFT. Yes, sir. We got a reduction in the empire preferences in the second Canadian agreement, and in the British agreement, both effective January 1, 1939.

Senator BUTLER. I remember a little about the Ottawa agreement.

Mr. TAFT. That was 1932.

Senator BUTLER. There it was impossible, following the adoption of that agreement, for American wheat to get into any of the British countries without a penalty of something like 6 cents a bushel. In other words, the Canadian Province had about that advantage over us. Does that continue still, or have they given that up?

Mr. TAFT. I stated before the House committee—I quoted a letter which Mr. Hull wrote to Mr. Gearhart in 1943, which appears on page 27 of part 19, in my testimony before the House committee, in which I analyzed the situation with reference to Canada specifically. I can give you the substance of what happened under the agreements——

Senator BUTLER (interposing). I thought you might know whether there was any tendency on the part of the British to give up their preferential agreements.

Mr. TAFT. I am saying that with the consent of the United Kingdom, Canada reduced, in certain cases, the margin of tariff preferences previously guaranteed on imports from the United Kingdom as compared with imports from the United States, and in the British agreement, Great Britain not only reduced its tariffs on scheduled items covering the most important United States exports to that country but liberalized its import quotas on meat products important to the United States. It removed entirely its tariffs on wheat and lard from non-British countries and reduced the margin of preference accorded to British-country goods on hundreds of items, both in the United Kingdom market and in the British colonies and possessions.

That is Empire preference, and I see there is one reference to wheat. It took off the tariff on wheat from the United States to the United Kingdom, and gave up entirely the preferential system on wheat.

Senator BUTLER. The answer you gave to Senator Lucas' inquiry on the advisability or the necessity, almost, of granting further bargaining powers, would indicate that the reason was just the same as it was that we had to grant a lend-lease agreement in the first place, practically the same reason?

Mr. TAFT. No, I don't think so, because the lend-lease agreement was made necessary by the fact that Great Britain had exhausted its supply of dollars and gold, and had not been able to restore them by the normal export trade, they being in the war.

In the case of the present situation, it is not a question of whether or not they have dollars—they will ultimately, within the next few years, build up their dollar balances, and will get their exports up to a point where they come closer to the balance of payments—but the question is whether or not they are going to go into a Government-dominated foreign trade.

Well, let me give you one sample of public purchase. They have made 4-year contracts with Canada, Australia, and New Zealand for bacon, eggs, and a couple of other farm products. For the first 2 years—meaning 1945 and 1946—the amounts of those contracts are the same as the allocations made by the Combined Food Board. In other words, they are really just a continuation of the present war-time supply picture. But the Dominions in that case insisted on extending it for 2 years more, which the British were not particularly anxious to do, but they have signed up for a 4-year period these products of Canada, of New Zealand, and of Australia, in a Government-purchase contract, which takes it right out of private trade.

That is one of the kinds of things that you are up against. Your import licensing and your export controls are another of the same kind of thing.

This thing that Mr. Amery referred to, that I quoted, where you decide not only how much you are going to import but which country you are going to import it from, you get there immediately into a Government-dominated situation in which political considerations will come in instead of straight commercial considerations.

Now those are just samples of what I mean when I talk about a trend and tendency toward a Government-dominated foreign trade. You can't do that without a considerable amount of control internally. Well, if everybody else gets into Government-dominated foreign trade, we are almost forced into it; and once we are forced into it then you just can't discount the reaction toward Government control in your own domestic economy of trying to establish controls, through exports and imports, on your foreign trade.

Senator BUTLER. It is only natural for each country to try to protect itself as best it can, and in that connection, even since the signing of the Mexican agreement at Mexico City rather recently, only a few weeks ago, there has been a tendency for tariffs to grow and rise in the Latin-American countries.

Mr. TAFT. Well, Mr. Clayton came back and reported he found very strong sentiment for protective tariffs in Latin America. If you wait on this thing, on the theory that this is just a transitional period, and then you start in to try to bargain with some of your Latin-American countries 2 years from now, you may find that you have to spend much of your bargaining power getting them back to where they are now.

Senator BUTLER. They are simply getting themselves—and it would apply to the British as well—in a position where they can continue to receive from those who have. Really it is a struggle between the have-nots and the haves, and it is a question of how far we want to go. It may be advisable to grant this authority and even go beyond this. It may be the smart thing to execute a lend-lease agreement that will be sort of permanent for all time. But as long as we are willing to give up what we have got, to divide it with other people, it is going to be a fine game. But when it gets to the point where we have got to tighten up a little bit for the protection of our own people, then you meet a lot of opposition.

Mr. TAFT. Senator, we are not proposing to give anything away; we are trying to set up a system under which we can get paid.

Senator WALSH. All right, Mr. Taft. Thank you.

Mr. TAFT. Thank you, Senator.

Senator WALSH. Mr. Holman?

Mr. HOLMAN. Yes, sir.

Senator WALSH. Your full name is Charles W. Holman?

Mr. HOLMAN. Charles W. Holman.

Senator WALSH. And your address?

Mr. HOLMAN. 1731 Eye Street.

Senator WALSH. You are secretary of the National Cooperative Milk Producers' Federation?

Mr. HOLMAN. Yes, sir.

Senator WALSH. Will you please be as brief as possible?

Mr. HOLMAN. I have a 6¼-page double-spaced statement, with some appendix material to be filed, with the permission of the committee, which is supplementary to and from a somewhat different angle than my testimony, which was much more lengthy before the House Ways and Means Committee. If I may, I will proceed to read my statement, copies of which are being distributed around among the committee.

Senator WALSH. Very well, proceed.

STATEMENT OF CHARLES W. HOLMAN, 1731 EYE ST. NW., WASHINGTON, D. C., SECRETARY, NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION

Mr. HOLMAN. I am secretary of the National Cooperative Milk Producers' Federation, a Nation-wide organization of 73 cooperative dairymen's associations representing approximately 350,000 farm families in 46 States. I am requesting permission to file, as an appendix to my statement, a list of our member associations with their addresses and the names and addresses of our officers and board of directors.

My testimony, in general, is in opposition to the present and proposed trade agreement program. More specifically, it is in opposition to an extension of the program for more than 1 year, and in opposition to section 2 of H. R. 3240 which would intensify the evils of the existing act by giving to the President additional power to increase or decrease by 50 percent the rates of duties in effect January 1, 1945.

The National Cooperative Milk Producers' Federation has opposed the trade agreement program since 1937.

I might say, Senator, that we did not oppose the original passage of the act, but our study of it between the time of its passage and 1937 convinced us that at least its continuance was not in the interests of the dairy farmers of the country.

This opposition has been strengthened by the fact that the program has injured the dairy industry. The volume of imports of two dairy products upon which tariff concessions have been made—cheese and casein—showed definite increase between the years 1935 and 1939. Argentina has now taken over our casein market, due largely to the trade agreement. The competition from foreign agricultural products has been intensified, despite the fact that our dairy industry has abundant capacity to produce every need of American consumers.

I would like permission to append to my testimony the resolutions of our federation, its executive committee, and its board of directors setting forth the basis for our opposition to the program.

We are opposed to the Trade Agreements Act. We are opposed in any event to its extension for more than 1 year, because it seems obvious, in the light of present unsettled world conditions, that any set pattern of agreements as devised today may well be outmoded, useless, or dangerously inimical to our national interests within a short time. Why, then, set today's pattern for more than a year?

We are opposed to the authorization for further tariff cuts, because we know, from past experiences, the effect of low tariffs on the dairy farmers who, in America, are the largest group of agricultural producers relying almost entirely upon the domestic market. We foresee, as the inevitable result of a further 50-percent slash in our tariffs, the enslavement by perpetual subsidy of this large segment of American producers. Continued and expanding payments out of the Federal Treasury would be the only means of maintaining a solvent dairy industry under such conditions.

A half billion dollars, almost, was spent in 1944 to give dairy farmers a barely satisfactory return for their product. That was in the form of subsidies. That subsidy amounted to less than 13 cents for each pound of butterfat sold by dairy farmers in milk, cream, and farm butter. To offset fully a 7-percent reduction of the butter tariff would require an additional 8¼ cents per pound of butterfat, or a total subsidy of nearly a billion dollars. Consider how the dairy industry might fare with a loss of a billion, or even a half billion dollars of its income, and you see how dangerous a threat is presented by this proposed authority to reduce tariffs.

In a statement on the Doughton bill—H. R. 3240—before the House Ways and Means Committee, I outlined our federation's reasons for distrust and opposition to the trade-agreement program. At the present time I wish only to present some additional material to substantiate our contention that the administration of the trade-agreement program has been in the disinterest of American agriculture. I submit herewith an exhibit, a table showing a list of about 100 agricultural products, as reported by the United States Tariff Commission, upon which the duty reductions have been made and of which the exports exceeded imports in 1940. I submit this table as partial evidence that the administration of the trade-agreement program has grossly disregarded the needs of producers.

We cannot, for example, see any reason why it would be necessary to bring in extra agricultural products while we are already, of particular products, producing more than the country is consuming.

Careful examination of individual commodities would show many additional cases where needs of producers have been disregarded—and by way of parenthetical remark may I point out that one of the original purposes of the act of 1935 was to take care of the needs of producers—in addition to those clearly proven by the fact that their exports exceeded imports.

The point, in connection with this table, is that tariff concessions have been granted in respect to the importation of these agricultural products—all of which are produced in the United States in sufficient quantities to more than fulfill our domestic needs. In other words, we have given tariff reductions and other concessions on agricultural products which are directly or indirectly in competition with the products of American farmers.

Included in this list of competing commodities upon which tariff concessions have been made are whole milk, cream, skimmed milk, dried buttermilk, and Cheddar cheese. These concessions were made at the very time that desperate measures were being taken to ease the burden of our own surplus dairy products. And still we granted these concessions which further demoralized an already chaotic situation.

This type of trade concession disregards the needs of producers, and in so doing it runs counter to the objective of the Trade Agreements Act of 1934—which is to satisfy the needs of American producers—may I repeat again—not only as to exports but as to imports. Section 340 (a) of the act states that it is:

> For the purpose of expanding foreign markets for the products of the United States * * * by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production * * *.

In view of the language of the act itself—and in our belief that Congress intended it to serve the needs of American production in the matter of imports as well as exports—we contend that the administration of the law has not been in line with the congressional mandate.

Our distrust in the administration of the Trade Agreements Act is sharpened by the danger which we face in the present proposal to authorize still further tariff reductions. What would these tariff reductions do to the dairy industry? It is perfectly true that the volume of dairy products imported into the United States in recent years, before and after the inception of the trade-agreement program, has been relatively small in proportion to our domestic production. This came about because the world at large forged ahead in an economic recovery, based largely on a drive for rearmament, while our regimented economy fell back into a slough of stagnant business. In 1938–39, the London price of butter was 2 to 3 cents above the New York price. That is in contrast with the period of the twenties when the New York price of butter ranged all the way from 2 to 22 cents a pound above the London price. After the war, with no artificial demand to boost foreign prices, we will again become a dumping ground for the world's butter surplus. Present tariff rates will be little enough protection for our producers against the threatened flow of butter from every quarter of the globe.

But our volume of imports, I would like to emphasize, is by no means the only factor that we have to fear. Fully as important—even more important—is the price at which any dairy products, even a trickle of dairy products, can be landed on our shores. It takes only a very small percentage of imports in relation to our domestic production to ruin our markets. One shipload of butter a week at a port like New York would keep our butter market down to the price of the landed article, and would have its repercussions throughout all dairy commodities.

The dairy price structure is both delicate and complicated. There is an interrelationship between the prices of all domestic dairy products—an interrelationship that has been well recognized by administrative authorities in manipulating the flow of milk into war-essential milk products. Butter has for generations been the basis of pricing most dairy products. It is the basis for domestic cheese prices and the price of sweet-cream butter also governs the prices of cream for fluid consumption and cream for ice cream. Likewise, the price of evaporated milk has a definite relationship to the price of butter. The same relationship carries over into the products made of skim milk—dry skim milk and casein.

For example, there is a direct relationship between dry skim milk and casein. In the dairy plant they are alternative products.

Whatever affects the price of one dairy product affects the price of all dairy products, to a greater or less extent. And among the factors which affect domestic dairy-product prices are the prices at which foreign dairy products can be sold in the United States. The lower the tariff on imported dairy products, the lower the price at which these imports can enter our markets—and the more serious the repercussions upon the domestic dairy industry. It is not a matter of volume alone. It is a matter of price.

In normal years, for example, about 1,400,000,000 pounds of butter is in transit across the seas from producing to consuming nations. Each shipload seeks its best market everywhere. One shipload of butter without an adequate tariff, as we learned in the 1920's, can shake down the price of butterfat as much as 5 cents a pound in every community of the United States.

It was during this period that dairy farmers learned the value to them of a competitive tariff protection. In the Emergency Tariff Act of 1921 a duty of 6 cents a pound was placed on butter and 5 cents on cheese. A year later slightly higher rates were enacted, including a rate of 8 cents on butter. Between that date and 1930 it was found that the butter rate was still insufficient to protect American markets from speculative price fluctuations due to sporadic and planned imports. A cost-of-production study conducted by the United States Tariff Commission resulted in recommendations for the subsequent increase in the rate to 12 cents. Finally, in 1930, our organization proposed to the Congress the first scientifically coordinated set of duty proposals on milk and its products. These recommendations were adopted, with the sole exception of the recommended rate for casein.

Our present tariff of 14 cents a pound does not keep foreign butter out of our markets. Our tariff on cheese and on casein does not prohibit their importation into this country. But the height of the tariff that these imported products must hurdle directly affects the prices at which they can be sold in the United States. If we let the bars down and make the hurdle easier, it can mean nothing less than a lower level of domestic-producer prices—and a higher rate of Federal subsidy to the dairy farmers if they are to remain solvent in the dairy industry.

The trade-agreement program which you are now considering projects itself into the postwar period. The postwar period is one of grave uncertainty for dairy farmers. They have geared their wartime production to an all-time high, but in lieu of fair market prices they are being sustained at the present time by a subsidy program that accounts for about 14 percent of their total national income. In spite of their preference for adequate market-place prices, they are the most completely subsidized of any group in agriculture.

Today they are confronted by the eventual cut-backs of Government purchases and the possibility of disastrous price falls. Against this Congress has provided a low cushion to help tide over a part of the transition period. But this cushion will provide only slight comfort to the dairy farmer in its assurance of 90 percent of parity support price. Translated into milk and cream checks it will mean, under the present parity index, a drop of 34 percent in the price returns on fluid milk and 36 percent in the price on butterfat. What connection have these subsidies and guaranties with reduction of tariffs?

1. If support prices are maintained in the postwar period by means of these subsidies, any further reduction in tariffs and the inevitable accompaniment of lowered domestic market prices will call for additional subsidies.

2. Supported domestic prices may afford foreign producers a lucrative market in this country after the war. Lowering the United States tariff would increase the amount of our taxpayer's money finding its way into foreign pockets—and thus the domestic subsidy becomes also a world subsidy.

3. Wartime subsidy policies of this administration have taught the public to accept food at subsidized cheap prices. To the extent that portions of the public continue to demand food subsidies and taxpayers will foot the bill, the American dairy industry will be a kept industry, enslaved in continuing patronage by administrative authority.

The issue resolves itself into whether or not American agriculture will have to be sustained by tax money. The entire trade agreement program has been in the direction of free trade to the benefit of certain manufacturing and banking interests and in utter disregard of agriculture. We believe it is unwise to destroy American agriculture—or at least large segments of it—by subjecting it to competition from countries having lower standards of living.

Our cities today are protected by high wages and low-priced foods, our farmers by subsidies. Agriculture is periled by the possible reduction of tariffs on farm products, farm products which we ourselves produce in sufficient quantities to take care of present as well as prospective needs.

We are opposed to the extension of the act for more than 1 year, and we are opposed to section 2 of the bill which extends to the President the right to reduce by 50 percent tariffs in effect January 1, 1945.

If the act is to be extended we also urge, as we have urged in the past, that it be amended to provide that trade agreements be ratified by the Senate, because they contain considerable material which is of a treaty character. As a matter of fact, the language used in the sanitary provisions of the trade agreements is strikingly similar to that used in the proposed Argentine Convention of 1935 which was in fact a proposed treaty negotiated by the State Department, and offered to the Senate for ratification. This similarity in language is pointed out in the memorandum which I request permission to file in connection with this statement.

If it is the will of Congress not to provide, as a safeguard, Senate ratification of trade agreements, we urge the adoption of the O'Mahoney amendment to provide for congressional review. Tariffs cannot be classified other than as taxes, and surely Congress should retain its authority and responsibility to determine the rates and nature of taxes to be levied.

That completes my statement.

Senator WALSH. All the memoranda submitted in connection with your statement, may be printed in the record.

Mr. HOLMAN. Thank you.

(The documents referred to are as follows:)

THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION, WASHINGTON, D. C.

MEMBER ASSOCIATIONS

Arrowhead Cooperative Creamery Association, 224 North Fifty-seventh Avenue, West, Duluth, Minn.
Central Grade "A" Cooperative, Appleton, Wis.
Central Ohio Cooperative Milk Producers, Inc., 12 North Third Street, Columbus, Ohio.
Challenge Cream and Butter Association, 929 East Second Street, Los Angeles, Calif.
Chattanooga Area Milk Producers' Association, Chattanooga, Tenn.
Connecticut Milk Producers' Association, 990 Wethersfield Avenue, Hartford, Conn.
Consolidated Badger Cooperative, Shawano, Wis.
Cooperative Pure Milk Association of Cincinnati, Plum and Central Parkway, Cincinnati, Ohio.
Dairy Cooperative Association, 1313 Southeast Twelfth Avenue, Portland, Oreg.
Dairy Farmers' Cooperative Association, Inc., Kentwood, La.
Dairy Farmers' Cooperative Association, Arcadia, Tex.
Dairy Producers' Cooperative, 703–713 South McDonough Street, Montgomery, Ala.
Dairymen's Cooperative Sales Association, 451 Century Building, Pittsburgh, Pa.
Dairymen's League Cooperative Association, Inc., 11 West Forty-second Street, New York, N. Y.
Denver Milk Producers, Inc., 810 Fourteenth Street, Denver, Colo.
Des Moines Cooperative Dairy, 1935 Des Moines Street, Des Moines, Iowa.
Enid Cooperative Creamery Association, 402 West Walnut Street, Enid, Okla.
Evansville Milk Producers' Association, Inc., Evansville, Ind.
Falls Cities Cooperative Milk Producers' Association, 229 Bourbon Stock Yards Building, Louisville, Ky.
Farmers' Equity Union Creamery Co., 169 Grove Avenue, Lima, Ohio.
Georgia Milk Producers' Confederation, 661 Whitehall Street SW., Atlanta, Ga.
Guilford Dairy Cooperative Association, 1700 West Lee Street, Greensboro, N. C.
Indiana Dairy Marketing Association, Muncie, Ind.
Indianapolis Daitymen's Cooperative, Inc., 729 Lemcke Building, Indianapolis, Ind.
Inland Empire Dairy Association, 1803 West Third Avenue, Spokane, Wash.
Interstate Associated Creameries, 1319 Southeast Twelfth Avenue, Portland, Oreg.
Inter-State Milk Producers' Cooperative, Inc., 401 North Broad Street, Philadelphia, Pa.
Keosauqua Cooperative Creamery, Keosauqua, Iowa.
Knoxville Milk Producers' Association, Knoxville, Tenn.
Land O'Lakes Creameries, Inc., 2201 Kennedy Street NE., Minneapolis, Minn.
Lehigh Valley Cooperative Farmers, 1026 North Seventh Street, Allentown, Pa.
McDonald Cooperative Dairy Co., 617 Lewis Street, Flint, Mich.
McLean County Milk Producers' Association, Washington and Robinson Streets, Bloomington, Ill.
Madison Milk Producers' Cooperative Association, 29 Coyne Court, Madison, Wis.
Manchester Dairy System, Inc., 226 Second Street, Manchester, N. H.
Maryland and Virginia Milk Producers' Association, 1756 K Street NW., Washington, D. C.
Maryland Cooperative Milk Producers', Inc., 810 Fidelity Building, Baltimore, Md.

Miami Home Milk Producers' Association, 2451 Northwest Seventh Avenue, Miami, Fla.
Miami Valley Cooperative Milk Producers' Association, 136–138 West Maple Street, Dayton, Ohio.
Michigan Milk Producers' Association, 406 Stephenson Building, Detroit, Mich.
Michigan Producers Dairy Co., Adrian, Mich.
Mid-South Milk Producers' Association, 1497 Union Avenue, Memphis, Tenn.
Mid-West Producers' Creameries, Inc., 224 West Jefferson Street, South Bend, Ind.
Milk Producers' Association of Summit County and Vicinity, 194 Carroll Street, Akron, Ohio.
Milk Producers Federation of Cleveland, 1012 Webster Avenue, Cleveland, Ohio.
Milwaukee Cooperative Milk Producers, 1633 North Thirteenth Street, Milwaukee, Wis.
Nebraska Cooperative Creameries, Inc., Fifteenth and Webster Streets, Omaha, Nebr.
Nebraska-Iowa Non-Stock Cooperative Milk Association, 402 North Twenty-fourth Street, Omaha, Nebr.
New Bedford Milk Producers' Association, Inc., 858 Kempton Street, New Bedford, Mass.
New England Dairies, 142 Cambridge Street, Charlestown, Mass.
New England Milk Producers' Association, 73 Cornhill, Boston, Mass.
Northwest Cooperative Sales Co., 2221½ Detroit Avenue, Toledo, Ohio.
Paducah Graded Milk Producers' Association, Inc., Route 1, Paducah, Ky.
Peoria Milk Producers, Inc., 216 East State Street, Peoria, Ill.
Pure Milk Association, 608 South Dearborn Street, Chicago, Ill.
Pure Milk Producers' Association, 853 Live Stock Exchange Building, Kansas City, Mo.
Pure Milk Products Cooperative, 20 Forest Avenue, Fond du Lac, Wis.
Richmond Cooperative Milk Producers' Association, 516 Lyric Building, Richmond, Va.
St. Joseph Milk Producers' Association, Inc., 1024 South Tenth Street, St. Joseph, Mo.
Sanitary Milk Producers, 511 Locust Street, St. Louis, Mo.
Sioux City Milk Producers' Cooperative Association, Inc., 511 Warnock Building, Sioux City, Iowa.
South Texas Producers' Association, Inc., 3600 Center Street, Houston, Tex.
Stark County Milk Producers' Association, Inc., Canton, Ohio.
Tillamook County Creamery Association, Tillamook, Oreg.
Twin City Milk Producers' Association, 2402 University Avenue, St. Paul, Minn.
Twin Ports Cooperative Dairy Association, 6128 Tower Avenue, Superior, Wis.
United Dairymen's Association, 635 Elliott Avenue West, Seattle, Wash.
United Farmers' Cooperative Creamery Association, Inc., 86 Cambridge Street, Charlestown, Mass.
Valley of Virginia Cooperative Milk Producers' Association, Harrisonburg, Va.
Vigo Cooperative Milk Marketing Co., Inc., 414 Mulberry Street, Terre Haute, Ind.
Wayne Cooperative Milk Producers' Association, 340 East Berry Street, Fort Wayne, Ind.
Wisconsin Cheese Producers' Cooperative, Plymouth, Wis.
Coastal Bend Milk Producers Association, Corpus Christi, Tex.

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SANITARY CONVENTIONS CONTAINED IN THE TRADE AGREEMENTS

Most of the trade agreements executed by the United States under the Trade Agreements Act contain provisions to the effect that nothing contained in the agreements shall prevent the adoption or enforcement, by the contracting governments, of measures to protect human, animal, or plant life or health.

In the majority of the agreements, however, the proviso that "nothing contained in the agreements shall prevent the adoption or enforcement of measures to protect human animal or plant life or health," is further qualified by the following conditions.

"Subject to the requirement that, under like circumstances and conditions, there shall be no arbitrary discrimination by either country against the other country in favor of any third country * * *. The provisions of this agreement shall not extend to prohibitions or restrictions * * * (b) imposed for the protection of public health * * * plants and animals * * *."

Additionally, all of the agreements except those entered into with the United Kingdom, Cuba, the Belge-Luxemburg Economic Union, Iran, and Turkey, contain special provisos dealing with sanitary rules and regulations. While these provisos take several distinct forms, they are lifted from the language of the Argentina Sanitary Convention, signed May 24, 1935, but which still reposes in the Senate Foreign Relations Committee—the convention never having been ratified by the United States Senate.

In other words, while the proposed Argentina Sanitary Convention has lain dormant for 8 years, the officials of the Department of State have been active, for, as indicated, the majority of the trade agreements executed to date contain one or another form of sanitary convention.

In order to get the exact comparison of these sanitary convention provisos and the parallel language contained in the unratified Argentina Sanitary Convention, there is set out in adjacent columns the language of each.

(1) In four agreements, namely, between the United States and the Governments of Brazil, Colombia, Honduras, and the Nertherlands, the provision reads substantially as indicated in the left-hand column.

TRADE AGREEMENTS	ARTICLE V—ARGENTINA SANITARY CONVENTION
"Each Government *will accord sympathetic consideration to such representations as the other Government may make regarding* the operation of customs regulations, the observance of customs formalities, and *the application of sani-*	"The Government of the United States of America or the Government of the Republic of Argentina, as the case may be, *will accord sympathetic consideration to such representations as the other Government may make regarding*

TRADE AGREEMENTS—continued

tary laws and regulations, for the protection of human, animal or plant health or life.

"If either Government makes *representations to the* other *Government 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* as soon as possible *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.*"

ARTICLE V—ARGENTINA SANITARY CONVENTION—continued

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.*"

(2) In 11 agreements, namely, between the United States and the Governments of Argentina, Canada, El Salvador, Ecuador, Finland, France, Mexico, Peru, Switzerland, Uruguay and Venezuela, the provisions, with slight variaitons, reads as follows:

"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 regulations, quantitative regulations 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 life or health.

"In the event that the Government of either country makes representations to the other Government in respect of the application of any sanitary law or regulation for the protection of human, animal or plant life or health, and if there is disagreement with respect thereto, a committee of technical experts on which each Government shall be represented shall, on the request of either Government, be established to consider the matter and to submit recommendations to the two Governments."

(For similar language in Argentina Sanitary Convention, see pars. 1 and 2 of art. V above.)

(3) In agreements with the governments of Czechoslovakia (now suspended), Costa Rica, Guatemala, Haiti, Nicaragua (now suspended as to duty concessions and certain other provisions), Iceland, and Sweden, the provision takes substantially the following form:

"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 regulations, quantitative restrictions 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 life or health."

(For similar language contained in the Argentina Sanitary Convention, see par. 1 of art. V, above.)

In recapitulation, 22 out of 27 trade agreements negotiated (this does not include supplementary agreements with Cuba and Canada) contain provisions which may well impinge upon the prerogatives of the legislative branch to protect, by duly enacted legislation, the public health and welfare.

In regard to sanitary conventions contained in trade agreements, it is worthy of note that in the instance of a sanitary convention entered into with Mexico in March 1928, designed to safeguard the livestock interests of the country through the prevention of infectious and contagious diseases, the treaty procedure was undertaken and ratification of the United States Senate was secured. This, of course, was also the procedure followed with respect to the, as yet unratified, Argentina Sanitary Convention.

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 to the Secretary of State, the Secretary of the Treasury 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 the Secretary of State and the Secretary of Agriculture and Secretary of Treasury in which opposition was expressed to this legislation. In the letter from the Secretary of State specific reference was made to the fact that legislation of this character would be "contrary to the established commercial policy of this administration." The Secretary of Agriculture for other reasons opposed the legislation. The Secretary of the Treasury was not opposed. At that time Mr. Hull was Secretary of State; Mr. Morgenthau, Secretary of the Treasury; and Mr. Wallace, Secretary of Agriculture.

Resolutions Adopted by the Twenty-third Annual Convention of the National Cooperative Milk Producers Federation in Chicago, Ill., November 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. 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 Agreements 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 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.

RESOLUTION ADOPTED BY THE TWENTY-FOURTH ANNUAL CONVENTION OF THE NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION IN OMAHA, NEBR., DECEMBER 6, 1940

We reiterate the federation's permanent program for agriculture: (1) To preserve the domestic market for domestic producers; (2) to lift the level of all basic commodity prices by the device of managing the currency; (3) to require the coordination of other Federal Government programs to harmonize with the managed currency policy; (4) to maintain the normal relationship which the production and marketing of agricultural commodities have to each other by management of surpluses and a rational system of production control; (5) to expand the national consumption of dairy products by coordination, educational, and advertising campaigns; (6) to protect the public health by continuous provision of adequate funds to indemnify cattle owners for the slaughter of animals infected with diseases such as tuberculosis, Bang's, and mastitis; (7) to protect the public health by requiring all dairy products imported to conform to the same health standards as are required of domestic producers; (8) to encourage dairy farmers of the Nation to give particular heed to their personal problems of efficiency of production; (9) to encourage dairy farmers everywhere to arm themselves with the greatest instrument of self-defense that they can utilize by joining bona fide producer-owned and producer-controlled cooperative associations. We reaffirm the policies of the federation expressed in resolutions adopted at the 1939 annual meeting.

RESOLUTION ADOPTED BY THE TWENTY-FIFTH ANNUAL CONVENTION OF THE NATIONAL COOPERATIVE MILK PRODUCERS IN CHICAGO, ILL., NOVEMBER 12, 1941

We uncompromisingly oppose all effort to push legislation through the Congress disguised as national defense measures which has as its purpose the blanket repeal of tariff duties, internal-excise taxes, and other import restrictions. Such legislation is usually couched in broad, vague language with unrestricted, discretionary powers of interpretation and application left in the hands of either the President or his designates. We do not believe that Congress should thus divest itself of tariff-making powers; neither do we believe it wise to leave to the discretion of one official or a group of officials the determination of what articles should be admitted to this country duty-free or otherwise unrestricted by protective tariff devices. We believe that while the trade-agreement program has had serious and detrimental effect, particularly upon dairy and livestock producers, this new scheme will prove even more inimical to their interests and that of the country at large.

RESOLUTION ADOPTED BY THE TWENTY-SIXTH ANNUAL CONVENTION OF THE NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION IN CHICAGO, ILL., DECEMBER 4, 1942

We reiterate our position of last year in opposition to all efforts to push legislation through the Congress, which has as its purpose the vesting of unlimited discretion in the President or his designates to repeal, suspend, or modify tariff duties, immigration, and other import or export restrictions.

We do not believe that the acute need for material of a strategic character, the source of supply of which is outside the continental United States, or that our crying need for manpower, or that the need for bolstering vanishing supplies of foodstuffs, call for the delegation by Congress of wholesale powers to the President to permit him to decide what may best be exported or imported without heed of existing protective legal barriers.

We urge the Congress to retain its control over tariffs, immigration quotas, and similar restrictions and liberalize on these only when the need for liberalization is unequivocally demonstrated and specifically pointed out.

We have confidence in the integrity and patriotism of Congress to deal intelligently and swiftly with individual situations calling for the repeal, suspension, or modification of such restrictions when the need of such action has been established and by way of the orderly legislative processes.

MINUTES OF A MEETING OF THE EXECUTIVE COMMITTEE OF THE NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION HELD IN WASHINGTON, D. C., JANUARY 30, 1945

On motion of Mr. Chapin, seconded by Mr. Waltz, the committee voted to reaffirm the federation's historical stand on the Trade Agreements Act and urged that every effort be made to support this stand as vigorously as possible.

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION HELD AT THE MAYFLOWER HOTEL, WASHINGTON, D. C., FEBRUARY 14 AND 15, 1945

On motion of Mr. Lauterbach, seconded by Mr. Huntzicker, the board readopted and reemphasized the historical stand of the federation on trade agreements.

Selected duty reductions on agricultural commodities for which exports exceeded imports in 1940

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change	Imports (pounds)	Exports (pounds)	Net exports (pounds)
52	Neatsfoot oil and animal oils known as neatsfoot stock.	20 percent ad valorem	10 percent ad valorem	Nov. 15, 1941, Argentina		437, 948	437, 948
701	Tallow	½ cent per pound	¼ cent per pound	do.; Jan. 1, 1943, Uruguay	423	122, 345	121, 922
701	Oleo oil and oleo stearin	1 cent per pound	½ cent per pound	Nov. 15, 1941, Argentina; Jan. 1, 1943, Uruguay	472	1, 333, 914	1, 333, 442
702	Sheep and lambs	$3 per head	$1.50 per head	Jan. 30, 1943, Mexico	[1] 205	[1] 844	[1] 639
703	Swine	2 cents per pound	1 cent per pound	Jan. 1, 1939, Canada	[1] 54, 700	[1] 1, 312	[2] 260, 180
703	Pork, fresh or chilled, but not frozen	2½ cents per pound	1¼ cents per pound	do	3, 262, 783	39, 809, 899	36, 547, 116
703	Bacon, hams, and shoulders, and other pork, prepared or preserved, but not cooked, boned, packed in airtight containers, or made into sausages of any kind.	3¼ cents per pound	2 cents per pound	do	379, 264	26, 503, 786	
704	Venison, fresh, chilled, or frozen, not specially provided for.	6 cents per pound	3 cents per pound	Jan. 1, 1939, United Kingdom.	684	(³)	(³)
706	Edible animal livers, kidneys, tongues, hearts, sweetbreads, tripe, and brains, fresh, chilled, or frozen.	6 cents per pound, but not less than 20 percent ad valorem.	3 cents per pound, but not less than 15 percent ad valorem.	Jan. 1, 1939, Canada	2, 055, 134	7, 618, 406	5, 563, 272
707	Whole milk, fresh or sour	6½ cents per gallon	3¼ cents per gallon	do	[4] 422	[5] 302, 339	[5] 301, 337
	Provided, That such fresh or sour milk entered 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—	do	6½ cents per gallon				
707	Cream, fresh or sour	56⁶⁄₁₀ cents per gallon; 35 cents per gallon; 56⁶⁄₁₀ cents per gallon	35 cents per gallon [6]; 28³⁄₁₀ cents per gallon; 56⁶⁄₁₀ cents per gallon	Jan. 1, 1936, Canada; Jan. 1, 1939, Canada	[7] 580		
	Provided, 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—	(NOTE.—The previous agreement with Canada limited the quantity of cream that could be entered at the reduced rate of 35 cents per gallon in any calendar year to 1,500,000 gallons.)					
707	Skimmed milk, fresh or sour, and buttermilk	2½₀ cents per gallon	2½₀ cents per gallon	Jan. 1, 1939, Canada	[4] 19, 068	(⁷)	(⁷)
708b	Dried buttermilk	3 cents per pound	1½ cents per pound	do	250, 910	(⁷)	(⁷)

[1] Number of head.
[2] Assuming exported animals weighed 240 pounds each.
[3] Compare with exports of "Poultry and game, fresh."
[4] Gallons.
[5] Milk and cream.
[6] Superseded.
[7] Cheddar exports not separately reported. By grouping similar products, exports greatly exceed imports.

Selected duty reductions on agricultural commodities for which exports exceeded imports in 1940—Continued

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change	Imports (pounds)	Exports (pounds)	Net exports (pounds)
710	Cheese: In original leaves: Cheddar [6]	7 cents per pound, but not less than 35 percent ad valorem.	5 cents per pound, but not less than 25 percent ad valorem.[6]	Jan. 1, 1936, Canada	----	----	----
	Whether or not in original loaves: Cheddar, not otherwise processed than by division into pieces.	5 cents per pound, but not less than 25 percent ad valorem, or 7 cents per pound but not less than 35 percent ad valorem.	4 cents per pound, but not less than 25 percent ad valorem.	Jan. 1, 1939, Canada	635,401	[7] [8] 2,255,919	(7)
712	Birds, dead, dressed, or undressed, fresh, chilled, or frozen:						
	Chickens and guineas	10 cents per pound	6 cents per pound	Jan. 1, 1936, Canada Jan. 1, 1939, Canada	229,121 1,124	[9] 1,680,176	[10] 1,371,621
	Ducks and geese	do	do	do	77,626		
	Other (except turkeys)	do	5 cents per pound	Jan. 1, 1939, United Kingdom.			
713	Eggs of chickens, in the shell	10 cents per dozen	5 cents per dozen	Jan. 1, 1939, Canada	[11] 35,297	[11] 4,570,806	[11] 4,535,509
714	Horses, unless imported for immediate slaughter: Valued at not more than $150 per head	$30 per head $20 per head	$20 per head [6] $15 per head	Jan. 1, 1936, Canada Jan. 1, 1939, Canada Jan. 30, 1943, Mexico	---- 35,384 [1] 172	[1] 6,484	[1] 928
	Valued at more than $150 per head	20 percent ad valorem	17½ percent ad valorem	Jan. 1, 1939, Canada Jan. 1, 1939, United Kingdom.	---- ----	----	----
714	Mules, unless imported for immediate slaughter, valued at not more than $150 per head.	$30 per head	$15 per head	Jan. 30, 1943, Mexico	[1] 275	[1] 2,822	[1] 2,404
715	Live asses and burros, not specially provided for	15 percent ad valorem	7½ percent ad valorem	do	[1] 143		
716	Honey, the product of Cuba	2⅗ cents per pound	1⅛ cents per pound	Sept. 3, 1934, Cuba	269,859	3,363,239	2,885,397
716	Honey	3 cents per pound	2 cents per pound [6]	June 15, 1936, Guatemala. May 31, 1937, El Salvador.	---- ----		
		2 cents per pound	1½ cents per pound	Jan. 1, 1939, Canada Jan. 30, 1943, Mexico	---- 207,983		
723	Buckwheat, hulled or unhulled	25 cents per 100 pounds	15 cents per 100 pounds	Jan. 1, 1939, Canada	[12] 124,350	[12] 393,520	[12] 269,170
724	Corn or maize, including cracked corn, the product of Cuba.	20 cents per bushel of 56 pounds.	10 cents per bushel of 56 pounds.	Sept. 3, 1934, Cuba	[12] 152,742 [13] 1,482,205	[12] 38,317,151	[12] 36,682,204
725	Macaroni, vermicelli, noodles, and similar alimentary pastes:						
	Containing eggs or egg products	3 cents per pound	2 cents per pound	Nov. 15, 1941, Argentina	11,638	3,589,978	2,715,165
	Containing no eggs or egg products	2 cents per pound	1½ cents per pound		863,175		

726	Oatmeal, rolled oats, oat grits, and similar oat products.	80 cents per 100 pounds	10 percent ad valorem; but not less than 40 cents nor more than 80 cents per 100 pounds.	Jan. 1, 1939, Canada; Jan. 1, 1939, United Kingdom.	161,003	17,419,867	17,258,864
727	Broken rice, which will pass readily through a metal sieve perforated with round holes 5½ sixty-fourths of 1 inch in diameter.	⅝ cent per pound	5/16 cent per pound	Feb. 1, 1936, Netherlands.	24,493,866	329,725,372	305,231,506
728	Rye	15 cents per bushel of 56 pounds.	12 cents per bushel of 56 pounds.	Jan 1, 1939, Canada	[12] 59,633	[12] 889,918	830,285
728	Rye malt	40 cents per 100 pounds	35 cents per 100 pounds	do			
729	Wheat and wheat flour [14]				[12 15] 415,344	[12 15] 33,341,055	[12 15] 32,925,711
729	Wheat, unfit for human consumption	10 percent ad valorem 10 percent ad valorem	10 percent ad valorem [6] 5 percent ad valorem	Jan. 1, 1936, Canada Jan. 1, 1939, Canada	[12] 314,438	(17)	(16)
730	Soybean oil cake and soybean oil-cake meal	3/10 cent per pound	⅛ cent per pound	Jan. 30, 1943, Mexico	28,037,752	86,941,120	58,903,368
730	Mixed feeds, consisting of an admixture of grains or grain products with oil cake, oil-cake meal, molasses, or other feedstuffs.	10 percent ad valorem do	10 percent ad valorem [6] 5 percent ad valorem	Jan. 1, 1936, Canada Jan. 1, 1939, Canada Jan. 30, 1943, Mexico	[17] 6,198	[17] 11,376	[17] 5,178
732	Cereal breakfast foods, and similar cereal preparations, by whatever name known, processed further than milling, and not specially provided for.	20 percent ad valorem 15 percent ad valorem	15 percent ad valorem [6] 10 percent ad valorem	Jan. 1, 1936, Canada Jan. 1, 1939, Canada	628,126	3,881,005	3,252,879
733	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.	30 percent ad valorem	15 percent ad valorem	Jan. 1, 1939, United Kingdom.	[18] 180,818	[18] 969,172	[18] 788,354
734	Apples, green or ripe	25 cents per bushel of 50 pounds.	15 cents per bushel of 50 pounds.	Jan. 1, 1936, Canada Jan. 1, 1939, Canada	[12] 602,588	[12] 1,228,814	[12] 626,226
737	Cherries:						
	(1) In their natural state, not in air-tight or water-tight containers.	1 cent per pound	1 cent per pound	do	37,249	868,385	827,482
	(4) Maraschino, candied, crystallized, or glacé, or prepared or preserved in any manner.	9½ cents per pound plus 40 percent ad valorem.	9½ cents per pound plus 20 percent ad valorem.	June 15, 1936, France	3,654		

[1] Number of head.
[6] Superseded.
[7] Cheddar exports not separately reported. By grouping similar products, exports greatly exceed imports.
[8] All cheese.
[9] "Poultry and game, fresh."
[10] Including allowance for imports of venison (par. 704).
[11] Dozens.
[12] Bushels.
[13] Imports of corn from other countries, paying a duty of 25 cents per bushel.
[14] Effective May 29, 1941, imports for consumption of wheat and wheat flour are limited by annual quotas proclaimed by the President on May 28 under sec. 22 of the Agricultural Adjustment Act of 1933, as amended. The totals of the quotas are 800,000 bushels of wheat and 4,000,000 pounds of flour. Separate quotas are provided for the various countries entitled to ship wheat or flour to the United States. Wheat and flour unfit for human consumption are not limited by quotas. Effective Apr. 13, 1942, wheat and wheat flour for experimental purposes, registered seed wheat, and distress diversions of wheat and wheat flour were excepted from the quotas.
[15] Excluding wheat for grinding in bond and export. Includes equivalent of wheat flour at 4.7 bushels per barrel (196 pounds).
[16] Exports not separately reported. By grouping similar products, exports greatly exceed imports.
[17] Tons.
[18] Value, dollars.

Selected duty reductions on agricultural commodities for which exports exceeded imports in 1940—Continued

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change	Imports (pounds)	Exports (pounds)	Net exports (pounds)
742	Grapes, in bulk, crates, barrels, or other packages:						
	Hothouse grapes	25 cents per cubic foot of such bulk or the capacity of the packages, according as imported.	25 cents per cubic foot of such bulk or the capacity of the packages, according as imported.	May 1, 1935, Belgium	[19] 598	61,068,654	([20])
	Entered for consumption during the period from February 15 to June 30, inclusive, in any year.	25 cents per cubic foot of such bulk or the capacity of the packages, according as imported.	12½ cents per cubic foot of such bulk or the capacity of the packages, according as imported.	Nov. 15, 1941, Argentina	[19] 376,069		
	Other, entered for consumption during the period from February 15 to June 30, inclusive, in any year.						
742	Raisins made from seedless grapes	2 cents per pound	1½ cents per pound	May 5, 1939, Turkey	75,979 [21] 46,988	44,163,329	44,040,362
748	Plums, prunes, and prunelles, green or ripe, not in brine, if entered for consumption during the period from Feb. 1 to May 31, inclusive, in any year.	½ cent per pound	¼ cent per pound	Nov. 15, 1941, Argentina	[23] 1,888,781	10,073,123	8,184,342
749	Pears: Green, ripe, or in brine	do	½ cent per pound	do	11,957,199	26,648,293	14,691,094
752	Fruits in their natural state, not specially provided for: Watermelons.	35 percent ad valorem	20 percent ad valorem	Jan. 30, 1943, Mexico	597,568	15,106,680	14,509,112
763	Grass seeds and other forage crop seeds:						
	Red clover	8 cents per pound 5 cents per pound	5 cents per pound [6] 4 cents per pound	June 15, 1936, France Jan. 1, 1939, Canada	112,099	726,492	614,393
	Timothy	2 cents per pound	1 cent per pound	Jan. 1, 1936, Canada Jan. 1, 1939, Canada	29,423	9,584,470	9,555,047
	Bluegrass	5 cents per pound	2½ cents per pound	Jan. 1, 1936, Canada Jan. 1, 1939, Canada	35,767	664,560	628,793
769	Peas, green or unripe	3 cents per pound 3$\frac{9}{10}$ cents per pound	3$\frac{9}{10}$ cents per pound [6] 2 cents per pound	Jan. 1, 1932 Jan. 30, 1943, Mexico	1,595,734	2,347,059	751,325
	When imported and entered for consumption during the period from July 1 to Sept. 30, inclusive, in any year.[6]	do	do	Jan. 1, 1936, Canada Jan. 1, 1939, Canada			
769	Chickpeas or garbanzos, dried	1¾ cents per pound	1 cent per pound	Jan. 30, 1943, Mexico	7,530,398	[26] 30,068,046	22,537,648
769	Split peas	2½ cents per pound	1¼ cents per pound	Feb. 1, 1936, Netherlands		4,109,172	4,109,172
769	Peas, prepared or preserved in any manner, valued at 10 cents or more per pound.	2 cents per pound on entire contents of container.	1½ cents per pound on entire contents of container.	May 1, 1935, Belgium			

771	White or Irish potatoes:						
	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 Mar. 1 to Nov. 30, inclusive, in any year.	75 cents per 100 pounds..	45 cents per 100 pounds [24].	Jan. 1, 1936, Canada.....	....	....	....
		45 cents per 100 pounds..	37½ cents per 100 pounds.[25]	Jan. 1, 1939, Canada.....	....	....	....
	From December 1 in any year to the last day of the following February, inclusive.	75 cents per 100 pounds..	60 cents per 100 pounds.[24] [25]	Jan. 1, 1936, Canada.....	....	....	....
				Jan. 1, 1939, Canada.....	....	....	....
		60 cents per 100 pounds..	37½ cents per 100 pounds.[25]	Dec. 23, 1939, Canada...	50, 588, 205	[27] 155, 592, 221	[27] 76, 128, 622
	Other than certified seed potatoes:						
	Product of Cuba [when imported and] [28] entered for consumption during the period:						
	From Mar. 1 to Nov. 30, inclusive, in any year.	60 cents per 100 pounds..	30 cents per 100 pounds..	Jan. 1, 1939 [29]..........	874, 431	....	....
	From Dec. 1 in any year to the last day of the following February, inclusive.	....do............	.....do............	Sept. 3, 1934, Cuba.....	....	....	....
				Dec. 23, 1939, Cuba.....	....	....	....
	Other than Cuban product, when entered for consumption during the period:						
	From Mar. 1 to Nov. 30, inclusive, in any year.	75 cents per 100 pounds.	37½ cents per 100 pounds [30].	Jan. 1, 1939, Canada.....	28, 000, 963	....	....
	From Dec. 1 in any year to the last day of the following February, inclusivs.	.....do............	60 cents per 100 pounds [30]	......do............	....	....	....

[5] Total exports, seedless not separated.
[6] Superseded.
[13] Bushels.
[19] Cubic feet.
[20] Imports of grapes were valued at $491,265, exports at $1,938,064, for excess net profits of $1,446,799.
[21] "Other."
[23] Plums, prunes, and prunelles of all sorts.
[24] Superseded. Subject to tariff quota of 750,000 bushels of 60 pounds each in any year beginning December 1. Entries in excess subject to rate of 75 cents per 100 pounds.
[25] Subject to tariff quota of 1,500,000 bushels of 60 pounds each in any year beginning September 15. Entries in excess subject to rate of 75 cents per 100 pounds, which rate was bound against increase.
[26] Dried peas.
[27] Total potatoes.
[28] Words in brackets deleted effective January 5, 1942.
[29] Reduction resulted from change in general rate.
[30] Subject to tariff quota of 1,000,000 bushels of 60 pounds each in any year beginning Sept. 15. Entries in excess subject to rate of 75 cents per 100 pounds, which rate was bound against increase. Quota may be increased if United States production falls below normal. Cuban shipments are not included in the tariff quotas.

Selected duty reductions on agricultural commodities for which exports exceeded imports in 1940—Continued

Par. No.	Articles	Rate changed	Modified rate	Effective date and basis of change	Imports (pounds)	Exports (pounds)	Net exports (pounds)
779	Broomcorn	$20 per ton of 2,000 pounds.	$10 per ton of 2,000 pounds.	Nov. 15, 1941, Argentina.	[17] 23	[17] 2,397	[17] 2,374
780	Hops valued at 30 cents or more per pound	24 cents per pound	18 cents per pound [6]	Apr. 16, 1938, Czechoslovakia	3,262,121	9,648,651	6,386,530
		18 cents per pound	24 cents per pound	Apr. 22, 1939			
783	Cotton having a staple of 1⅛ inches or more in length.[31]	7 cents per pound	3½ cents per pound	July 29, 1942; Peru	24,932,712	44,154,490	19,221,778

[6] Superseded.
[17] Tons.
[31] Subject to absolute import quota of 45,656,420 pounds for each year beginning Sept. 20, 1939, pursuant to Presidential proclamation under sec. 22 of the Agricultural Adjustment Act of 1933, as amended. Cotton having a staple 1 11/16 inches or more not included in quota since Dec. 19, 1940.

Source: Changes in Import Duties Since 1930, revised edition. U. S. Tariff Commission, Miscellaneous Series, Feb. 1, 1943. Foreign Commerce and Navigation of the United States, 1940.

Imports of dairy products, 1935–40

	Unit	Volume in thousands						Value in thousands of dollars					
		1935	1936	1937	1938	1939	1940	1935	1936	1937	1938	1939	1940
All dairy products	----------	----------	----------	----------	----------	----------	----------	15,001	16,103	15,798	12,067	13,257	7,836
Cream	Gallons	1	44	137	5	1	1	1	66	205	8	2	1
Whole milk	do	4	6	2	--------	(1)	(1)	1	1	(1)	--------	(1)	(1)
Skimmed milk and buttermilk	do	18	61	18	6	22	19	3	14	4	1	4	4
Condensed [2]	Pounds	154	309	572	734	222	3	10	16	29	68	13	(1)
Evaporated [3]	do	448	1,935	982	6	1	1	29	83	41	1	(1)	(1)
Whole milk, dried	do	2,452	4,247	1,507	53	3	5	159	391	140	12	1	2
Skim milk, dried	do	287	19,965	1,391	3	865	8	17	779	54	(1)	24	(1)
Buttermilk, dried	do	--------	359	9	--------	1,587	251	--------	17	(1)	--------	97	9
Malted milk and compounds	do	4	13	18	25	10	13	1	4	6	9	4	5
Butter	do	22,675	9,874	11,111	1,624	1,107	1,385	3,577	2,016	2,509	425	269	300
Cheese:													
Emmenthaler or Swiss	do	6,259	6,287	10,332	9,904	10,559	4,195	1,636	1,755	2,503	2,308	2,606	1,179
Gruyere process	do	--------	1,742	2,815	3,414	3,583	1,600	--------	483	705	832	934	444
Romano or Pecorino	do	15,817	15,437	15,395	15,517	16,056	11,708	4,204	4,165	3,786	3,776	4,170	3,115
Reggiano or Parmesano	do	2,679	2,386	1,732	1,567	2,456	1,716	562	460	402	553	611	367
Provoloni and Provolette	do	6,319	5,175	5,575	5,110	3,292	1,310	1,306	975	1,120	1,051	663	303
Roquefort	do	1,999	2,147	2,401	2,394	2,974	1,584	691	818	851	610	729	408
Cheddar	do	--------	10,846	4,726	1,818	6,352	635	--------	1,478	722	301	905	107
Blue Mold	do	--------	1,818	3,660	3,377	3,265	1,650	--------	339	638	579	567	347
Edam and Gouda	do	--------	4,168	5,483	4,162	2,815	1,118	--------	475	680	517	371	151
Other	do	15,859	9,843	8,530	7,170	7,740	7,108	2,802	1,770	1,401	1,162	1,287	1,094
Casein	do	3,230	16,209	5,210	417	15,832	24,523	262	1,369	571	28	886	1,243

Total volume of Emmenthaler or Swiss, Gruyere process, Roquefort, and blue mold, 1936, 11,994,000 pounds; 1939, 20,380,000 pounds.

[1] Less than 500.

[2] That part of condensed and evaporated shown as sweetened.

[3] All of the condensed and evaporated shown except the sweetened.

Source: Foreign Commerce and Navigation of the United States, annual reports.

Senator LUCAS. On the first page of your statement you say that the dairy industry has been definitely injured because of tariff concessions given on cheese and casein between 1935 and 1939. I am advised that there was no lowering of the duty on casein until 1941, and that whatever came in by way of imports of that product came in over the tariff wall.

Mr. HOLMAN. Well, I am in error as to the casein. I do know that since the war has come on we have bought practically the entire needs for casein in this country from the Argentine by Government negotiation.

Senator LUCAS. That may be true, and we probably couldn't help it because of the war situation—that may be the reason for it. I am just calling attention to the years that you mentioned, 1935 to 1939.

Now with respect to cheese, will you explain for my benefit and the benefit of the committee, how the reciprocal trade agreements have affected cheese?

Mr. HOLMAN. Well, that is partly domestic and partly international. We have in this country some very large corporations that handle dairy products, national corporations, and they buy and process most of our Wisconsin cheese. These corporations, shortly after the trade-agreements program went into effect, and before the price rises occurred in Montreal, would go into Canada and purchase the cheese and land it at Plymouth, Wis., which furnishes a very considerable portion of the cheese of America, using the regular shipments, carload by carload, bringing them in there to break the Friday price of Cheddar cheese—and it had that effect. That was on a reduction of 7 cents to 4 cents per pound.

The further extension of power would permit the State Department to reduce the duty on cheese down to 2 cents a pound.

Senator LUCAS. That is, if they exercised it?

Mr. HOLMAN. If they used it; yes, sir. And Mr. Clayton's testimony before the Ways and Means Committee—I haven't had the opportunity of hearing him here because I have been in the hospital—indicated that the trade-agreements program is now bankrupt, that they have handled about 1,250 commodities and maybe they can't make trades on the rest of it in the bill, so in order to go ahead with it they have got to go all over the thing again and execute new trade agreements and reduce still further the duties which have already been cut.

So under those conditions we stand to go to almost free trade on cheese, to 2 cents, and we stand to go to 1.8 cents per pound on casein, and that will affect the powder market throughout the country.

Senator LUCAS. You are assuming, of course, that they are going to exercise their complete authority upon cheese and casein?

Mr. HOLMAN. I am assuming the possibility and the danger of that.

Senator LUCAS. Now they have never, as I understand it, lowered the tariff duty on butter in any trade agreement that has been made?

Mr. HOLMAN. Not yet.

Senator LUCAS. And if my facts are correct I also understand that since the trade agreements have been made on Cheddar cheese, only 1.2 has been the increase in the imports of Cheddar cheese?

Mr. HOLMAN. I grant you that, Senator.

Senator LUCAS. Of the total that is produced in this country.

Mr. HOLMAN. That is the stock argument of the State Department, that this is but a little matter. However, I think those who know the trade practices of this country in the dairy industry would verify my statement that a little matter can be a big price matter, and it is this utilization of the imports on the speculative markets that breaks our price all over the country.

Senator LUCAS. Well, of course, as I said the other day, sometime there might have to be something done to the speculative markets in this country because, I think, they have as much to do with the breaking of prices as any one thing in the country. But that is neither here nor there. I was primarily interested because I have a tremendous number of dairy people in my State; I was primarily interested in finding out just how the trade agreements had affected butter and cheese and casein. That was my principal reason for asking.

Mr. HOLMAN. It is because of the fact that these manufactured products, like butter and cheese, are on the boards of trade, such as the butter board of New York, and the Mercantile Exchange of Chicago, and the board in Plymouth, and the board in San Francisco, and they are subject to the same kind of influences that the stock market is, that we have the dangers coming from just a little importation.

Senator LUCAS. Well, the dairy industry hasn't been seriously injured or jeopardized as a whole by trade agreements, but you do fear that in the review of the entire program they may be injured during the next 3 years?

Mr. HOLMAN. During the war the trade agreements have practically been suspended and there are none operative as far as competitive trading is concerned, and have not been for the last few years.

Senator GERRY. The subsidies have upheld the industry very much too, haven't they?

Mr. HOLMAN. Yes; the prices have been held down and even lowered by the Government, and subsidies have been substituted for fair prices.

Senator LUCAS. It was necessary in that industry to use subsidies if you were going to have a price-control bill. You wouldn't want to turn the industry loose, would you?

Mr. HOLMAN. Let's take the case of butter. Butter was moving evenly throughout the country at 46½ cents at Chicago, 92 score; nobody was kicking and everybody had their pockets full of money. Suddenly an order was issued to roll back the price of butter 5 cents a pound, and pay the farmers a 5-cent subsidy in lieu of that. Well, butter today is quoted at 41½ cents a pound. When the subsidy is taken off where are we going to be? That is the situation.

Senator LUCAS. Of course no one can answer that question. We all face that situation as far as the future is concerned.

Mr. HOLMAN. This of course, just as in the trade-agreements program, is tied in with Bretton Woods and the organization of the United Nations at San Francisco. So from our point of view as a domestic industry the maintenance of stabilized prices in dairy products is dependent, not upon an excessive, but an adequate, tariff wall, that the foreign products must come over.

Senator LUCAS. I know your theory and I respect your judgment on that very serious question. I just don't quite agree with you on it.

Let me ask you one more question. What is the total output of Cheddar cheese in this country, compared with all other cheeses; what is the percentage?

Mr. HOLMAN. I haven't the figures on production with me, Senator, but Cheddar cheese is our dominant cheese industry. Next to that is Swiss cheese which is produced in a few counties like Green County, Wis., and in a few places in Ohio. Then we have a rapidly developing Italian-type cheese industry too.

Senator WALSH. Is Mr. Beyster here? (No response.)

Is Miss Miller here?

Miss MILLER. Yes, sir.

Senator WALSH. Miss Miller, have you a brief that you can file with the committee? Our time for hearings is up and we want to close the hearings now. It will be read by all the members of the committee just as though you had read it aloud.

Miss MILLER. If I could just have a few minutes to present it?

Senator WALSH. Very well. Your name is Miss Frances Miller?

Miss MILLER. Yes, sir.

Senator WALSH. Whom do you represent?

Miss MILLER. Well, I don't represent any particular interest.

Senator WALSH. Just yourself—that is enough.

Senator BUTLER. Are you employed here in the city?

Miss MILLER. No; I am not. I have been with the USO in hospitals throughout the country, and I am interested in this problem, and I think I have one or two points that might be interesting to you, that you haven't thought of in that light before.

Senator WALSH. You may proceed, Miss Miller. Be as brief as possible as the committee members are staying overtime to hear you.

STATEMENT OF MISS FRANCES MILLER

Miss MILLER. The importance of the trade and tariff issue has grown, along with growth of industry and communications, till it has now become bound up irrevocably with problems of international interdependence. Political and economic aspects of the tariff issue have become equally important. We can profit by this situation if we do not try to deal with the problem by yesterday's methods, which were built for yesterday's stage of economic evolution. The war—having given impetus to great strides made by us and other countries in industrial development—has thrown into even greater relief than before the economic contrast presented to us by those substandard unindustrialized nations, such as China, India, and others of the Near East.

Recognition has finally been given—perhaps unwittingly by some—to our economic interrelation with all other nations. Whoever has expressed fear of competition from substandard countries in postwar world trade has already made tacit admission of economic interdependence of nations. By such fears, these people recognize the danger to all that even one such substandard country presents to world economic stability if we plan a program of free world trade.

Free world trade will be the very life stream of postwar world economic security, and thereon hinges, too, the ability to preserve peace.

Those who wish to promote free world trade, and thereby invigorate the life-giving stream, very often tend to overlook the threat that these substandard nations pose to a balanced expansion of free trade—since such nations have the ability to secure unfair advantages in world markets, on the basis of underpaid labor. The example most pointed to by those who wish to keep high protective tariffs is that of Japan underselling western manufacturers in prewar markets. On the other side of the picture, those who have recognized this threat have reached no solution other than to advocate the return to higher protective tariff walls. These tariffs, if erected on the basis of our prewar conceptions, will not really protect us, since our wartime industrial development will enable us to outproduce the demands of our former world markets. Logically, we must have new markets.

Another isolationist idea for curtailing our production mainly to home consumption would work even more hardship on us than it could have done in prewar years—since what had taken two men to produce at that time can now often, through improved methods, be done by one or less. Thus, immediately, the specter of unemployment raises itself if we plan to pursue this course. To this, there is no alternative other than to increase our exports. To increase our exports, we must also increase our imports, and thereby provide other nations with the wherewithal to buy our goods. This mutually beneficial state of free trade would have no unfortunate repercussions if all nations trading in world markets produced by wage and labor standards equivalent to others with whom they traded. But such equalized labor conditions will not prevail in the postwar world in which we will shortly find ourselves.

When substandard countries, producing goods at costs with which we cannot hope to compete, have industrialized sufficiently—as many plan to do—their goods will prove an increasing threat to undermine our economy if they are allowed to pursue industrial and commercial expansion unregulated by international balancing controls. This condition might prove disastrous. Japan has demonstrated the danger in prewar years to which we refer. The fact that such countries can prove a threat to our own and world stability demonstrates the interdependence of national and world economic conditions. But people who might deny having a feeling of responsibility toward the economic welfare of a Chinese or Indian artisan laborer or peasant are forced to admit, through their fears, that these nationals pose a direct threat to our economic standards of life. We cannot coexist with substandard nations without being involved in their condition and suffering from it. The threat that these economically weaker nations hold over our heads and the rest of the world cannot be sidestepped, eluded, or run away from. The problem must be faced, and, through the reciprocal trade and tariff bill, I am confident that if we resolve the problem by approaching it in a different light, we shall have a phenomenal tool with which we can turn these substandard nations, our greatest threat to world trade, into our greatest asset. We can change these nations—which have the world's greatest populations—into our greatest and hitherto untouched market. This trade and tariff bill can be made a tool with which we can progressively equalize the differences which prove such an economic threat, instead of using it momentarily to protect ourselves from damage, as has been the object of previous methods. We will also promote good will and faith in America's progressive, idealistic spirit.

Our lack of any evidence, other than theories, thus far, to show the strength of democratic institutions, and our lack of ability to solve these basic problems, cause nations of this war-torn world to despair of finding any concrete method to solve their problems through the democratic way of life. Thus, we cause them to gaze with more friendly eyes upon the growing strength of communism. We can solve this most pressing problem with the tool of a new tariff method, and help those people to help themselves who now are the most fertile field for communistic ideology.

Considering what this country has spent on wars—through failure to take measures to preserve the peace by solving basic problems—and considering also the sums we have spent in the past to sell our democratic ideologies through various governmental departments and agencies of propaganda, I don't think anyone can feel that the following simple measures are a radical step, or one which we cannot afford. Indeed, the returns shall far outmeasure the cost.

The right form of action at this time can far better propagate American ideals than the countless effusions of propaganda we are giving off. Our policy of indecision when most of the world has looked to America for leadership is only too rapidly undermining our prestige. It is reasonable that we should be expected to take the first step. As a nation, we have less entangled interests and can afford the prerogative of a clear-cut stand for human rights, and in taking this step we shall gain the respect of an overwhelming majority of the world's people. If a few toes must be stepped on, let us for once step on the right toes. Our policy must include protecting our own interests through forbidding slave-labor nations to undermine our economy.

1. Duty-free and quota-free trade for all countries competing with us for trade at nearly equal standards for labor.

2. Duties to be levied against those nations or exporters competing in world trade with the unfair underselling advantage of using underpaid, substandard labor in their production.

3. Duties to be levied, also, against those countries whose currency values, through manipulation or fluctuation, have temporarily unbalanced the stability of foreign currency exchanges in our disfavor. These duties in revenue to go to the fund suggested by the Bretton Woods Monetary Conference, for the stabilization of foreign currencies.

4. Duties levied against those countries or exporters using substandard or slave labor to go to a fund which will be used to alleviate those conditions. The manner of disbursement to depend on the classification under which the individual country or exporter comes. These classifications are, roughly, thus:

(*a*) Nations having fairly equal standards, but which have spotty conditions of substandard labor in specific industries, or who have a noticeable all-over degree of less favored labor standards—enough to classify them as "unfair" in a degree. These funds to go to worker bonuses in the case of specific industries, or to various workers' social-security funds if the all-over pattern is below our labor standards.

(*b*) Nations, highly industrialized, but slave-labor countries—that is, Japan. Perhaps we shall not have to deal with this particular problem in postwar years, but if we must I believe our attitude should be one of recognition of the fact that no highly industralized nation has slave-labor conditions unless it is the conscious policy of the government in power to use exploited labor as an advantage to itself.

Hence any effort to create a more favorable balance will meet with their government's opposition, so our only recourse would seem to be to take the profit out of exploitation by high tariff and devote it to those countries which are only too anxious to improve themselves, that is—

(c) Nations such as the following: India and China, which are planning a postwar program of industrialization and expansion of agriculture. These substandard nations planning development are our best potential customers, and the duties which we levy against them can be most profitably invested—and with no danger of being misconstrued as political interference—in three branches of education:

1. Health education.
2. Modern agricultural methods—this will increase food supplies and diet standards and thereby health standards, as well.
3. The teaching of new trades—those which will be needed and the lack of which will retard the program of industrial expansion.

We need not fear that their industrial development will threaten to oversupply and flood world markets so long as their labor standards progress, as there will be a tremendous new market thus derived from the wants that these people could never afford to have filled before. We have only to look at the example of England—a highly industrialized nation, like ourselves, with fairly equal labor standards—and contrast it with China. Eric Johnston's article in Reader's Digest, June 1945, high lights this contrast well. England, with a total population one-ninth that of China, imported a total of American-made goods eight times greater than that which was imported by China in 1929, the last year of world peacetime prosperity.

	Population	Imported from United States of America in 1929
Britain	47,000,000	$841,000,000
China	450,000,000	124,000,000

We shall be preparing the ground for our future markets during those postwar years when abnormal war-created markets take up the slack of our industries which are turning from war production. When these abnormal markets have been saturated, we shall have a wholly new market to turn to, in these newly developed countries which have raised a new demand for world goods by their buying power which they have increased through this method of raising their living standards. Most of these countries would be only too happy to cooperate with a plan of this nature, and we shall be protecting home production and labor standards by the same device.

These countries would also welcome some of the capital that various American industries plan to invest there in postwar years, but they are wary—and rightly so, because of past experience—of the purpose to which it will be invested. We know that too many American firms (and those of other nations) have established companies abroad for the purpose of exploiting the cheap labor of those countries solely to reap larger profits. Due to the fact that these companies stand out, in an exotic native background, in great contrast, these firms occupy the unique position—in native eyes—of a sort of unofficial ambassador, demonstrating the ways of "democracy at work." It is no small wonder that our official propaganda falls very sourly on their ears. If only to deal with the disservice this does in undermining our foreign policy abroad, there must be found a way to exercise some control over them.

Changing our tariff procedure, thus, would go a long way toward building up confidence among these people. These countries would then feel that this was no tariff wall erected against them, but one that extended them a friendly hand to help them solve their (and our) problems. The only cries we would hear would be those from the stepped on toes of the special interests trafficing in slavery.

There are countries possessing certain natural advantages in the production of certain goods. A free world trade with increased buying power would help to solve this problem, as these natural favorings exist also within our country, we cannot complain. A United Nations board, to compute needs and adjust production to them, would solve the problem of overproduction or underproduction in any particular commodities. Our only valid complaint is one of unfair labor conditions with which to compete.

There will be those who will not favor giving up our revenue to such a plan. Our revenue has been derived in the past, to a great degree, by penalizing those countries scourged by the disease of slave labor in order to protect our own. In the actual sense, this means we have penalized "diseased" nations for the "diseases" from which they suffered. This has not produced an iota of cure for the "disease." We have added this blood money to our Treasury—the richest Treasury in the world—and yet this money has not brought us one day's further release from this constant threat. It is time enough we put this money to use toward curing the disease and thereby reap a real reward.

We could also (optionally) in the future add a certain percentage of our own moneys to these duties levied for the purpose of curing "diseased" countries, along with a certain percentage to be added by the country undergoing the cure, and thus accelerate the patient's convalescence which would be a mutual benefit. We might even call this percentage of moneys we added a sort of retransfusion of the blood money we have bled from the afflicted into our Treasury in the past to protect us from catching the disease. That is the worst of these diseases—they are catching, and, I might even say, we have caught a mild form of it, the form known as insecurity.

Our United Nations international labor relations control machinery could act as a sort of clinic, requiring certain minimum conditions to pass on labor health, with those falling below specified standards to receive treatment. This would be a protective device for us all, and we could feel free to mingle with confidence and amity among our neighbors. Then, in the postwar season, when the fruits of our machine age are about to be harvested, we shan't feel the need to plow them under, by curtailing production, because of our "diseased" trade barriers, but can live together in a friendly, secure community with our neighbors, and all enjoy the fruits thereof.

Senator WALSH. I have a communication here from the National Council of American Importers, addressed to this committee, which I request the reporter to place in the record at this point.

(The document referred to is as follows:)

NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.,
New York, N. Y., June 4, 1945.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

SIR: Our organization strongly favors the continuance of the Reciprocal Trade Agreements Act for a further period of 3 years and also favors the expansion of the authority delegated to the President as contained in H. R. 3240 now before your committee for consideration.

Our views concerning this legislation were set forth in detail in a letter addressed to Hon. Robert L. Doughton, chairman, Ways and Means Committee, House of Representatives, and dated April 23, 1945. A copy of this letter, which was presented to the House committee during the testimony of Mr. James W. Bevans, our customs counsel and adviser, is enclosed for your information.

A copy of this letter, which we request be inserted in the record, is being mailed today to each member of the Committee on Finance.

Respectfully yours,

WILLIAM H. SCHILLE, *President.*

Senator WALSH. The hearings on this bill are now closed.

(Whereupon, at 5:10 p. m., the hearings were closed.)

(The following statements were later received for inclusion in the record:)

PERU MINING CO.,
Silver City, N. Mex., May 31, 1945.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance, United States Senate,
Senate Office Building, Washington, D. C.

DEAR SIR: My attention has been called to pending legislation which may affect the protective tariff on zinc after the war is over.

During the past 5 years our operations here have produced more than 30 percent of the total production of New Mexico, and New Mexico has become the fourth State in the Union in the production of zinc. There are five other major producers of zinc operating in this State now, and many smaller operators. There are now approximately 1,200 men employed by the 6 major companies directly in the production of zinc ore and concentrates, and if men were available there would be employed approximately 2,000 men in this work. This employment is dependent on a sufficient price for zinc for the operating companies to continue on an economical basis. In all, there are approximately 10,000 people in this part of New Mexico who are directly and indirectly dependent on the zinc-mining industry for their livelihood.

During the war period every effort was made to produce zinc concentrates and we exhausted our high-grade ores, neglecting development as the shortage of labor became more acute. Because of this condition we do not have the high-grade ores which may be cheaply mined at present and costs of mining have risen sharply. We are looking forward to the return of our former employees who are now in the armed services and we trust that we can continue to operate our mines and mill so that we can give employment to these men upon their return.

During the war period, as costs have risen, premiums on zinc have been paid by the Federal Government and operations have been maintained. However, before the war began there was a reduction in the tariff on zinc and zinc-ore concentrates due to the reciprocal trade agreement with Canada. This reduction, which was effective at the beginning of 1939, caused a reduction in the price of zinc of fifty-five one-hundredths of 1 cent per pound, seriously affecting the production of zinc, and made it unprofitable for us to continue operating our mine. We resumed operation, however, on January 1, 1940, as it became profitable again to operate and have been in continuous operation. In addition, we have opened up two new mines. These mines are not high grade but in normal markets and with a protection against cheap foreign labor we believe they can continue to operate during the postwar period and contribute substantially to zinc production in the United States.

Because of the fact that the State Department, without consulting the zinc industry, saw fit to reduce the tariff on zinc in reciprocal trade agreement, we now request that the authority to extend reciprocal trade agreements be limited to 1 year, and that the State Department be restricted from in any way granting further reduction in the tariff on zinc.

We request that this letter be included in the record of your committee.

Respectfully submitted.

PERU MINING CO.,
JOSEPH H. TAYLOR,
Vice President.

C. K. WILLIAMS & CO.,
Easton, Pa., March 29, 1945.

Subject: Reciprocal Trade Agreements Act.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee.

DEAR SIR: Since the decision soon to be reached with respect to extension of this act will unquestionably exert a major influence on the future course of world events, and since the issue is a highly controversial one, we believe the members of the legislative bodies of our Government welcome the views of the country at large, and those of small segments of industry as well as large. On this assumption the following is submitted for your consideration:

We are manufacturers of dry mineral pigments. The Mineral Market Report of the Bureau of Mines for 1943 lists 28 manufacturers in this industry. Of these 7 specialize on a limited number of pigments, while 21 make a broader variety.

The plants of the industry are widely scattered, one or more being located in each of the following States: Arkansas, California, Georgia, Illinois, Maryland, Michigan, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Tennessee, Virginia, and Wisconsin.

Figures as to the number employed are not available but we estimate them to be in excess of $2,500.

The raw materials used by the industry consist of coal, chemical byproducts, chemical reagents, chrome chemicals, clays, fuel oil, gypsum, iron ores, iron and steel byproducts, limestone, slate, sulfuric acid, talc, and many others. A high percentage of these raw materials is of such nature as to give employment to many thousands in industries other than our own.

The products of the industry consist of mineral blacks, ochers, siennas, umbers, and black, brown, red, and yellow iron oxides, the ochers and iron oxides representing the most important groups.

Most of the products of the industry are also made in Canada and England, some of them in Spain, and, prior to the current war, in France, Germany, and other European countries.

In the 1930 Tariff Act, natural and synthetic iron oxides were listed under paragraph 73. The duty was 20 percent ad valorem, but in the reciprocal trade agreement negotiated with the United Kingdom in 1938 the duty on the synthetic types was reduced to 15 percent.

United States Department of Commerce Report No. 2861 lists iron oxides in classification No. 8400.1 and 8400.2, and ochres in 8401.0 and 8401.2. For reasons of security, and because of distortions due to war conditions, these reports were discontinued in 1941, so that the last available complete report covers 1940. In this year trade was relatively unaffected by the war and the figures were typical of the average of several previous years. In the table below the figures on imports were taken from the 1940 annual report.

The only available report on sales of domestic products in the same category is Bureau of Mines MMS No. 1188. Until 1942 the questionnaire submitted to producers by the Bureau was so designed that only general information could be furnished, but in that year the form was improved to provide for specific information. The figures in the table below are taken from the 1943 report.

The war interfered with imports in 1943 but it can safely be assumed that if the products and shipping had been available in that year foreign producers would have supplied a substantial part of the demand in the United States and that the volume of the domestic producers would have been proportionately lower than it was. While it is impossible to make a direct comparison of imports and domestic sales in the same year, it is believed that the following figures will provide a reasonably accurate picture:

	1940 imports	1943 sales of domestic producers
	Tons	*Tons*
Ochers	2,049	9,246
Natural iron oxides	7,451	23,703
Synthetic iron oxides	2,213	10,239

While foreign producers are considered somewhat less efficient than United States manufacturers the difference is relatively slight and, particularly in Canada and England, technological improvements have been rapid in recent years. Even taking into consideration such differences as still exist the fact remains that foreign producers can pay United States duties and ocean freights from Europe, or long-haul land freights from Canadian producing points, and still capture upwards of 25 percent of the United States market.

Among the European countries in which competitive products originate Great Britain has as high a wage scale as any, if not the highest. The Ministry of Labor Gazette quotes several sets of figures on 1943 average weekly earnings in the industries which produce these pigments, and the highest figures quoted, which apply to males 21 years of age and over, are 120 shillings 2 pence, equivalent to approximately $24. Compared with this the average weekly earnings of wage earners in our production personnel are $48.80.

Foreign producers are constantly on the alert to capture a large proportion of the United States market whenever conditions are in their favor. For example, on occasions when the value of the pound sterling has fallen appreciably below $4 jobbers who import iron oxides from England have been able to sell the products at prices actually below our cost of production. With the pound sterling at par the importers' prices are competitive with those of domestic producers, and it is evident that a reduction in the rates of duty would inevitably give them advantages which would enable them to increase sales at the expense of the domestic producers.

While the industry makes products other than those discussed in detail herein, the volume is not sufficient to sustain the industry if an appreciable proportion of its major products is lost to foreign producers.

While the mineral-pigment industry is a relatively small one it makes an important contribution to the domestic economy through the employment it gives directly to upward of 2,500 persons, and indirectly to many more through its consumption of a wide variety of raw materials. It is a substantial industry, and is uniformly a credit to the many communities in which its units are located. It is progressive, and through development and research programs several of the companies in the industry contribute materially to the welfare and advancement of the industrial economy of the country. The loss of any appreciable part of its business to foreign producers would cause dislocations far beyond the confines of the activities of the industry itself.

From our acquaintance with other industries large and small, we learn that many of them are in much the same position with respect to foreign competition as is our industry. That being the case it is obvious that to maintain the economy of the United States at anything like its present level the domestic market must be preserved for domestic industry if our country is to continue to be strong internally. Few if any manufacturers in the United States can exist on exports exclusively, and in many cases foreign fields are not open to them, for if foreign producers are able to compete in this country they can completely control their home markets.

There are thousands of foreign-made articles which do not compete in any way with domestic products. Many of these are now on our free list or carry low rates of duty. On some others the rates are undoubtedly susceptible of reduction without affecting domestic production adversely. Conversely, because of their quality or specialized nature, or because of favorable factors affecting costs—such as availability of raw materials, mass production technique, etc.—many products made in the United States do not need tariff protection and can, in fact, compete in all markets of the world.

Because of the many ramifications involved in the problem of tariffs, and because we believe that proponents and opponents of the extension of the Reciprocal Trade Agreements Act are equally sincere in their beliefs with respect to it, we respectfully urge that steps be taken to prevent any action whatever on tariff rates until qualified authorities, established on a permanent basis, have made a thorough factual study of all elements involved, and that thereafter adjustments in tariff rates be made only on the basis of affording to domestic industry such protection as is needed to insure maintenance of a sound, healthy domestic economy.

Very truly yours,

C. K. WILLIAMS & Co.,
E. G. DAVIES,
Executive Vice President.

CHAMBER OF COMMERCE AND BOARD OF TRADE OF PHILADELPHIA,
Philadelphia, May 28, 1945.

Hon. WALTER F. GEORGE,
Chairman, Finance Committee, United States Senate,
Washington, D. C.

DEAR SENATOR GEORGE: We understand that H. R. 2652, providing for the extension of the Reciprocal Trade Agreements Act, passed the House of Representatives on Saturday and will be the subject of hearings before the Finance Committee, of which you are chairman.

The board of directors of the Chamber of Commerce and Board of Trade of Philadelphia, acting upon recommendation of the foreign trade committee, has gone on record as favoring a 1-year extension of the Reciprocal Trade Agreements Act, the provisions of which expire on June 12, 1945. The board of directors on recommendation of the committee also opposes the provisions of H. R. 2652, which would enlarge the power to change tariff rates and extend the act for 3 years.

The bill would extend the present act for another 3 years, or until June 12, 1948, and authorize the President to reduce tariff rates not more than 50 percent below the level of January 1, 1945. The original act of 1934 empowered the President to cut tariffs 50 percent below the rates of the Tariff Act of 1930. Foreign trade agreements entered into pursuant to that act have affected about 40 percent of American imports on which the full reduction has been provided. Thus the bill, H. R. 2652, would permit reductions of 75 percent below the schedules of the Tariff Act of 1930.

The chamber and board in taking this position favors the reciprocal trade agreements policy, but considers the additional tariff reducing authority at this time unnecessary and unwise. It feels that there should be experience under peacetime conditions to judge the results under the present provisions of the law. During the present world conditions we are not in a position to determine whether the additional authority would be helpful or injurious.

It will be appreciated if you will kindly make the position of this organization a matter of record with the committee.

Sincerely yours,

C. V. CONOLE, *General Manager.*

COLLAPSIBLE TUBE MANUFACTURERS ASSOCIATION,
New York, N. Y., May 29, 1945.

UNITED STATES SENATE,
Clerk of the Finance Committee, Washington, D. C.

Subject: H. R. 3240, formerly H. R. 2652, as yet no Senate number—In opposition.

GENTLEMEN: Thirteen out of the sixteen members of the collapsible tube manufacturing industry of the United States, with one member absent, voted on May 25, 1945, to register opposition to H. R. 3240, now before the United States Senate Finance Committee. We, therefore, wish to record our opposition to the extension of the Trade Agreements Act about to expire because of the following reasons:

To maintain maximum employment in our industry after the war, we will be unable to withstand the inroads of foreign competition, not only in the products which we manufacture but in all other products which affect our national economy should the Trade Agreements Act be extended. The postwar era calls for production here as great as or greater than the present abnormally high rate and this cannot be maintained in the face of foreign goods reaching our markets at price levels generally below our own.

The theory that we must help the world by opening our markets to all other countries we believe to be fallacious in view of the fact that the rest of the world can only purchase our goods by trading in kind. The other countries need our goods a great deal more than we need theirs, and if we were to take in the equivalent in kind for what the rest of the world needs we would be flooded by goods which we could not absorb for the simple reason that we do not need them and they would, therefore, be sold here at distressed prices and to our serious detriment which would adversely affect our Nation's employment.

No one knows what conditions will be like when the world finally reaches the stage of peaceful trading. Conditions in foreign countries are generally such that people will work strenuously for a bare existence. We do not believe that such a condition of labor here is desirable. If the Trade Agreements Act is continued and allowed to be enlarged by a further reduction in tariffs, our scale of living can only suffer by such blind adherence to a policy of appeasement, which we deplore.

The results of 11 years of this act have shown no improvement in international relations or in the cause of peace. The world has been plunged into warfare exceeding all past wars put together. Our export trade did not improve materially during the life of this act except during the recent war period which bears no relation to normal trade conditions. Between 1934 and 1939, while total United States exports did increase in physical volume, as did those of all principal nations, they ran only 80 percent of the peak volume of 1928–29. The total of the physical volume of imports increased to the peak of 1929, but the increase in agricultural products was greater than any manufactured goods, and the drought of 1934, 1935, and 1936 partly accounted for that increase. Since the net result of our foreign trade during this period of lowering our tariff was an increase of imports much greater than that of exports, it becomes obvious that the trade agreements did nothing to aid employment in this country. This is not what the American industry and the collapsible tube manufacturing industry want.

Furthermore, and this is not often acknowledged, many other nations either will not or cannot follow our lead in tariff reduction. In the first place, most nations, unlike the United States, derive a great part of their national revenue through tariffs. For them substantially to reduce tariffs would mean finding a replacement of the lost revenue. Besides, many nations are planning new or increased protection to new productive enterprise, as was brought out at the recent Mexico City Conference.

We respectfully suggest and recommend that Congress should—

1. Reassume its constitutional duty "to regulate commerce with foreign nations" and "to lay and collect duties";
2. Restore the flexible principle in the Tariff Act in such form as will provide for changes in rates up or down as such may be found necessary because of changing economic conditions;
3. Define the economic yardstick by which the necessity or the reasonableness of a change is to be decided. In section 336 of the Tariff Act of 1930 differences in cost of production are used as the measurement. This is reasonable in the case of competitive goods if these factors are taken into account: (*a*) Whether United States production is efficiently conducted; (*b*) the effect on the cost of a unit of production of differences in wages, taxes, or other such factors which are beyond the power of technical efficiency to overcome;
4. Provide that changes in United States tariff rates be made in accordance with the yardstick of measurement provided by the Congress;
5. Restore the constitutional right of United States producers to be heard and secure action where injury is claimed as a result of change in tariff rate;
6. Provide for mandatory action under the antidumping law of 1921 and under sections 337 and 338 of the tariff law of 1930, dealing with unfair practices and discriminatory treatment;
7. Provide for mandatory adjustments to equalize fluctuating exchange rates in the future, or exchange rates which are substantially different now from what they were when existing trade agreements were made;
8. See that ocean freight rates from here to Europe are equalized with freight rates from Europe to this country. The British-managed steamship conference rates still require United States shippers to pay three times the rates enjoyed by most European countries in shipping their goods to the United States.

We recommend further that Congress reorganize the United States Tariff Commission so that it again will be an independent agency operating under well-defined purposes and rules laid down by the Congress. If in addition, it were made a quasi-judicial body, it could make findings of fact and decisions based thereon; it could decide on rate changes which, if not disapproved within a certain time by Congress, would be proclaimed by the President.

We disagree with the theory voiced in support of H. R. 2652 that an industry is inefficient which needs tariff to enable it to compete fairly with foreign production. In automobiles, there is not the same percentage of skilled labor in the cost per unit of production as in the manufacture of collapsible tubes for instance. The higher the percentage of labor, the more jobs will be lost by forcing an industry out of the country. Similar machines produce at the same rate in foreign countries as here, their labor is equally skilled abroad, and only because they are paid less can they produce goods cheaper. Our automobile industry, highly mechanized and considered superior in efficiency, enjoys a tremendous domestic market which makes high mechanization possible. Reduce that market and the same industry will become less efficient, for its labor per unit produced will become higher, as will its costs.

Our textile industry, for example is dependent on tariff. It is pointed out by proponents of this resolution that the average wage in the textile industry is below that in the automotive industry. That is true, and it is so because, even with tariffs our textile workers are competing with those of the rest of the world, which are paid much lower wages. We cannot afford to drive important industries and pay rolls out of our country without sacrificing employment, and yet, discouraged by this act and the policy motivating it, the prospects of building new plants here after the war not only are diminishing, but a number which otherwise would be here, are actually being planned and built abroad at the present time.

We only lose job opportunities by importing goods in which labor cost is high in order to export goods in which labor cost is low.

Respectfully submitted.

COLLAPSIBLE TUBE MANUFACTURING INDUSTRY,
By L. B. PLATT, *Secretary.*

[Telegram]

BELLAIRE, OHIO, *May 31, 1945.*

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Washington, D. C.:

Respectfully request that you inform your entire committee membership that our complete employment protests House action on trade agreement in form now before your committee and earnestly implores the Senate to not allow this proposed legislation to be made into law as it will cause severe drastic and perhaps mortal damage to the domestic hand-made glass industry. Experience has proved that low tariff almost put us out of business; only war conditions saved our 650 jobs in this factory. We protest this matter being considered on party lines in the House and hope your committee and the Senate will not so handle this most serious subject. Extension of existing law will be hard enough on our factories but that is far more acceptable than further reductions in rates. In the name of all that's fair and equitable we solicit you to heed our plea for a chance to continue our present employment and to survive the inevitable and serious domestic postwar competition that will be the natural course of events without hastening our demise by inviting ruthless low-cost importations from foreign countries that pay only an average of one-sixth the wages we are paid for similar effort and skill. We wish that this sincere message be made a part of the record of your committee's current hearings on this subject.

THE EMPLOYEES OF IMPERIAL GLASS CORP.,
Bellaire, Ohio.

NATIONAL COUNCIL OF JEWISH WOMEN,
New York, N. Y.

STATEMENT ON BEHALF OF THE RENEWAL OF THE RECIPROCAL TRADE AGREEMENTS ACT

The National Council of Jewish Women, an organization of 65,000 women, with sections in 215 cities throughout the country, desires to go on record in support of the extension of the Reciprocal Trade Agreements Act.

We have supported the reciprocal trade program since it was inaugurated in 1934. Through the progressive removal of trade barriers, the trade agreements have promoted better understanding between the United States and the countries involved. They have created considerable increased foreign trade and have served as a means of carrying out the terms of the mutual-aid agreements of the Lend-Lease Act.

We approve the extension of the reciprocal trade agreements and the adoption of the necessary amendment giving the President power to change the tariff rates to within 50 percent of the present 1945 schedules. This additional bargaining power is essential to the continued expansion of our export trade, which is so vital to American postwar prosperity.

We believe the renewal of these agreements together with the endorsement of international monetary cooperation as outlined in the Bretton Woods agreements and plans for a world security organization developed at Dumbarton Oaks and in San Francisco will demonstrate to the world, eagerly watching for an indication of our intentions, that we will continue to cooperate with the United Nations to create a stable and peaceful world.

Statement on the Proposed Extension of Reciprocal Trade Agreements Act, H. R. 3240

On behalf of the following-named United States copper producers and their employees: Calumet & Hecla Consolidated Copper Co. (Michigan); Consolidated Coppermines Corp. (Nevada); Copper Range Co. (Michigan); Magma Copper Co. (Arizona); Miami Copper Co. (Arizona); Phelps Dodge Corp. (Arizona and Texas); Quincy Mining Co. (Michigan); Shattuck Denn Mining Co. (Arizona); Tennessee Copper Co. (Tennessee), by A. E. Petermann, Calumet, Mich., and Julian B. Beaty, 165 Broadway, New York City, counsel

I. PROPONENTS

This brief is filed on behalf of certain copper producers whose mines, smelters, and refineries are located in Arizona, Nevada, Michigan, Tennessee, Texas, and New York; also on behalf of thousands of American wage-earners whose means of livelihood is at stake; also on behalf of many communities, villages and cities; and indeed, in behalf of one of the States of the Union, Arizona, whose financial integrity depends in large part upon the copper industry.

II. LEGISLATIVE HISTORY

A tax of 4 cents per pound on imports of various unmanufactured forms of copper (and compensatory rates on imports of manufactured copper) was imposed by the Revenue Act of 1932, effective up to July 1, 1934. This date was extended by the National Industrial Recovery Act to July 1, 1935. Thereafter it was further extended as follows: by Public Resolution 36, Seventy-fourth Congress, to July 1, 1937, and by Public Resolution 48, Seventy-fifth Congress, to June 30, 1939. The Revenue Act of 1939 extended all existing excise taxes to June 30, 1941, and the Revenue Act of 1940 again extended these excise taxes to June 30, 1945. By the Revenue Act of 1941 all excise taxes covered by section 3452 (which includes copper) were made permanent by eliminating the 1945 expiration date.

III. THE AMERICAN COPPER PRODUCING INDUSTRY

Copper is a staple commodity, it is basic, not easily destroyed, and after being used once is frequently refined and used over again, not only once but many times. Accordingly, in dealing with copper we must consider not only new metal but also that which is known as secondary metal.

In fabricated form (wire, plates, sheets, tubes, etc., of copper, brass, and bronze) copper enters a multiplicity of industrial uses. The most reliable statistics are obtained from the mines, covering production of ore; smelters with respect to material treated; and refineries with respect to refined copper produced and shipped. Inasmuch as refinery production includes retreatment of scrap and secondary metals, the statistics of mine and smelter production are preferable for determining the all-important tonnage of new copper produced. The statistics supporting this brief are prepared accordingly.

The ore is first treated in a concentrator and the resulting concentrates together with other ores are treated in furnaces which reduce it to a material known as matte, which is again treated in converters and reduced to blister copper. The blister is again treated in refineries which bring it up to the refined state and cast it into customary marketable shapes. It requires about 4 months to bring copper from ores to refined metal. Thus 4 months' copper is usually in motion between mine and consumer. This is very important because if there is a decline in demand, it requires some time to adjust the flow of copper from the mines, thereby causing an accumulation of stocks. For example, domestic consumption plus net exports dropped from 867,000 tons in 1929 to 217,000 tons in 1932 (exhibit No. 1). Before the producers could adjust their mining and refining operations to the reduced demand, stocks had increased from 268,000 tons (1928) to 691,000 tons (1932) (exhibit No. 2).

Copper is one of the major industries of the country, the value of its product in 1940 being over $205,000,000. It ranks seventh in value among the domestic mineral productions. It is a large consumer of coal, oil, iron, steel, lead, machinery, and equipment. A large part of operating costs is expended for supplies and equipment, many of which are protected by import duties.

During 1928 and 1929 when domestic production was slightly below present output, it is estimated that the gross revenues of the United States railroads attributable to the copper industry were close to $60,000,000 per year. The importance of this revenue to them, and to their employees, is self-evident.

In 1943 over 50,000 people were directly employed in copper mines, mills, smelters, and refineries. This does not include employees in plants fabricating copper or manufacturing companies making articles in which copper was a basic element; nor does it include the large number of people dependent upon the copper industry in the districts adjacent to mines, smelters, and refineries.

Copper is a war necessity. It is used in every department of Army and Navy equipment. Communications are dependent upon it and the Air Forces could not exist without it. Since World War I, all nations have been conscious of the value of copper in the national defense and, prior to the outbreak of World War II, Germany gave clear indication of her intentions by large purchases of copper from outside sources to supplement her domestic supplies.

Our own Army and Navy Departments fully realized the necessity of adequate metal supplies in wartime and not only made necessary provision through WPB and other channels to increase domestic production but also through FEA to make purchases of foreign copper to supplement domestic production.

To quote the words of Under Secretary of War Patterson:

"An army without copper would be an army without speed, maneuverability, communications, or fire power. It would not last a day in battle."

Mining, concentrating, smelting, and refining are highly technical operations, demanding trained technicians and skilled labor which cannot be assembled and trained overnight. National welfare requires that these operations be kept going. They may be curtailed, but must not be shut down. In case of shut-down, the trained staff and laborers are quickly dispersed, and the time required for the resumption of operations might prove to be disastrous.

IV. RISE OF FOREIGN COPPER PRODUCTION

In the 20-year period prior to 1929, the United States produced over 55 percent of the world's copper, and was always an exporter of the metal. During World War I, the United States produced about 60 percent of the world's supply, and exported (net) about 180,000 tons per year (exhibit No. 3).

During and following World War I, the foreign production steadily increased. By 1924, Chilean production had doubled; by 1930 South America and Africa had made further large increases, and by 1937 Canada had followed suit. As a result of these increases, the United States percentage of world production in 1939 was less than 30 percent, and the foreign production was over 70 percent, just the reverse of the situation which formerly obtained.

By 1929 the phenomenal increase in foreign production had not only destroyed the predominance of the United States as a world source of copper, but had also reversed the direction of the flow of copper. Up to 1928 the United States produced more than its requirements and was a steady exporter of copper; thereafter, the United States became an importer of copper. From 1924 to 1928, inclusive, our net annual exports averaged 164,300 tons. By 1932 our net imports had reached 48,000 tons. This was due to no lack of copper supplies in the United States, but solely to the cheaper price at which the foreign productions could be imported (exhibit No. 4).

Due to these shifts in production and the reversal of the flow of copper, the domestic copper industry became so demoralized that relief became imperative, and this situation led to the enactment of the 4-cent copper duty in 1932.

V. PRESENT WORLD SUPPLY AND WORLD CONSUMPTION

(a) *Productive capacity.*—The foreign reserves of copper ores are greater in tonnage and richer in copper content than American reserves, and are sufficient to supply peacetime world requirements without any American production whatever. Prewar statistics indicated that foreign mining and smelting capacity was about 1,800,000 short tons, and refining capacity about 1,500,000 tons, per annum. Although current figures are unavailable, it is understood that war demands have resulted in an increase in these facilities.

American productive capacity, in terms of new copper from domestic mines, may be judged by its peak production in 1943 of over 1,000,000 tons. This is far in excess of present domestic consumptive demand. Domestic refining capacity for treating new copper plus secondary metal was estimated by the American Bureau of Metal Statistics at 1,595,000 tons at the end of 1943.

(b) *Consumption.*—It is difficult to determine world consumption because the word "consumption" has been defined in many ways. "Consumption" may be defined as the quantity of newly mined copper taken into actual use. American figures are usually made up on this basis.

It is well known that there are substantial war stocks abroad of which there are no available public records. It would appear that the foreign consumption increased from 786,000 tons in 1918, up to 1,900,000 tons in 1938, which latter figure unquestionably included stocks accumulated for war purposes. The actual foreign peacetime consumption appears to have been (1934–36) about 1,300,000 tons annually, against which there was a potential foreign production of 1,800,000 tons. This would leave available about 500,000 tons annually for shipment into the United States market. American consumption from 1924 to 1928 averaged 717,400 tons. The low point in 1932 was 265,600 tons; the heaviest since 1929 and prior to World War II was in 1937, which was 681,000 tons. It is obvious that this consumptive demand can increase 50 percent before it reaches the United States productive capacity indicated above.

VI. COMPETITIVE CONDITIONS

The competitive conditions under which the foreign and domestic copper producers operate are most important. Among the factors favoring the foreign producers are the following:

1. *Grade of ore.*—The higher the grade, the more pounds of copper there are in each ton of ore and the lower will be the cost of treatment per pound. As reported in 1931 by the Tariff Commission, the United States copper ores average 32 pounds of copper per ton; the Rhodesian ores about 80 pounds per ton; the Frood ore in Canada about 88 pounds per ton, and Katanga about 128 pounds per ton. The ores of the great Chuquicamata Mines in Chile are reported to average over 43 pounds per ton. These figures show clearly one advantage of the foreign producers.

2. *Labor costs, etc.*—Prior to the war laborers in the copper mines of the United States were paid wages on a sliding scale, based on the price of copper. Recently, miners' straight-time rates in Arizona, Nevada, and Montana have ranged from $7.50 to $8.25 per day. In addition, production costs are increased by the payment of overtime, greater vacation allowances, shift differentials, payment for holidays not worked, and other so-called fringe benefits.

The industry has spared no effort in providing for the maximum safety and the highest type of working conditions so that labor shall receive its fair share of the products of the copper industry.

A recent report of the Department of Labor is to the effect that the workers in the copper-mining industry in Chile earned an average of about 50 pesos per day in 1943, equivalent to about $1.60. This average includes premium payments for overtime and family allowances. In addition to wages, workers also received other benefits, such as housing, water, lights, etc., which benefits have been estimated unofficially to amount to about 90 cents, making total wages about $2.50 per day.

Likewise, in Peru, workers in the copper-mining industry earned the equivalent of about 58 cents per day. The daily wage of drillers and pipemen was about 82 cents. In addition, they also receive additional benefits in the form of water, light, and lower prices at the company stores, which in total would not exceed their base pay, making a total daily wage of about $1.64.

In the same manner, mine workers in northern Rhodesia earned an average of \$3.60 for surface workers and \$6.20 for underground workers per month. In addition, they also received additional benefits such as housing, medical care, underground clothing, etc., which could not exceed 100 percent of their base pay, thereby making a total of \$6.20 to \$12.40 per month. The rate for grade A workers of 80 shillings would be equivalent to abut \$16 per month.

In the Belgian Congo the cash wage is approximately 12½ cents per day and, including all extra benefits, the total wage payment does not exceed 75 cents per day.

It may be argued that African and peon labor is not as efficient as American labor, but there can be no question that efficiency cannot bridge the chasm which divides the eage scales and living conditions at home and abroad.

3. *Associated metals or byproducts.*—The production of the major Canadian companies contains nickel, gold, silver, zinc, and platinum, the value of which largely exceeds the value of their copper production. The effect of this relation on the economics of copper production was described by the president of the International Nickel Co., in his his statement to the shareholders of March 29, 1938, as follows:

"Your company holds a unique position in the copper industry in that its output, amounting to approximately 300,000,000 pounds in 1937, depends wholly upon the tonnage of nickel produced. Copper and nickel occur as constituents of the same ores and our metallurgy is such that copper must of necessity be carried through the entire process and produced as refined metal. Thus it is impracticable to participate in any general copper production curtailment during periods of decreased demand."

Thus copper is produced, or rather byproduced, in response to the requirements of the nickel market, yet the production amounted in 1937 to 158,000 tons, or nearly a fifth of the entire production of the United States in that year.

The ores of the Noranda Mining Co. and its subsidiaries contain such important quantities of gold, silver, and zinc that Noranda also produces copper as a byproduct.

The desire and intent of Canadian producers to sell Canadian copper in the United States domestic market is well illustrated by the remarks made by Mr. R. C. Stanley, president of International Nickel Co., at the meeting of the shareholders of that company held on April 25, 1945. Mr. Stanley's remarks are quoted in the New York Journal of Commerce of April 26, as follows:

"Except for wartime arrangements Canada's copper is barred from the United States, our adjacent and economic market, by a duty of 4 cents per pound." This was termed unfortunate by Mr. Stanley, who also said: "It is in Canada's nterest that the Government at Ottawa should endeavor to bring about a removal of this trade barrier."

4. *Freight advantages of Canadian producers.*—The large refined copper production of Canada is located just north of the United States border in such position that it has distinct advantages over the domestic mines and refineries for deliveries in the area north of the Ohio River, between Chicago and Buffalo. This area is the seat of the automobile industry which consumed in 1940 over 100,000 tons and is one of the most important outlets for domestic production.

5. *Comparative costs of production.*—The cost of production of copper in the United States varies materially, but the United States Tariff Commission reported—in 1931—that without depletion and interest charges, costs in the United States varied from 6.97 to 12.40 cents per pound, whereas reports of the three leading Rhodesian producers indicated a production cost of 5.76 cents per pound, due primarily to the reasons indicated in paragraph 1 and 2 above. As previously mentioned, operating costs in the United States have materially increased since the above figures were published.

6. *Governmental policies.*—Most nations have learned, through bitter experience, the necessity for encouraging, within their own borders, those industries which are essential for national defense. The increase in foreign copper production has been due in large part to the encouragement of the British and Belgian Governments in developing sources of copper supply controlled by their nationals. The Belgian Congo copper industry is controlled by the Belgian Government and operated as a huge colonization enterprise. This enterprise includes the construction of metal-refining plants in Belgium and contemplates further refining and fabricating plants to the end that Belgium may be independent of other countries for such metals as can be produced under its own control; with these aims in view, the Congo Copper Mines must be kept in operation under all circumstances

and will continue to produce even under the most adverse market conditions. That a similar policy governs Rhodesian production is indicated by the building of plants to smelt and refine the Rhodesian copper ores wholly within the British Empire. In Germany the industry was subsidized prior to the war, and in Japan the smelting industry was protected by an import duty on refined copper.

VII. CONSERVATION

The conservation of our national resources is a well-settled policy of our Government, which has the entire support of the copper industry. This involves continuous operations on a normal basis, and not sporadic operations at full capacity at some times, to be followed by shut-downs or sharply reduced operations at others.

There is a school of thought in this country which believes that "conservation" means leaving in the ground for posterity as much of our own metal as possible and importing sufficient metal from foreign countries to meet our domestic requirements, regardless of its present effect upon our own mining industry. This theory is founded on ignorance of mining operations and has been completely refuted by the Planning Committee for Mineral Policy (Report of National Resources Board, December 1, 1943, pt. IV, p. 410). Speaking of the harmful effect of extremely low metal prices and corresponding curtailment of mine production, the committee says:

"Mining efficiency and resource recovery require orderly and continuous operation. * * * Existing mines were laid out with a certain price level in mind and with a certain anticipated life. When prices collapse, the initial plan of operation must all too often be discarded. * * * Mine operators are driven to neglect the most elementary work of maintenance. They are driven reluctantly to practice selective mining, that is, to take only the richest portions of the ore body, abandoning the attempt to recover the associated lower-grade material. This practice of gutting the mine or 'picking the eyes out' reduces the average value of the ore left behind and at the same time increases future costs of recovering it, through cavings and floodings of the workings. * * * The increase in cost cannot be estimated closely. It depends on conditions and on the time that may elapse before attempting to resume production. But any mining man can visualize conditions where the unit cost of later reopening and recovering the rest of an abandoned ore body might be 50, 100, or 200 percent more than the cost if the same ore had been taken out in one continuous operation under the original plan of development. * * *"

The conditions indicated in the foregoing citation may result and, in fact, have resulted in the permanent abandonment of known ore reserves.

VIII. EFFECT OF THE IMPORT TAX

The darkest days of depression for the domestic copper industry were those of the first half of 1932. Domestic stocks were at a high peak. Foreign copper was flowing into this market. The domestic price was 5½ cents per pound, at which few United States mines could long survive. Accordingly many mines were faced with shut-downs and the discharge of thousands of employees.

The import tax became effective June 16, 1932, and shut off further imports of foreign copper. The domestic industry curtailed production but continued to employ as many laborers as possible. According to the Engineering and Mining Journal quotations, the price gradually rose so that over a 77-month period it averaged 9.11 cents. The highest month's average (March 1937) was 15.775 cents. In only 2 months did it average above 15 cents. In only 6 months did it average above 13 cents. These prices should be compared with the 31-year average (1900–30) of 15.9 cents. During all this time (July 1, 1932, to November 30, 1938) the United States price averaged only about one-half cent higher than the foreign price. Thus the import tax has effected its purpose of preserving the domestic industry, without imposing any undue burden on the rest of the country. There have always been ample supplies to meet all peacetime domestic requirements at reasonable prices.

The tax act provides that the tax shall be administered the same as a customs duty. Accordingly, prior to World War II, foreign copper was continually admitted in bond for treatment at American refineries and thereafter reexported for foreign consumption. This foreign copper could also be used by fabricators and reexported with the benefit of the draw-back.

IX. EFFECT OF FAILURE TO CONTINUE PRESENT IMPORT TAX

The progress toward recovery of the United States copper industry since the enactment of the tax in 1932 has been outlined above. If the tax is materially reduced it is scarcely beyond argument that the conditions which obtained in 1932, and which brought about the imposition of the tax, will quickly be repeated. The following consequences can be predicted with reasonable certainty:

(a) The Canadian producers will take over the consuming market north of the Ohio River, between Chicago and Buffalo (seat of the automobile industry) with a consumption of about 100,000 tons.

(b) The South American productions will enter the country in substantial tonnages.

(c) The Rhodesian and Congo productions, or at least all excess over their own requirements for England and Europe, will be sent to this market.

(d) National defense will be weakened.

The result will be a struggle for existence on the part of many American producers, in which struggle a substantial number of them cannot survive.

The foregoing paragraphs bring out the conditions in the copper industry in the United States which make it peculiarly vulnerable and sensitive to damage by importations of copper from foreign sources, particularly those located near our borders.

This conclusion is substantiated by the United States Tariff Commission in its recent report in response to Senate Resolution 341, Seventy-eighth Congress, second session, in which they state:

"If, on the other hand, foreign producers should take full advantage of their probable low costs of production, and particularly if, as is possible, the costs of production in the United States should rise, because of depletion of low-cost deposits or other causes, small quantities of duty-paying copper might enter even at the present rate of duty, and there might be rather substantial imports if the duty were reduced to 2 cents per pound."

As stated above during the days of the depression the price of copper fell to 5½ cents and several large United States mines were compelled to close down, and if Congress had not enacted the 4-cent import tax in 1932 some of them would have remained closed permanently and their equipment and staffs would have been dispersed. It was extremely fortunate for the suacess of the United States munitions program of World War II that the enactment of the import duty enabled these American mines to reopen and others to remain in operation, thereby making large quantities of domestic copper immediately available in this country when hostilities began. The importance of this cannot be overemphasized as all foreign shipments, except for limited amounts of copper from other North American countries, were subject to the submarine menace. If the domestic American production had not been protected and conserved, not only would our national defense have been weakened but our ability to act as arsenal for our allies would have been materially curtailed.

The American copper industry is absolutely necessary for national defense, for national wealth, for employment of labor for the conservation of natural resources, and for the general well-being of large communities and many cities of the Union. The industry has always been recognized, and should be preserved, as a national asset in times of peace, as well as a national necessity in the event of war.

For these reasons, the above-named companies feel compelled to oppose any legislation which may make possible any reduction of the existing 4-cent import tax on copper.

EXHIBIT No. 1.—*Total apparent outlet for United States new copper production in blister, refined, and primary fabrications*

[In short tons]

Year	Domestic new copper consumption [1]	Plus net exports [2]	Less net imports [2]	Total apparent outlet for United States new copper production
1927	680,935	175,585		856,520
1928	763,393	167,057		930,450
1929	857,641	9,291		866,932
1930	599,714		32,019	567,695
1931	431,715		14,159	417,556
1932	265,623		48,318	217,305
1933	309,172	6,328		315,500
1934	282,654	83,073		365,727
1935	411,278	38,016		449,294
1936	648,217	68,693		716,910
1937	680,807	66,354		747,161
1938	372,481	168,847		541,328
1939	679,955	91,220		771,175
1940	993,776		63,692	930,084
1941	1,559,724		576,652	983,072

[1] Per exhibit No. 2.
[2] Per exhibit No. 4.

EXHIBIT No. 2.—*Domestic consumption of new copper (U. S. Bureau of Mines)*

[In short tons]

Year	Smelter production	Blister and refined stocks at beginning of year	Total imports [1]	Total supply	Blister and refined stocks at end of year	Total exports [1]	Apparent consumption of new copper
1927	842,020	300,500	359,161	1,501,681	286,000	534,746	680,935
1928	912,950	286,000	393,537	1,592,487	268,500	560,594	763,393
1929	1,001,432	268,500	487,156	1,757,088	403,000	496,447	857,641
1930	697,195	403,000	408,577	1,508,772	532,500	376,558	599,714
1931	521,356	532,500	292,946	1,346,802	636,300	278,787	431,715
1932	272,005	636,300	195,996	1,104,301	691,000	147,678	265,623
1933	225,000	691,000	145,585	1,061,585	600,500	151,913	309,172
1934	244,227	600,500	213,286	1,058,013	479,000	296,359	282,654
1935	381,294	479,000	257,182	1,117,476	411,000	295,198	411,278
1936	611,410	411,000	190,339	1,212,749	305,500	259,032	648,217
1937	834,661	305,500	279,875	1,420,036	393,000	346,229	680,807
1938	562,328	393,000	252,164	1,207,492	414,000	421,011	372,481
1939	712,675	414,000	336,297	1,462,972	355,500	427,517	679,955
1940	909,084	355,500	491,342	1,755,926	334,500	427,650	993,776
1941	966,072	334,500	735,545	2,036,117	317,500	158,893	1,559,724

[1] Per exhibit No.

EXHIBIT NO. 3.—*Volume and ratio of United States and foreign new copper production (U. S. Bureau of Mines)*

Year	United States		Foreign		World (short tons)
	Short tons	Percent of total	Short tons	Percent of total	
1909	546,476	59.9	365,765	40.1	912,241
1910	540,080	57.1	406,050	42.9	946,130
1911	548,616	55.9	432,145	44.1	980,761
1912	621,634	56.4	480,875	43.6	1,102,509
1913	612,242	56.1	478,387	43.9	1,090,629
1914	575,069	56.0	451,982	44.0	1,027,051
1915	694,005	59.5	471,442	40.5	1,165,447
1916	963,925	63.5	554,697	36.5	1,518,622
1917	943,060	59.9	632,232	40.1	1,575,292
1918	954,267	60.6	619,999	39.4	1,574,266
1919	643,210	58.7	452,487	41.3	1,095,697
1920	604,531	57.2	452,644	42.8	1,057,175
1921	252,793	41.1	361,846	58.9	614,639
1922	475,143	49.9	477,254	50.1	952,397
1923	717,500	53.5	624,013	46.5	1,341,513
1924	817,125	54.7	676,507	45.3	1,493,632
1925	837,435	54.1	709,108	45.9	1,546,543
1926	869,811	54.1	738,461	45.9	1,608,272
1927	842,020	50.3	831,288	49.7	1,673,308
1928	912,950	48.5	967,593	51.5	1,880,543
1929	1,001,432	47.7	1,097,368	52.3	2,098,800
1930	697,195	39.6	1,062,805	60.4	1,760,000
1931	521,356	33.9	1,014,644	66.1	1,536,000
1932	272,005	26.0	772,995	74.0	1,045,000
1933	225,000	19.7	918,000	80.3	1,143,000
1934	244,227	16.9	1,203,773	83.1	1,448,000
1935	381,294	22.7	1,299,706	77.3	1,681,000
1936	611,410	32.3	1,283,590	67.7	1,895,000
1937	834,661	32.3	1,750,339	67.7	2,585,000
1938	562,328	24.9	1,691,672	75.1	2,254,000
1939	712,673	29.6	[1] 1,692,325	70.4	[1] 2,405,000

[1] Approximate.

EXHIBIT NO. 4.—*United States net imports and exports of copper (U. S. Bureau of Foreign and Domestic Commerce)*

[In short tons]

Year	Imports [1]	Exports [2]	Net imports	Net exports
1924	384,407	558,388		173,981
1925	326,486	541,185		214,699
1926	389,721	480,110		90,389
1927	359,161	534,746		175,585
1928	393,537	560,594		167,057
1929	487,156	496,447		9,291
1930	408,577	376,558	32,019	
1931	292,946	278,787	14,159	
1932	195,996	147,678	48,318	
1933	145,585	151,913		6,328
1934	213,286	296,359		83,073
1935	257,182	295,198		38,016
1936	190,339	259,032		68,693
1937	279,875	346,229		66,354
1938	252,164	421,011		168,847
1939	336,297	427,517		91,220
1940	491,342	427,650	63,692	
1941	735,545	158,893	576,652	

[1] Comprises imports in all unmanufactured forms, including copper in ore, concentrates, matte, blister, refined, and scrap.

[2] Comprises exports in all forms from smelter production onward, including refined copper and copper in scrap and primary fabrications.

STATEMENT OF JAMES J. MCDONALD, MADISON, WIS., ACTIVE PARTNER, DODGEVILLE MINING CO., AND REPRESENTING WISCONSIN, ILLINOIS, AND IOWA ZINC AND LEAD PRODUCERS ASSOCIATION

To the Senate Committee on Finance:

It is the contention of the miners of our district that such strategic and critical materials as lead and zinc should not under present conditions be subject to further tariff reduction, and for the following reasons:

1. Further tariff reduction will materially reduce the incentive to prospect for new ore bodies, a national reserve against future foreign aggression.
2. Further tariff reduction will mean the loss of much recoverable metal due to the closing and flooding of mines that could operate with present tariff protection.
3. Further tariff reduction will mean unemployment among a class that do not easily adapt themselves to other types of employment.

In support of the foregoing I quote in part from a letter addressed to the secretary of our organization under date of May 7, 1945, to a Member of the House of Representatives:

"We, the members of the Wisconsin, Illinois, and Iowa Zinc and Lead Producers Association, represent 37 zinc- and lead-mining properties operating in 5 counties over an area of 4,000 square miles in Wisconsin, Illinois, and Iowa. The mining of zinc and lead ore is the second largest industry in this area, surpassed only by agriculture. Therefore, we offer the largest field of employment for returning veterans, labor, and those residing in the small towns throughout this district. Our Government is fostering a postwar campaign to provide 60 million jobs. If the mining in this district is to be jeopardized by the reduction of tariff to encourage the importation of foreign ores, how then can this area contribute its share to the 60-million-jobs campaign?

"Our mine operators, for the most part local men, have a capital investment and unlike most industry this investment constitutes a depreciating asset, the ore body, which, when mined, can never be replaced. The tonnages of these ore bodies have been evaluated at existing price levels, and any lowering of prices through reduction of prevailing tariff rates will be disastrous. Once these mines are closed, they, in all probability, can never be reopened and large tonnages of blocked-out ore will be lost, proportionately reducing our natural resources.

"The mines of this district cannot produce ore in competition with cheaply produced foreign ore without reasonable tariff protection. The tariff reductions previously made below the Tariff Act of 1930 consist of 20 percent by Canadian agreement, effective January 1, 1939, and 50 percent by the Mexican agreement, effective January 30, 1943. The new tariff act would permit further reduction of 50 percent below January 1, 1945, levels. The following table shows these decreases and further decreases proposed:

	Tariff Act of 1930, par. 393	Reduced by Canadian agreement to—	Reduced by Mexican agreement to—	New bill authorized reduction to—
Zinc-bearing ores	\$1.50 pound (\$30 ton).	\$1.20 pound (\$24 ton).	\$0.75 pound (\$15 ton).	\$0.37½ pound (\$7.50 ton).
Slab zinc	\$1.75 pound (\$35 ton).	\$1.40 pound (\$28 ton).	\$0.87½ pound (\$17.50 ton).	\$0.43¾ pound (\$8.75 ton).

"We very much wish that you will carefully read and consider the following statement, recently made by Elmer W. Pehrson, Chief, Economics and Statistics Branch, Bureau of Mines. Dr. Pehrson is one of the best-informed men in the country in regard to our mineral situation, and his views are entirely impartial, not biased by personal commercial interests:

" 'There is another group of minerals, including copper, lead, and zinc, in which we have maintained a large measure of self-sufficiency during past years with moderate tariff protection. It seems fair to state that the reserve outlook justifies the assumption that substantial reduction in the domestic output of lead and zinc may be anticipated in the near future, and of copper at a somewhat later date. Because of conditions that are peculiar to the mining industry, there should be restraint in the downward adjustment in these mineral tariffs. Cuts should be planned with due regard to the social and economic consequences they entail. Costs of production in the United States largely because of the lower metallic content of our ores are above those in many other important producing areas in the world. Some foreign producers have an additional advantage in lower wage rates. Heretofore, we have overcome much of these disadvantages by our superior technology, but foreign practice is now catching up. There is little prospect of developments in the foreign producing areas that will bring up foreign costs to a level with those prevailing in this country. Drastic changes in import duties, therefore, would seriously injure the competitive position of domestic producers and result in extensive unemployment in our metal-mining areas and depression in the regions surrounding them. Because mining is usually the only occupation in the region, the problem of stranded population can be anticipated. For two decades before this war, we struggled with a similar situation in our coal-mining regions, and our experience during that period with bootleg conditions and other consequences of the distress in these areas should cause us to go slow in inviting more.

"'In considering the question of tariffs, we must not forget that employment in metal-mining regions cannot be prolonged indefinitely because exhaustion is inevitable. Spread over a long period, the population problem resulting from exhaustion can be taken care of by gradual migration which an expanding economy can easily absorb. It is suggested therefore that when tariff reductions are contemplated in the industries that are now supplying a large share of our needs of essential minerals but for which declining production is evident, a clearly defined long-range reduction program be adopted that will coincide as closely as possible with the exhaustion of resources. In view of the uncertainties of the immediate postwar years, and in order to prevent large capital losses, it would seem wise from the viewpoint of national interest to guarantee the prewar tariff rates on these commodities for at least 5 years, following which a fixed periodic decline would become effective. Under such a program producers could plan their production schedules with an assured tariff program, and this should prove to be a more satisfactory basis of operation than is afforded by the present uncertainty as to tariff policies.'"

This statement is brief as we feel our views are well set forth by others appearing personally before your committee.

Respectfully submitted.

James J. McDonald.

Jacksonville, Fla., *June 5, 1945.*

Senator Walter F. George,
Chairman, Senate Finance Committee, Senate Office Building.

The National Congress of Parents and Teachers with a membership of 3½ million men and women in every State of the United States and Hawaii urges your committee to give favorable report to bill providing for extension and expansion of reciprocal trade agreements. We feel this legislation to be an integral part of the whole structure to bring about peace among nations. Please have this telegram read and inserted in record of hearings.

National Congress of Parents and Teachers,
Mrs. Malcolm McClellan, *Chairman of Legislation.*

Embroidery Manufacturers Bureau, Inc.,
Union City, N. J., June 5, 1945.

Statement of the Embroidery Manufacturers Bureau, Inc., on Behalf of the American Schiffli Embroidery Industry

The Embroidery Manufacturers Bureau, Inc., which is affiliated with the Chamber of Commerce of Northern Hudson County, is a representative trade association, composed of manufacturers of Schiffli embroideries, laces, burnt-out laces, also military insignia and patches for the armed forces of the United States and the United Nations. The bureau has in its membership approximately 86 percent of the Schiffli manufacturers in the United States. The industry is one which is defined as an American industry and an integral part of the American economy, with over 405 manufacturing units in the Metropolitan New York area alone. This statement is made by the bureau on behalf of its membership and the industry as a whole.

We believe that unhampered international trade in the postwar era will have a healthy and beneficial effect on American industry and the domestic economy as a whole. However, unless the reciprocal trade agreements are protected against unstable currency and violently fluctuating exchange values of foreign countries, their value will be greatly hampered.

Therefore, we respectfully request that the committee weigh very carefully the possibility of inserting clauses in the contemplated reciprocal trade law so that American business will be protected from fluctuating, unstable currencies and monetary systems of the contracting parties.

ERNEST MOSMANN, *President.*

AMERICAN WATCH ASSEMBLERS' ASSOCIATION, INC.,
New York, N. Y., June 5, 1945.

Hon. WALTER F. GEORGE,
Chairman, Senate Committee on Finance,
United States Senate, Washington, D. C.

SIR: The American Watch Assemblers' Association, Inc., a New York organization with a membership representing more than 80 percent of the value of watch and watch-movement imports, endorses H. R. 3240, a bill to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes, and urges that it be favorably reported to the Senate by your committee.

The manufacture of watches in the United States with the use of imported watch movements, generally referred to as assembling, constitutes an important industry. Practically all of the imported movements are assembled in watchcases of domestic manufacture, and the attachments, such as bracelets or straps, as well as the boxes in which the watches are merchandised, are likewise made in this country. Watchmakers are required to case the movements and to time and regulate the same.

Taking the statistics furnished by the United States Tariff Commission for the complete year of 1940, the import value of watches and watch movements amounted to $10,622,000 and the duty paid $6,356,000. The sales value of the assembled watches made from these imported movements, taken at the retail price level, would be approximately $82,500,000. Of this amount, $10,622,000 was paid to the Swiss manufacturers, representing foreign selling price, and $6,356,000 was paid as duties to this Government. There remained $65,522,000 in the United States, which covered cost of labor, cases, bracelets, boxes, overhead, advertising, selling expenses, taxes, and profit of both assemblers and retail jewelers. Thus out of a business in the United States at the retail price level of $82,500,000, only $10,622,000 or approximately 12 percent went abroad.

This association has consistently voiced its approval of the trade agreements policy and in 1940, in urging that the Trade Agreements Act be extended for a further period, stated:

"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."

The Trade Agreements Act has been stated to represent "a policy of positive international economic cooperation and it has come be so regarded in the eyes of the other nations."

This being so, the withdrawal of the right to negotiate trade treaties would certainly be interpreted by the nations of the world asa not ification that this country did not intend to follow a policy of positive international economic cooperation and would logically create the impression that we intended to embark upon a policy of high tariffs and the erection of trade barriers, as was done following the termination of World War I, when there were enacted the Emergency Tariff Act of 1921 and the Tariff Acts of 1922 and 1930. In each of these acts, rates of duty were increased in some instances well over 100 percent. When the Tariff Act of 1930 was under consideration, protests were filed with the Department of State by many foreign governments which apprehended the danger to their countries' economic welfare which would result if such legislation were adopted. This act with its exorbitant duties was adopted and there followed the adoption by other nations of higher tariffs, import quotas, and restrictions of various kinds, all of which shackled world trade with ever-tightening bonds.

The reciprocal trade agreements program has generally resulted in increasing imports and exports, which has not only benefited American industry but has also been instrumental in creating international good will. Valuable concessions have been obtained from the countries with which 27 trade agreements have been negotiated in return for readjustment of our own high duties. nad this has not been detrimental to American industry or to the wage and standard of living of American workmen.

There was created an efficient organization to effectuate the authority given the President to negotiate trade agreements, namely, the Trade Agreements Committee and the Committee for Reciprocity Information. These Committees have functioned efficiently. Tariff changes have been made only after the hearing of all those interested and the most thorough study and investigation of available information. The adjustment of rates to conform with shifting international conditions by experts qualified by training in the fields of commerce, agriculture, labor, and industry presents a stimulating contrast to the chaotic and haphazard tariff procedure so long obtaining in this country.

As has been many times stated in speeches and discussions relative to the great postwar task that lies ahead, international trade is not a one-way traffic. A nation cannot export unless it also imports as the only way in which exports can ultimately be paid for is by means of imports. Undoubtedly the direct effect of the Tariff Act of 1930 was to force other nations, in order to preserve their economic security, to find other sources of supply of needed materials and other outlets for the products produced from such materials.

In the hearings recently held by the Committee on Ways and Means of the House of Representatives in connection with H. R. 2652, now H. R. 3240, the representative of the American watch-manufacturing industry, who is also president of Elgin National Watch Co., stated:

"There will be no backlog of demand for our products in the postwar period. The American watch has lost its domestic market and our channels of distribution have been taken over by importers of Swiss watches."

This same statement will probably be made before your committee. A very comprehensive report of 21 pages, dated March 27, 1945, by Estabrook & Co., 40 Wall Street, New York, N. Y., deals particularly with the Elgin National Watch Co. This report, which presumably is to prepare the ground and create a market for Elgin stock, contains the following statement, appearing on page 9:

"A spot check of retail outlets in New York and department stores in Chicago, indicates that there are at least 2 years of full-capacity production ahead for the domestic watch manufacturers."

This agrees completely with statements made in private by certain heads of the domestic watch industry and, also, an important survey just completed by an independent agency on behalf of this association, which shows the prevailing opinion to be that, in the next few years, there will be an increase in the sale of American-made watches and a decrease in the sale of Swiss watches.

Standard & Poor's Corp., in a special report on Elgin National Watch, dated April 2, 1945, states:

"Postwar prospects are favorable, as civilians' watch sales should be large, despite current satisfaction of some deferred demand by foreign imports. * * * The capital stock is recommended for purchase."

These prospects are borne out by the value which the market and Elgin stockholders place at present on the common shares of Elgin National Watch, which on June 5, 1945, was sold at 39. In 1938, the high and low were 15 to 25½ and in 1932, 3½ to 11.

In the statement of this association, which appears in the Congressional Record of May 28, 1943, it is declared:

"There is no stock pile of Swiss-made watches in the United States. We have about 20,000 retail stores dealing in watches and not one has an adequate supply of watches. American-made watches are in great demand, but unobtainable and this accumulated demand for American-made watches will be stronger than ever; after the war domestic manufacturers will have to use all their facilities to supply that demand."

This statement was accurate at that time—it is accurate today.

In the same Estabrook report referred to, there appears (p. 3) a statement of the sales figures for the three leading domestic jeweled-watch companies from 1935, which is prior to the negotiations of the trade agreement with Switzerland, to 1941, inclusive, which is the last year the domestic companies were engaged in civilian production. These figures are as follows:

	1935	1941
Elgin	$7,057,000	$16,348,000
Hamilton	4,160,000	9,768,000
Waltham	4,405,000	7,331,000

It is obvious from these figures that these companies did not in any way sustain injury by reason of the reduction of duties contained in the 1936 trade agreement with Switzerland, notwithstanding their strongly expressed fears to you at that time that the proposed agreement would put them out of business. Experience now shows that since the agreement has been in effect "the Elgin National Watch Co. has evidenced an awakened style consciousness" and "improved its manufacturing technique" (Estabrook Report, pp. 6 and 7).

The State Department in its analysis of the general provisions and reciprocity concessions of the trade agreement with Switzerland, issued January 9, 1936, stated:

"The agreement safeguards the interests of domestic producers by maintaining a level of duties higher than those in the act of 1922."

Repeatedly statement has been made that there were 60 or more domestic companies manufacturing watches and that, by reason of the importation of watches from Switzerland, this number has been reduced to 3. This statement has been many times shown to be erroneous. In our statement in the Congressional Record of May 28, 1943, we said:

"Competition from Swiss watch importations did not reduce the number of American watch factories. It was more than 20 years ago that we had more than 60 American watch manufacturers, every one of them making jeweled watches and many of them making nonjeweled watches. Few watches were imported from Switzerland during the years when most American factories went out of business. Competition amongst themselves, lack of capital, lack of quality, failure to keep abreast of style changes, business failures and mergers caused the reduction in the number of American manufacturers. These same factors are found in the histories of other industries in the United States, such as the automobile industry, for instance. Forty years ago more than 100 companies were making automobiles; today there are only 5 major automobile manufacturers. In the watch industry, 3 of the original manufacturers of jeweled watches remain in business today. In addition, at least 10 of the manufacturers of domestic nonjeweled watches still are in business."

These remaining domestic watch manufacturers have a business far in excess in importance to the business of the 60 manufacturers which existed at one time or another in the industry.

For obvious reasons, the opponents to the trade-agremeent program have referred to Japan and Germany with respect to the effects of the trade agreement with Switzerland. The State Department in its analysis, herein referred to, stated:

"Switzerland is the watch center for the production of watches and related products, and supplies about 98 percent of American imports of the products on which duties were reduced."

It is obvious that Japan, even though it had a most-favored-nation agreement with the United States, did not benefit from the trade agreement with Switzerland; and that Germany, having no such treaty, likewise received no such benefits.

Reference has also been made to "home work" in Switzerland, in connection with the manufacture of watches. It may be stated that in 1944, the Swiss watch industry employed 40,000 workers, of which only 3 percent were home workers. Home workers could never produce the present general high quality in Swiss watch movements.

In the record made before the Committee on Ways and Means, reference was made to the smuggling of watch movements into the United States. This is another often-repeated statement. It is a well-established fact that there has been no furtherance of the smuggling of watch movements into the United States by either the Swiss watch industry or the legitimate watch-assembling industry in the United States. The smuggling of watch movements has been more disturbing to legitimate importers than to the domestic manufacturers of watches and, at one time, organized importers and domestic manufacturers provided a $20,000 fund with the hope of eradicating such smuggling.

In the trade agreement with Switzerland, control measures were established to reduce the smuggling of watches into the United States. The Government of Switzerland agreed to establish and maintain an elaborate system of control. This has been done and by its maintenance, the combination of increased hazards and decreased profits has been successful in achieving the desired result.

In the history of our tariff legislation, excessive duties on articles of small size have proven to be an incentive to smuggling. There was the same experience with respect to diamonds and other precious stones when such articles were subject to a high rate of duty, and this was recognized by the Congress when, in the Tariff Act of 1930, it reduced the duty on diamonds and other precious stones from 20 to

10 percent. Any argument that is based upon smuggling to support opposition to the continuance of our trade-agreement program is not tenable.

It was stated before the Committee on Ways and Means that the trade agreement with Switzerland affects 26,000 workers in this country. It is conceded that about 20,000 of these workers are employed by the manufacturers of clocks and nonjeweled or, so-called, clock-watches. Where the rates have been changed with respect to these articles, the effect could only be small because the original rates were so high; for example, a domestic watch was sold to wholesalers for 58 cents. The duty on a corresponding imported watch was $1.02. A domestic nonjeweled wrist watch was sold to wholesalers at $1.45. The duty on a similar imported watch was $1.14, and the landed cost of that watch was $2.18.

Reports of the United States Tariff Commission show that the domestic production of nonjeweled watches in 1933 was 5,746,507 units valued at $5,181,859, and the imports were 15,673 units valued at $25,358. The imports, therefore, constituted one-fourth of 1 percent of the total consumption in this country. During that year, the exports of this type of watch amounted to 55,791 units valued at $30,853.

The manufacturers in the United States of nonjeweled watches have not been affected in any way by the reduction of duties in the trade agreement with Switzerland and it would seem, therefore, that the inclusion of the 20,000 workers of the domestic producers of clocks and nonjeweled watches was obviously for the purpose of increasing the number of workers that are erroneously claimed to be adversely affected by this trade agreement.

It is earnestly requested that your committee favorably report H. R. 3240 to the Senate for action and that this statement be included in the printed record.

Respectfully,

ROLAND GSELL,
Chairman, Tariff Committee.

AMERICAN EXPORTER,
New York, N. Y., June 5, 1945.

Hon. WALTER F. GEORGE,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: In considering the renewal of the trade-agreements program, it is to be hoped that the Senate Finance Committee will give consideration to the important fact that there are only two countries of any importance in the entire world whose foreign trade transactions in merchandise are out of balance.

These two countries are the United Kingdom of Great Britain and Ireland, who, as shown by the following table, imported in 1938 over $2,000,000,000 more merchandise than she exported, and the United States, who in the same year exported $1,000,000,000 more than she imported.

Debtor or creditor position of leading countries, in merchandise trade only, for year 1938

[In millions of dollars]

	Excess of exports (+) or imports (−) in merchandise trade with United States	Excess of exports (+) or imports (−) in merchandise trade with all countries
North America:		
United States	----------	+1,134.0
Canada	−207.6	+147.7
Cuba	+29.4	+36.6
Mexico	−13.0	+4.5
All other	−58.6	----------
South America:		
Argentina	−46.1	+7.5
Brazil	+35.9	+0.2
Chile	+3.7	+37.9
Colombia	+8.5	−8.2
Venezuela	−32.3	+177.0
All other	−6.8	----------

Debtor or creditor position of leading countries, in merchandise trade only, for year 1938—Continued

[In millions of dollars]

	Excess of exports (+) or imports (–) in merchandise trade with United States	Excess of exports (+) or imports (–) in merchandise trade with all countries
Europe:		
Belgium	–35.2	–39.2
France	–79.9	–445.8
Germany	–42.5	–77.3
Italy	–17.1	–40.8
Netherlands	–65.3	–206.6
Spain	–3.1	–33.7
Sweden	–19.1	–60.0
Union of Soviet Socialist Republics	–45.7	–18.2
United Kingdom	–402.7	–2,194.1
All other	–48.1	
Asia:		
British India	+25.0	+30.2
British Malaya	+103.4	+11.5
China, Hong Kong, and Kwantung	–20.8	–98.9
Japan	–112.9	–10.5
Netherland Indies	+41.3	+97.2
Philippine Islands	+7.7	
All other	+9.0	
Oceana:		
Australia	–60.3	–21.2
All other	–17.2	
Africa:		
British South Africa	–52.8	[1] –280.8
All other	–10.8	
Grand total	–1,134.0	

[1] Not including gold.

NOTE.—In 1938 the United States of America showed an excess of exports over imports of $1,134,000,000 of which 35 percent was with the United Kingdom alone.

Ever since 1914, the United States has exported far more than she imported while the United Kingdom has done just the opposite.

In other words, in facing the postwar era, it is obvious that Great Britain must import less or export more, whereas the United States must import more or export less.

If we export less, we will be forced to restrict employment in many industries where export is a vital part of their activities.

In the hearings before Congress on the Doughton bill, it is to be regretted that so little attention has been paid to the fundamental economic facts involved. Above all too little attention has been paid to the obvious fact that unless we increase our imports, we will be forced to restrict our exports.

I can speak on behalf of hundreds of manufacturers whose business, while principally in the domestic field, also do some export. The publication with which I am associated has been serving the interests of American manufacturers in their foreign trade for the past 67 years and in a single month more than 600 manufacturers use this service.

We have found over a long period of years that such manufacturers will average 84 percent of their sales in the home market and 16 percent in the export market.

A poll which we have taken in the last 60 days among this group of manufacturers showed an overwhelming approval of the renewal of the trade-agreements program, as embodied in the Doughton bill, by those who replied, numbering over 400.

None of these replies came from export merchants. All came from manufacturers. Ninety-seven percent of those replying favor, in general, the renewal of the trade-agreements program for another 3 years from June 12, 1945, and 85 percent approve of the Doughton bill with its increased authority to change rates.

Exporting manufacturers are not organized as a group and, therefore, have no concerted voice. As manufacturers, they belong to organizations made up largely of manufacturers who have no export business.

As exporters, they may belong to groups which include export merchants, import merchants, shipping companies, bankers, and others interested in foreign trade.

This poll, I believe, gives as accurate a picture of how exporting manufacturers feel as it would be possible to secure.

These manufacturers who have gone on record in support of the program, including the authority to reduce or increase tariff rates by 50 percent of the January 1, 1945, rates, are located in 24 States. These are as follows: California, Colorado, Connecticut, Iowa, Illinois, Indiana, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Utah, and Wisconsin.

The lines of industry approving of the program include automotive products, aircraft, hand tools, electric washing machines, fire-protection equipment, steel products, electrical equipment and supplies, chemicals, cameras and photographic instruments, wire goods, safes, and locks.

Also machine tools, animal traps, radios, tires and rubber goods, forges, pumps, abrasives, agricultural machinery, fishing tackle, motor-driven tools, razor blades, refractory bricks, temperature-control devices.

Also paper products, chewing gum, electric refrigerators, stoves and lamps, women's apparel, mill supplies, wood screws, motors, water-purification systems, chains and cables, air compressors, industrial trucks, paints and varnishes, business machines and typewriters, school supplies, telephone accessories, cosmetics, railway cars, conveying systems, sporting goods, fly paper, inks and colors, cutlery, and contractors' equipment.

Also lighting equipment, food machinery, firearms accessories, belting and accessories, glass products, refrigeration equipment, lubricants, meters, wind driven electric plants, pencils, packing products, flavoring and trailers, railway equipment, dairy products, insulating materials, electric hoists, edge tools, sanitary brass goods, electric batteries, air conditioning equipment, and printing machinery.

The committee is thoroughly familiar with all the arguments which have been used in the past in support of the trade-agreements program. But three additional arguments have grown out of the present world war.

First. Many American industries who are dependent on export for a considerable part of their volume, normally, have been unable, because of their preoccupation with orders from the armed forces and because of restrictions of FEA, to fully serve their markets abroad.

The result has been that a number of opportunists abroad have built factories to manufacture products formerly imported from the United States. The minute the war is over they will endeavor to get further tariff protection against American goods.

Second. Great Britian will emerge from this war largely bereft of her foreign investments and her customary sources of revenue which made up the difference between her chronic excess of imports over exports—in contrast with our chronic excess of exports over imports. She may well endeavor to use this position to secure discriminatory agreements with other countries for preference of British goods, enlarging the so-called sterling area at the expense of American exporting manufacturers.

Third. It is already reported that some German industrialists have begun operating outside of German, notably in Spain, and it is almost inevitable that some German industrialists driven from Germany will start enterprises in other markets and they too will demand tariff protection from American competition.

For these three new reasons brought about by the war, it is imperative that the State Department have the authority to negotiate agreements which will, where tariffs cannot be lowered, freeze or bind the present rates against American goods. Otherwise there is grave reason to believe you will see, after this war, many increased tariff rates and even embargoes against American goods.

This is already happening in the case of Australia, where we have no reciprocal trade agreements.

Finally, I would call the committee's attention to the fact that in most countries today where American goods will be seeking markets after this war, tariff rates are not subject to legislative action. They are changed by executive decree. If we are to protect American industry in these foreign markets, our Government will have to operate with corresponding freedom and promptness. This can only be done through executive authority. And the greater the bargaining authority given the executive department and the longer the term of that authority, the stronger our bargaining position will be.

Sincerely,

FRANKLIN JOHNSTON,
Publisher, American Exporter.

APRIL 16, 1945.

VIA AIR MAIL

Hon. ROBERT L. DOUGHTON,
Chairman, House Ways and Means Committee,
House of Representatives, Washington, D. C.

MY DEAR MR. DOUGHTON: It is our understanding that hearings on your bill H. R. 2652 covering the extension of the Reciprocal Trade Agreements Act were scheduled to start about April 16. Very likely the untimely death of our President will delay all activities in Washington to some extent.

We are a cooperative association engaged in the packing and selling of walnuts and filberts in the shell and shelled for our growers members. This office, therefore, speaks for its membership which is composed of approximately 350 active producers, about 75 percent of whom are growers of both kinds of these nuts.

Here in western Oregon and Washington we are very gravely concerned as to what the reenactment of the Reciprocal Trade Agreements Act may mean to our nut industry. Without going into any lengthy discussion, we have prepared a number of tables which we believe will tell the story very well and completely, and elaboration on our part seems unnecessary. There is enclosed herewith for your inspection and consideration the following:

Table 1. This is for filberts and shows the production, the seasonable average price per ton received by farmers and the value thereof for filberts grown in Oregon and Washington. It also shows United States imports with the exception of years 1943–44 for which no figures are available because of restrictions imposed by the war.

Table 2: This is for walnuts and shows the production, the seasonable average price per ton received by farmers and the value thereof for walnuts grown in California and Oregon. It also shows United States imports with the exception of the years 1943–44 for which no figures are available because of restrictions imposed by the war.

Table 3: Tnis is for filberts and shows the imports of these nuts on both the in shell and shelled basis. It is particularly interesting to note where most of tnese imports have originated.

Table 4: This is for walnuts and shows the imports of these nuts on both the in shell and shelled basis. Here, again, it is interesting to note the origin.

Table 5: This is the special nut report which was prepared and released as of August 1, 1944, by Mr. Niels I. Nielsen, agricultural statistician in charge, Portland office, United States Department of Agriculture, Bureau of Agricultural Economics, Division of Agricultural Statistics.

We want to call your particular attention to the data covering the production of filberts and walnuts in Oregon and Washington as shown on page 2 of this report. You will note that in 1919 Oregon produced 230 tons of walnuts. In 1944 we produced 7,200 tons and our potential tonnage is still increasing.

Even more phenomenal is the rapid increase in the production of filberts. Taking the combined production of Oregon and Washington it will be seen that in 1927 there were 60 tons produced, while in 1943 there were 7,030 tons; 1944 was a short crop year on filberts and it is conservatively estimated in many quarters that the 1945 production in our two Northwestern States can easily reach 10,000 tons.

We also want to call your attention to the tremendous increase in the production of walnuts in California, which the figures show amounted to 22,700 tons in 1920 and 62,000 tons in 1944.

Table 6: This shows the United States production and farm prices of the four edible tree nuts grown in this country from 1921 to 1943, inclusive. (Crop figures for 1944 are not available at the moment.) This table covers the production and price of almonds, filberts, walnuts, and pecans. The source is indicated at the bottom of the table.

Table 7: This shows the estimated production of filberts in the Mediterranean Basin countries. Tnis is a very complete table and will quickly indicate where all of the potential threat to our Northwest filbert industry lies.

Table 8: This table shows the imports of filberts into the United States. It gives the totals and present countries of origin. Both pounds and dollar values are indicated. Again, no figures are available for the years 1942 to date because of wartime information restrictions. It is a matter of general information, however, that some quantities of Spanish shelled filberts have been arriving in the United States all during the war years. Generally these have been selling at about 15 to 20 cents per pound under our domestic product.

Table 9: This shows the imports of walnuts into the United States. It gives the totals and present countries of origin. Both pounds and dollar values are indicated. Figures for the years 1942 to date are not available because of wartime information restrictions.

Some of the tables which we are submitting are on a calendar-year basis, while others are on a fiscal-year basis. While this is a bit confusing we do not believe that it is a relatively important point.

Copies of this letter and copies of each table submitted are being sent to Oregon's two Senators and four Congressmen. These men know our problems well and are prepared to discuss them with you. They will tell you that we must have protection for our filbert industry here in Oregon and Washington and for our walnut industry in California and Oregon.

Thanking you for giving this your very best attention, we are

Very truly yours,

OREGON NUT GROWERS, INC.,
JOHN E. TRUNK, *Manager.*

(The tables mentioned in the above letter are on file with the clerk of the Senate Finance Committee.)

STATEMENT BY CARL H. DIETZE, JR., VICE PRESIDENT AND GENERAL MANAGER, THE KIRCHHOF PATENT CO., INC., NEWARK 5, N. J.

JUNE 4, 1945.

Re H. R. 3240, the extension of the Reciprocal Trade Agreements Act

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.:

Mr. Chairman and gentleman, by way of introduction, I am Carl H. Dietze, Jr., vice president and general manager of the Kirchhof Patent Co., Inc., of Newark, N. J. I was listed on the calendar for the hearings on Friday, June 1, expecting and prepared for the fact that if my name was not reached by the end of the day that I, and the others carried over, would be heard on Saturday, June 2. I was disappointed that the recess was taken without a hearing on Saturday. Not having been in good health I have found it impossible to be present today, Monday, June 4, so am submitting this written statement which I will appreciate having made a part of the record of the hearings on H. R. 3240.

We are manufacturers of lithographed sheet metal toys for which light gage sheet steel, wood turnings, various kinds of round and flat steel wire, wire nails, felt, eyelets, cardboard, and miscellaneous other materials are used, and the various kinds of packaging such as display cards, paper boxes, and corrugated cartons. Our business was started in New York in 1852 by Charles Kirchhof and not long after moved to Newark, N. J., where it has been in continuous operation through the years manufacturing toys, some of the early ones being invented and patented by Mr. Kirchhof. Naturally, as the years passed products changed to meet the times, with our latest lines having been developed mostly by the writer.

It may be well to state that we discontinued our civilian manufacturing completely on June 30, 1942, under the conditions of Toy Limitation Order L-81 and after a few months of almost complete idleness, gradually obtained war-production work on which we are busy to the present day, with hourly expectation of cut-backs or cancellations.

This business founded by Mr. Kirchhof and passing through various branches of the family because of deaths and retirements, has passed through many exceedingly difficult periods of depression and war, surviving them all up to the present by hard work, ability to develop additional but different products, close attention to financial details and constantly striving to improve manufacturing methods as well as the product.

At times it was difficult if not entirely impossible to meet the competition of Germany. However, in the early thirties competition developed with Japan. It was the worst kind of competition we had ever experienced. One of our chief items, retailing at 5 cents at that time, although originally years before retailing at 10 cents, was imported from Japan and retailed at 1 cent. Of course, it was shoddy in appearance but to the uninformed purchaser it looked about the same and was the same size, although the metal involved cost us more than the 1 cent retail price of the Japanese item.

This same experience applied to practically all of our best-selling items except that in most all other cases the retail price of the Jap item was the same as on our products, but it gave the importer, the jobber, and the retailer a long profit.

Also for the record, the import items were shoddy imitations and duplications of our own products. Even the art work, illustrations, and colors were copied as closely as possible. This was regardless of patents, etc., on our products.

Despite our dislike of the Japs, we must say, in true fairness to them, that they did not of their own volition copy our products. Samples of our products were sent abroad by American importers and jobbers to be duplicated as closely as possible so that there were sometimes several different Jap producers imitating our goods.

You might ask, "Why didn't we get injunctions against the importers of such items as were patent infringements of our products?" In the first place we wouldn't know until after the Jap item was in the jobber's or dealer's stock and secondly there were so many importers. We obtained legal advice but learned that we would have to act against each importer with the likelihood of endless and expensive litigation.

Eventually the situation became unbearable and extremely dangerous to our capital structure. Our banks would not extend further accommodation, our own personal private funds were thrown into the business as we did have faith that this unjust condition would not go uncorrected for much longer.

Finally we had to apply to the Reconstruction Finance Corporation for a loan. After long delay, during which the patient was fortunate not to have died, a moderate loan was granted. Meanwhile public reaction was slowly setting in against Japanese goods, largely because a number of brave souls, including myself, were on the speakers platform at every gathering they could attend, to speak about the growing competition of Japanese products and their mounting industrial growth and possible future threat to us. Fortunately the situation improved and our loan from the RFC was paid off in full.

Gentlemen, you may say that Germany and Japan are out of the picture and that we need not concern ourselves about them in the future. The truth is that German competition, during the writer's 32 or more years in this business, was never as vicious as the Jap competition. Furthermore, importers contact areas of cheap labor, to have merchandise produced as cheaply as possible. Therefore it is impossible to say from where the worst competition on our type of goods will come from after the close of the present conflict. It may come from the Asiatic mainland, from the low living standard areas controlled by some of our allies. Who knows where—but rest assured, that if we set up our tariff system without proper and adequate safeguards, and a flexibility to quickly correct bad conditions as they develop, then extremely difficult competition of foreign products, in our domestic market, will be only a matter of time. Of interest at this point, as indicating some of the possibilities, we have not so long ago been contacted by Mexican and South American manufacturers who were desirous of buying tools and dies from us for the manufacture of lithographed sheet metal toys.

Gentlemen, we have been hearing about 60,000,000 jobs in the postwar era. We and all other manufacturers would like to do our full share toward the attainment of this objective. However, please do not reach the conclusion that the exportation of automobiles, office machinery, industrial machinery, and equipment, etc., is going to accomplish this for us.

So-called small industry, which makes the multitudinous smaller products of the civilian economy, is a greater contributor of employment through the many retail outlets it supplies, as well as the employment in its thousands of small and medium-sized plants, and by its contribution to employment in the so-called heavy goods industries by the manufacture of steel, many other materials and supplies, and the machinery and equipment which it uses.

Do not overlook that our living scale and wage rates are the highest in the world. Also that our industry has to absorb costs not involved in most other areas, such as social security and unemployment taxes which I believe are even now up for discussion for increase on both employer and employee.

Also I have heard about prospective increases in wages for the postwar era. One report I have read mentions a 10 percent blanket increase. Another is that possibly rates will be adjusted, or labor may demand such adjustment, of the same earnings for 40 hours as have during the war been paid for 48 hours. This is equivalent to an increase of 30 percent which is considerable.

I would ask you gentlemen, hasn't a manufacturer, with OPA ceilings at present heming him in, enough of a problem, facing the uncertainties of the future, without having to be concerned with importations of products similar to his own from low-standard areas?

In most instances it is not just a matter of efficiency of machinery and equipment, of management or labor. The mechanical aids to production are available to all, and no race or nationality has a monopoly on efficiency and skill in production. It is merely a matter of time for training and adjustment. Certain large industries, because of the tremendous capital investment requirements, and their tremendous domestic market which enables them to develop and use mechanical methods to the very utmost, would have little to fear from import competition. This situation however, does not apply to the great number of smaller industries which nevertheless contribute greatly to the well-being of the giant industries and to the employment in such industries and to the good of the general economy.

A consideration of the subject, in view of our past experiences and study leads us to the following conclusions:

1. H. R. 3240 should not be adopted.
2. Tariffs should be promulgated by a body representative of the needs of the national economy, including the public, the employee, and the employer.
3. Tariffs should be subject to confirmation, review, and revision by the Senate and should not be effective until a stated time after such confirmation.
4. Tariffs should be determined on an equitable basis taking into consideration the differences in costs of production and living standards of the United States and such other nations producing the same type of commodity.
5. As other nations reach the point of also producing such like products, the tariff thereon should be subject to review and adjustment.

In conclusion, I believe I voice the desire of most all of the smaller industries when I say it is our desire to have a protective tariff that is no higher than is necessary to protect and maintain American industry against the competition of areas with little more than a mere subsistence standard of living. Such protection would possibly even encourage the establishment of additional American manufacturing plants, thus creating more domestic competition, within our own range of costs, which would tend to keep our domestic prices at a reasonably low level. This in turn would encourage still further investments in American plants, an expansion of employment levels, and the development of more products. Also, a great number of plants, making a wide diversity of products would help considerably to enable us to meet any future threat to our national existence. Do not overlook the fact that our little plant, and the many thousands of other small establishments did their share to feed the giant plants with the millions of different kinds of parts that they required to produce the goods on their war contracts. Verily, I say, we were and are an important part of the arsenal of democracy, hoping to get back to the production of our normal products after our present job is done, without the fear that while we were proud and willing to do a war job, our peacetime job will be destroyed by unwise tariff legislation.

Respectfully submitted.

Carl H. Dietze, Jr.

Statement of the Brass Mill Industry Opposing the Extension of the Reciprocal Tariff Act

This statement is made by the Copper and Brass Research Association on behalf of the United States industry producing mill products of copper, brass and bronze. It sets forth the reasons why:

(1) We oppose any further extension of the power of the President to lower tariffs on the products of this industry.

(2) We oppose the enlargement of the power of the President such as is provided by the Doughton bill (H. R. 3240).

(3) We oppose also the extension of the act beyond its present expiration date, as is also provided in such bill.

Our objections relate only to tariffs on products of this industry. We are in favor of an amendment to the act excluding from adjustments tariffs on such strategic and critical materials as copper, brass, and bronze mill products. If no exception is made, we ask that the Reciprocal Tariff Act be repealed or be allowed to expire on June 12, 1945.

THE PRESENT TARIFF SITUATION

Certain mill products of this industry have already received a 50 percent cut in duties. The tariff on brass and bronze tube, including condenser tube, was cut from 8 cents a pound to 4 cents by agreement with the United Kingdom effective January 1, 1939. The Doughton bill would permit this tariff now to be cut in half again to 2 cents, which is a fourth of the original duty upon this product. The ad valorem duties on tubes of certain copper-nickel alloys have also been cut in half, and might now be cut to one-fourth of the former rate. Other countries possess a large capacity for manufacturing copper alloy tubes and the substantial prewar imports of these and other mill products are capable of being multiplied many times after this war if tariffs are thus reduced.

Tariff duties on other mill products, including the excise tax on the copper content of such products, have not as yet been reduced under the Reciprocal Tariff Act. Such products are essential for war, and there has undoubtedly been a huge increase in facilities for their manufacture throughout the world, particularly in the United Kingdom. This increased capacity will create still further pressures after the war to reduce American tariffs and open the markets of this country to a large surplus foreign production.

THE SCOPE OF THE BRASS MILL INDUSTRY

The industry for which this statement is made is that of rolling, forming and drawing of sheet, strip, rod, wire, tube and pipe of copper and copper base alloys such as brass and bronze. This industry was established more than a century ago by a few small concerns in the valley of the Naugatuck River in Connecticut engaged primarily in the manufacture of buttons from sheet brass, later in the rolling of copper and brass for use in the manufacture of clocks, lamps, hollow ware and hardware, and for the general market. From these small beginnings the industry has grown to its present vital position in war and in peace. Its geographical distribution is shown in the list of plants on the last page. Brass mills are located in 13 States, and in 11 of these States are mills producing tube. Its products are used throughout industry and cover an almost infinite range of alloys, shapes, sizes, finishes and other characteristics. Especially large uses of its products are found in buildings, automobiles, electrical equipment, and marine equipment.

The industry has had to be alert, progressive, and constant in its efforts to improve its production methods in order to compete effectively with the growing number of other materials such as aluminum, stainless steel and plastics. It is preapred to have to increase these efforts after the war.

The war has again demonstrated how important the industry is in armament. Copper and brass products are essential to modern warfare. In this war, our brass mills have been called upon to supply not only our own enormous requirements, but a substantial part of those of our allies as well. Only an industry in sound condition in peacetime can be relied on to respond so effectively in war, as the brass-mill industry has responded.

Because of war requirements the industry has had to expand tremendously. According to the War Production Board figures its average monthly production in 1940 of 135,000,000 pounds was expanded to a peak in 1943 of 500,000,000 pounds, in part by increase in plant facilities. Its normal peacetime employment of about 30,000 was increased during the war to 45,000. There have been called into the various military services 10,000 of its employees.

ECONOMIC FACTORS IN THE BRASS-MILL INDUSTRY

The industry normally consumes about half of the copper consumed in the United States and about one-fourth of the slab zinc. These are the controlling elements of the cost of its products. The prices of copper and zinc are fixed by market conditions for these metals. A second element of cost, overhead, cannot be reduced substantially because of the relatively large investment required for plant and equipment, now increased because of war requirements. A third item of cost, labor, is likewise not capable of any significant reduction, as normally the great variety of alloys, sizes and other characteristics specified for different purposes largely precludes the economies of mass production. The margin of profit in the industry is on the average only a fraction of a cent a pound. On the whole, therefore, the industry could not make reductions in the prices of its products sufficient to offset the reduction of tariff made possible by continuation of the Reciprocal Tariff Act.

POSTWAR PROSPECTS AND FOREIGN COMPETITION

Surveys made to determine the position of the industry after the war indicate that it will take great effort to find markets to maintain the 1940 production. Even with such production the problem of maintaining employment, assuring insofar as possible the reemployment of men in the service, and continuing to pay wages which will maintain the American standard of living, will be an exceedingly difficult one. Any failure of the brass mill industry to maintain its markets would have an immediate adverse effect upon the copper and zinc mining industries in the United States.

Foreign countries to which the Reciprocal Tariff Act will probably apply, the United Kingdom particularly, are in a position to undersell the domestic industry and dominate the American market, especially in tubular products. The methods of manufacturing used there are essentially the same as here, and there is every indication that their mechanization and general production efficiency have kept pace with ours. Wages in the brass mill industry abroad are quite generally known to be half or less than half of domestic wages, and any devaluation of foreign currencies after the war would still further increase this disparity. The effect of such competition would be twofold. Not only would the actual imports reduce by that much the volume of production in this country, but the quotations from foreign mills, which might substantially exceed the actual volume of sales here, would inevitably fix the market prices for the domestic products.

The nature of the industry's products is such that the volume of their consumption is dependent upon requirements of other industries and directly affected by the availability of the growing list of other materials which are rapidly being developed. There is no direct way in which the mills can effect an increase in the use of brass-mill products. An increase, therefore, in the volume of such products imported from abroad would directly displace that volume of domestic production, and would have a ruinous effect on the industry and jeopardize its availability in war and national defense.

WHAT WE ASK

It is not the purpose of this statement to comment on the levels of tariffs in general. We seek only to establish the fact that the brass-mill industry cannot survive as a sound peacetime industry, maintaining American standards of living and ready to serve its vital function in war and national defense, under reduced tariffs which compel it to compete on equal terms with the much lower labor costs and standards of living prevailing abroad. The essential position of the industry in national defense requires that mill products of copper, brass, and bronze be excluded from the adjustment provisions of the act, and the tariffs on such products to their level before January 1, 1939. If such products are not excluded from adjustment, then we urge that the act be repealed.

A list of the members of the industry and the location of their plants is appended.

COPPER & BRASS RESEARCH ASSOCIATION.

MANUFACTURERS IN THE BRASS MILL INDUSTRY

The American Brass Co., plants at Waterbury, Ansonia, Torrington, Conn.; Detroit, Mich.; Buffalo, N. Y.; Kenosha, Wis.
Ampco Metal, Inc., plant at Milwaukee, Wis.
The Baltimore Brass Co., plant at Baltimore, Md.
Bohn Aluminum & Brass Corp., plant at Detroit, Mich.
Bridgeport Brass Co., plants at Bridgeport, Conn.; Indianapolis, Ind.
The Bridgeport Rolling Mills Co., plant at Bridgeport, Conn.
The Bristol Brass Corp., plant at Bristol, Conn.
Chase Brass & Copper Co., Inc., plants at Waterbury, Conn.; Cleveland, Euclid, Ohio.
Chicago Extruded Metals Co., plant at Cicero, Ill.
Wilbur B. Driver Co., plant at Newark, N. J.
The Electric Materials Co., plant at North East, Pa.
Extruded Metals, Inc., plant at Belding, Mich.
Foster Wheeler Corp., plant at Carteret, N. J.
Hudson Wire Co., plant at Ossining, N. Y.
C. G. Hussey & Co., plant at Pittsburgh, Pa.
Ilsco Copper Tube & Products, Inc., plant at Cincinnati, Ohio.
Lewin-Mathes Co., plant at East St. Louis, Ill.
The Linderme Tube Co., plant at Cleveland, Ohio.

The Mackenzie Walton Co., Inc., plant at Pawtucket, R. I.
The Miller Co., plant at Meriden, Conn.
Mueller Brass Co., plant at Port Huron, Mich.
The National Copper & Smelting Co., plant at Cleveland, Ohio.
New England Brass Co., plant at Taunton, Mass.
The New Haven Copper Co., plant at Seymour, Conn.
Penn Brass & Copper Co., plant at Erie, Pa.
Phelps Dodge Copper Products Corp., plants at Bayway (Elizabeth), N. J.; Los Angeles, Calif.
The Phosphor Bronze Smelting Co., plant at Philadelphia, Pa.
The Plume & Atwood Manufacturing Co., plants at Waterbury, Thomaston, Conn.
Revere Copper and Brass, Inc., plants at Baltimore, Md.; Chicago, Ill.; Rome, N. Y.; Detroit, Mich.; New Bedford, Mass.
The Riverside Metal Co., plant at Riverside, N. J.
Roberts Tube Works, plant at Detroit, Mich.
Scovill Manufacturing Co., plant at Waterbury, Conn.
The Seymour Manufacturing Co., plant at Seymour, Conn.
Somers Brass Co., Inc., plant at Waterbury, Conn.
Stamford Rolling Mills Co., plant at Springdale, Conn.
The Thinsheet Metals Co., plant at Waterbury, Conn.
Titan Metal Manufacturing Co., plant at Bellefonte, Pa.
United Wire & Supply Corp., plant at Providence, R. I.
Volco Brass & Copper Co., plant at Kenilworth, N. J.
Waterbury Rolling Mills, Inc., plant at Waterbury, Conn.
A. H. Wells & Co., Inc., plant at Waterbury, Conn.
Western Brass Mills, plant at East Alton, Ill.
Wolvering Tube Division, plant at Detroit, Mich.

Statement of the International Economic Council Supporting Extension of the Trade Agreements Act

(International Economic Council, 1 North LaSalle Street, Chicago, Ill.)

Not many months ago American businessmen and others who fully realized that the amount of our exports after the war will depend on the amount of our imports were elated by the tariff plank in the Republican platform and were highly pleased by Governor Dewey's liberal interpretation of that plank.

At his first press conference, on being asked whether he approved the reciprocal trade agreements program, the Governor said, "You mean the Republican reciprocal trade agreements program which Secretary Hull has been carrying out?"

"That has always been a Republican policy which Secretary Hull has carried out ably and which I hope the Republicans will continue to carry out."

Governor Dewey in supporting this policy is not out of line as a Republican. In fact he is in good company.

On December 1, 1890, Benjamin Harrison said: "The reciprocity clause of the tariff act wisely and effectively opens the way to secure a large reciprocal trade."

On September 5, 1901, William McKinley said: "Commercial wars are unprofitable. A policy of good will and friendly trade relations will prevent reprisals. Reciprocity treaties are in harmony with the spirit of the times, measures of retaliation are not."

December 2, 1902, Theodore Roosevelt: "It is greatly to be desired that reciprocity treaties may be adopted. They can be used to widen our markets and to give a greater field for the activities of our producers on the one hand and on the other hand to secure in practical shape the lowering of duties when they are no longer needed for protection among our own people or when the minimum of damage done may be disregarded for the sake of the maximum of good accomplished.

"If it prove impossible to ratify the pending treaties, and if there seem to be no warrant for the endeavor to execute others, or to amend the pending treaties so that they can be ratified, then the same end, to secure reciprocity, should be met by direct legislation."

January 26, 1911, William H. Taft, speaking of the reciprocal trade agreement he had signed with Canada, said: "An exact balance of financial gain is neither imperative nor attainable. No yardstick can measure the benefits of the two people of this freer commercial intercourse and no trade agreement should be judged wholly by customhouse statistics."

May 6, 1921, Warren G. Harding: "The new relation of America to the commercial world since we have become a great creditor instead of a debtor nation involves entirely new problems in connection with the expansion of foreign trade."

June 24, 1925, Calvin Coolidge: "The development of foreign commerce is one of the fundamentals of our national prosperity. It is one of the bases of good will and better understanding among nations."

What mystifies everyone is how the Democratic Party came to be known as the Sampson or champion of reciprocal trade after such pronouncements by Republican leaders.

The answer must rest in the fact that the policy belongs to neither party. It is an American policy—not just a Democratic or Republican one.

To arguments that huge segments of American industry are harmed by increased imports under trade agreements may we ask only, "What industries?"

Could it be the Nation's great automobile industry which in peacetime sells hundreds of thousands of cars and trucks a year overseas?

Is it our petroleum industry which annually sells millions of barrels of its output abroad?

Is it our office appliance industry selling 25 percent of its output beyond our borders?

Could it be the household appliance industry which sells huge amounts of refrigerators, washing machines, ironers, toasters, and other products overseas? The millions of American workmen employed in these industries certainly are not afraid of imports. They know that their skill, ingenuity and efficiency tops that of foreign labor.

What about our great merchant fleet—a war-grown giant? Are we going to let it rust in our ports and our seamen go jobless for lack of endorsement of a forward looking foreign trade policy? Is this the industry that is harmed by imports?

Or could it be our cotton growers, wheat farmers, fruit growers, and other American farmers who depend on overseas outlets for the disposal of their surpluses?

After much research we can only conclude that the American farmers who were "sold down the river" by the reciprocal trade program are the banana growers of Wisconsin, the cocoa planters of Ohio, and the coffee growers of Minnesota.

Apparently those who fear for the welfare of our farmers under this program have gotten the Department of State confused with the Weather Bureau.

The arguments against the program appear to be more theoretical than factual. Actually, there isn't a State in the Union which doesn't benefit from foreign trade. A cross-country spot check based on one of the last censuses of foreign trade by States shows exports originating annually in Minnesota amounting to \$51,649,000; in New York, \$956,755,000; Michigan, \$355,300,000; Ohio, \$221,917,000; California, \$380,344,000; Kansas, \$23,806,000; Pennsylvania, \$340,843,000; New Jersey, \$262,699,000; Massachusetts, \$111,531,000; and Nebraska, \$12,406,000.

We still hear it said that high tariffs protect the American living standard. If there are any tariffs that really do that, let them be maintained. But we also believe in looking at the record in these matters.

The record shows that, actually, high tariffs today act as a depressing influence upon the living standard of the American people. The record shows that on the average the wages paid by the highly protected industries are lower than the wages paid by those industries which have little tariff protection or none at all. Our most efficient industries pay the highest wages and need no tariff protection.

The record also shows that consumers—and every American is a consumer—have to pay more for products manufactured by highly protected industries than they would if more of these products were imported. This means they have that much less money to spend for other products they would like to buy.

A great deal of misunderstanding is reflected in the contention that benefits of trade agreements should be limited to the country with which the United States negotiates rather than extended to other countries under the unconditional most-favored-nation policy. Not too well known, however, are the benefits thus gained by the United States.

The most-favored-nation policy is the practical application of the traditional American position of equality of opportunity in foreign markets. It helps free our traders from discriminations abroad. Assurances against discriminations must of course be reciprocal. Failure to remove their causes leads to bilateral balancing of trade, preferential agreements, and eventually to economic warfare.

The most-favored-nation provision not only extends our concessions to countries not discriminating against our trade, but it also brings us commercial benefits which could not otherwise be obtained. The Council will gladly furnish, if desired, numerous examples of how our producers benefited from extension to them of tariff concessions made separately by foreign countries which, under the most-favored-nation principle, were automatically granted to the United States. Peru, Chile, Ecuador, Dominican Republic, Canada, France, Finland, Belgium offer some concrete examples.

Those who disagree with the most-favored-nation policy and its ever wider application in our foreign trade often hesitate to suggest a substitute. Some frankly advocate the only alternative—establishment of preferential trade relations with our friends abroad—the friendship to vary, presumably, with the extent of the preferences.

But discrimination breeds discrimination. A preference to one is a preference against another, and for every friend won through a preferential arrangement several are alienated. At this rate it would not take long to cool many long-standing commercial friendships.

Again we would like to give credit where credit is deserved, but the fact is that the most-favored-nation principle has been a part of the American foreign commercial policy since the beginning of our history as a Republic. Its present unconditional form was adopted during the Republican administration of 1921–24.

For years, the advocates of reciprocal trade preached that a healthy world trade helped promote world friendship and peace. Despite World War II, it would be well to bear in mind that of the 28 nations with which we have trade agreements, not one is at war against the United States.

In this regard, the International Economic Council is in hearty accord with Secretary of State Stettinius who believes that "Two-way trade between the United States and other countries, on a basis of fairness and in the greatest possible volume, is both indicative of international good relations and a means to those relations and to international security."

The declaration of Yalta as well as the proceedings at San Francisco will have a profound effect upon the role of our country in world affairs. This calls for United States collaboration on an unprecedented scale in achieving and maintaining peace, in rehabilitating the nations freed of Axis domination, and in bringing about the realization of stability and prosperity of which foreign trade is the keystone. It is the duty and responsibility of the United States not merely to debate the subject of world cooperation but to act.

The decision about the trade agreements authority is not the only choice, or the most difficult, that the Congress of the United States will have to make about the foundations of peace. But it is fundamental. Your committee's action on it will be an acid test of our intentions of truly cooperating with other nations to build for world peace.

It is for these reasons that the International Economic Council urges extending the Trade Agreements Act and replenishing our bargaining powers to realistically fit the economic problems of the day.

Brief in Opposition to a Renewal of the Reciprocal Trade Agreements Act

Prepared for submission to the Finance Committee of the United States Senate by Arthur Besse, president, National Association of Wool Manufacturers, June 1945

The reciprocal trade agreements program is not to the best interests of the United States. It should not be continued.

No other measure has been promoted with a comparable amount of propaganda nor with such emotional appeals calculated to mislead and deceive millions of people who can scarcely be assumed to understand the economic factors involved in the program they are asked to support.

The growing resistance to the program is due in part to the fact that its sponsors have overreached themselves. They have promised so much, they have used so many arguments—many of which are inconsistent, one with the other—that people are beginning to realize that whatever the program may be, it cannot be what its adherents claim.

INCONSISTENCIES IN THE PROGRAM

Let me briefly mention some of the inconsistencies of the trade agreements program as outlined by its sponsors.

1. It is completely inconsistent to talk about "economic peace" while supporting a program to grab all the neutral markets to which other nations must look for their trade.
2. It is inconsistent to talk about increased employment when the program contemplates a shift of employment from the production of products with a high labor content to assembly lines where to a large extent the machine has replaced the man.
3. It is inconsistent to talk about financing huge exports—large enough to make the entire country prosperous—by increasing dutiable imports so slightly that "no important American industry will be damaged."
4. It is inconsistent to ask for "increased bargaining power" when the bargaining power previously accorded has been dissipated by generalizing concessions to all nations.
5. It is inconsistent to claim that our exports will necessarily promote the economic welfare of other nations when exports are not selected with that aim in mind but determined by whatever surplus happens to embarrass us at the moment—a surplus which we dump into whatever markets we can find.

It is enlightening to examine some of the statements made in connection with these particular inconsistencies.

THE PEACE ARGUMENT

It seems a waste of time to argue as to whether or not the present war proves or disproves the thesis that the reciprocal trade agreements program is an influence for peace. The program has not been proved, one way or the other, but certainly there is no proof that it has been or will be of help in restraining any aggressors.

On the other hand, those who have engaged in trade of any kind realize only too well that economic competition is not always conducive to good relations. Proponents of an enlarged foreign trade assume that the world is eager for any and all of the products we may choose to send abroad. They forget that to the extent that foreign nations have certain barriers against our goods, the barriers usually represent an attempt to protect some of their own producers. If we bargain with a foreign country and get barriers removed, we then offer destructive competition to the producers in that country who formerly had some protection against our efficiently produced assembly-line products. I find myself completely unable to understand how this is "economic nonaggression" or how it promotes peace.

Those who espouse the peace argument also overlook the likelihood of conflict in what are sometimes called the neutral markets. Great Britain looks to South America and to South Africa as offering postwar markets for her products and sources of supply for things she cannot produce herself. But what is she to do if we gobble up those markets for United States volume producers?

Here is what the Honorable William B. Phillips, president of the American Chamber of Commerce of London, says:

"Great Britain must face a very stiff fight and it is not difficult to foresee a period a few years after the war when international relationships may be strained. On the one hand American industry is wholly desirous of helping Britain technically but when it comes to competition in neutral markets, American industry is going to get all the business it possibly can."

Does that sound as though he thought that international trade promotes peace?

One of the proponents of the trade-agreements program said on the floor of the House: "The situation of some of our chief competitors has been greatly impaired as a result of the war and we are in a favorable position of leadership. We can assume an aggressive and positive role in world trade."

He went on to say that "the passage of this measure will indicate * * * that we are willing to sit down and talk over trade problems. The spirit of trade rivalry * * * will be greatly lessened by such measures." It is possible that trade rivalry might be lessened, perhaps, not by reciprocal agreements but by our action in aggressively rushing in and grabbing markets while our chief competitors are flat on their backs. England has already accused us of doing just that. How this contributes to world peace eludes me.

Mr. Bernard B. Smith and John A. Kouwenhoven, writing in Harper's (February 1945), said that "this country is moving into a campaign backed by all our industrial and financial might to capture as large a share of the world's markets as possible." They go on to say that this "will inevitably bring us head on into conflict first with Britain and later with most of the other nations of the world."

Whether we ever receive payment either in goods or in gold is doubtful, but certainly we would be repaid in ill will.

This program of expanding exports, in my opinion, will not promote peace; it will prevent it.

THE ARGUMENT OF "FULL EMPLOYMENT"

The idea that we can achieve increased employment by concentrating on exports and by importing certain products which we now make here is completely fallacious. It is based on a stubborn insistence on looking at only one side of the ledger.

The trade agreements program involves financing increased exports by accepting additional imports of products now protected by import duties. These imports must of necessity replace an equivalent quantity of domestic production. The net effect is to transfer employment from the so-called protected industries to what may be called the exporting industries.

But the protected industries are industries where employment per dollar of sales is high; indeed that is the primary reason they need protection against lower-paid foreign labor. The exporting industries on the other hand employ relatively little labor per dollar of sales; that is why they are "efficient" according to Mr. Clayton's and Mr. Wallace's definitions and can compete in the international market. Accordingly, if you transfer activity from the protected industries to the assembly line industries where the machine has largely replaced the man, you actually decrease employment.

A comparison involving an industry of each type will illustrate the point.

Mr. Irving Richter, legislative representative of the United Automobile and Aircraft Workers, has presented an estimate which indicates that automotive exports in 1950 should reach 1,500,000 units, which would provide jobs for 150,000 workers. I do not know what the postwar export value of cars and trucks might be, but probably it would be in excess of $1,000 a unit. To be conservative, we might figure it as $750. On this basis, 1,500,000 units would have an export value of $1,125,000,000.

Now it happens that the wool textile industry employs approximately 150,000 workers. The foreign value of its annual product is under $500,000,000. Suppose we gave foreign countries our entire market for wool textiles. This would provide them with less than half of the dollars needed to buy the 1,500,000 cars and trucks which Mr. Richter says would provide employment for 150,000 people in the automotive industry. Thus, if we were to finance the export of automobiles by the importation of wool textiles, we would lose two jobs in textiles for every one we gained in automotive products.

This is exactly what will happen throughout the Nation if we pursue a policy of transferring labor from the production of products which require much labor to those which require relatively less.

Perhaps the least profound remark on this subject was made by Mr. Clayton before the Committee on Ways and Means of the House. He said:

"The additional labor that you would employ in producing and exporting this $10,000,000,000 worth of goods would far offset any small amount of labor that might have been employed on making the goods that you import."

Exactly the reverse would be the case.

THE FALLACY OF EXPANDING EXPORTS

Mr. Doughton says that "The whole idea of the Reciprocal Trade Agreements Act is to find a better market for our surplus products in a world free from economic barriers." He has the cart before the horse. Mr. R. S. Hudson, British Minister of Agriculture, says, "Exports are not, as some people tend to think, an aim in themselves. They are a means to an end—that is, to enable us to import the things which we need. To say, as some people do, that we must import some things, whether we need them or not, in order that we may export, is nonsense."

I have sought enlightenment on the matter of expanding exports from the State Department. The Department's logic has not filled me with confidence concerning its qualifications to direct our foreign trade.

Mr. Clayton and others in the Department are constantly saying that we cannot consume all of our own production. Mr. Clayton's words were "Our productive capacity in respect to many types of goods is going to be far and away beyond any consumptive power domestically." The State Department has written me that, while this is true, "The size of the United States market for all goods, nationally produced and imported, has no practical limits." Since the Department has said that there is a limit to what we can consume of our own goods, this is tantamount to saying that although we can consume our own goods in restricted quantities, we can utilize foreign products without limit. A more ridiculous assertion would be hard to find.

Not only is our ability to export limited by what we are willing to import, but it is limited also by the willingness of other nations to accept our goods. Our feeling that there are certain things we want to produce ourselves is an attitude which is found also in many other countries.

Mr. Lorwin in his review of the postwar plans of the United Nations, says that "most, if not all (postwar) plans state explicitly or imply that 'full employment' and higher living standards depend, to a large extent on the capacity of the respective countries to reserve as much of the home market as possible for domestic industries."

We cannot, of course, expect to develop an enlarged export business if foreign countries seek to reserve an increasing percentage of their home markets for their own producers. Nor can we very well quarrel with other countries for so doing.

THE REQUEST FOR ADDITIONAL BARGAINING POWER

The request for additional bargaining power brings up two questions. First: Was the "bargaining power which has been largely used up" properly conserved? and, second, Do we need to bargain at all?

There can be only one answer to the first question. While the most-favored-nation clause has much to commend it, the clause is responsible for the fact that the bargaining power is largely used up. Concessions for which a country might normally give something in return are handed that country automatically if the concessions are made in an agreement with another nation. To get anywhere at all with this bargaining, we need 75 times as much so-called bargaining power as we would if it were not for the most-favored-nation clause. It is utterly inconsistent to ask for more bargaining power while insisting on retaining the most-favored-nation clause which acts to completely dissipate whatever bargaining power we have.

Apparently there is no such thing as enough bargaining power. Mr. Clayton says that, in his opinion, if the State Department does not get this added power it seeks, "other countries would probably raise their rates on products not listed in the agreements and adopt measures which would militate greatly against our export trade, and they might even give notice terminating the agreements." In other words, they won't play ball unless we are content continually to give them more and more. Obviously we have gone far enough along this road.

The second question, Why bargain at all? has been brought into focus by the testimony of the proponents of the amendment themselves. The testimony indicates that most of the backers of this program believe that the real impediment to our exports is the inability of foreign nations to obtain dollar credits and this should be corrected by our purchase of additional foreign goods. Obviously, then we don't need concessions from foreign countries; we merely need to supply them with dollar credits. If we get concessions from foreign countries which further increase our exports, we are probably inducing foreign peoples to overbuy in our market, which is precisely what has happened before.

If there are items we should import in larger volume, why not arrange to do so on our own hook? Why do it as a result of international haggle? If our tariff needs revision, let's revise it. Why should it be done through indirection by a trade agreement with Ethiopia? The whole idea of fixing tariff rates by bargaining is absurd. The reason the State Department wants to continue the procedure is because, when the lace industry—for example—says, "You have ruined us by your trade-agreement policy," it can reply—"Well, that's unfortunate, of course, but we got a concession on evaporated fruits to offset it."

A "bargain" in trade can arise only when one party has too much of something and too little of something else. Even Mr. Charles F. Taft, the State Department's anchor man who appeared before the Ways and Means Committee to pick up the pieces left by the other witnesses, was unable to suggest dutiable items of which we had too little. The State Department is strangely silent as to the items it wants to import in greater volume, but obviously must have something reasonably definite in mind. What are these products the Department wants us to import? And why do we want to import them when we are already making them here? Where does the bargain come in if we merely swap our shoe industry for a larger production of radios, for example?

PROMOTING THE WELFARE OF OTHER NATIONS

Americans would like to believe that our exports represent a contribution to the welfare of foreign countries. We appear to believe that a profit can be made out of charity.

What do foreign countries need the most? Obviously most of them need the means of production and the know-how to enable them properly to employ the machinery of production. But these are not continuing exports. When we assist in in the industrialization of other nations we, in part, limit our future export market. I believe we should help other countries to help themselves, but at the moment the process appears to be more a labor of love than a stable element of international commerce.

What have we that may represent continuing exports to the rest of the world? The world does not want most of our staple agricultural products at prices which we believe should be maintained here. After the war other parts of the world will be in a better position to furnish petroleum products than we are. What of our manufactured products such as airplanes, automobiles, radios, refrigerators, business machines, etc.? All of these are made in many other parts of the world. Many other nations are planning to expand their production of these items—and planning to export them. Other countries of the world do not enrich themselves by buying such products from us but by making them themselves. They achieve prosperity just as we do by increasing their own productivity. Except to the extent that a country is the recipient of charity, no country in the long run can sonsume more than it is able to produce. The way to help other nations is not to become a permanent supplier of their current needs, but to help them to supply more of their own. What has at long last started our own South on the road to economic recovery? It is not trading with the North, but an increased productivity in the South itself.

No part of the prop ganda which has accompanied this program is more pernicious or harmful than the attempt to mislead people into the belief that our efforts to grab the best overseas markets are motivated not by the self-interest of those who have surplus products to sell, but motivated rather by an unselfish desire to help the rest of the world.

THE ARGUMENT OVER EFFICIENCY

Industries which express doubt of their ability to compete under reduced tariff rates are lectured about American-efficiency. We are told that an "efficient" industry does not need protection.

Mr. Clayton defines an "efficient" industry as one that can meet competition from abroad. We have some that can. The automobile industry is one. When I first learned to drive a car, those who wanted a really good motorcar bought one abroad. Our domestic industry, however, has become so efficient that there have been no imports for many years. Does Mr. Clayton not realize that the vaunted efficiency of the automobile trade has been a far greater barrier to imports into this country than has the tariff on pottery? The single most restrictive barrier on our imports is American efficiency. This efficiency is much more effective in keeping imports out than is the tariff, and if we could all achieve a like measure of efficiency-meaning the replacement of hand labor by the machine—we would not need any tariff at all. Who would then keep the world at peace through world trade? I will be accused of making a ridiculous argument and it is rediculous in that nobody would think of finding fault with General Motors because its efficiency keeps out foreign motorcars. But we are being told that tariffs are pernicious because they restrict imports. I am merely saying that American efficiency keeps out a greater dollar volume of goods than does the tariff.

COMPARATIVE EFFICIENCY

Mr. Wallace believes the wool-textile industry is not efficient because it cannot, like the automobile industry, compete with foreign products unless protected by a tariff. It is not possible to compare our wool-textile industry with the automobile industry or the washing-machine industry, for example. If you would inquire into our relative efficiency, you should compare us with the wool-textile industry in Britain.

Figures on production furnished by the British Government and figures compiled by our own Government indicate that it takes the wool-textile industry in Britain approximately 130 hours to produce the same yardage we produce here in 100 hours. You will agree with me, I am sure, that some such comparison as this is the only way to judge the efficiency of our industries. And on this basis nearly all industries in the United States are more efficient than the corresponding industries abroad.

The only basis for saying that we are less efficient than the English is that we pay more per hour for our labor — which is not a matter of efficiency at all but of wage rates. Our average rate is 85 cents per hour; the English average is 30 cents at the exchange rate of $4.035. If we take 85 cents as 130 percent (in line with the figures in the preceding paragraph), we find that wage costs on a comparable volume of production figure 65.4 here as against 30 in Great Britain.

The actual comparison on hourly rates is 85 to 30, but by reason of superior efficiency we reduce the ratio to 65.4 to 30. Unfortunately, we do not know of any way we can incur a labor cost per yard which is double that of our English competitors unless we continue to have tariff protection.

If the State Department's attitude was that a cut in tariff was to be made in an attempt to promote increased manufacturing efficiency in this country, we might rise to the challenge. Unfortunately, however, the State Department's avowed purpose is to increase imports and that it proposes to do by lowering tariff rates until certain American industries are unable to meet the resulting competition. The program involves the necessity of placing a substantial number of domestic producers in a position where they must fail in their efforts to meet foreign competition.

ASSURANCES TO DOMESTIC PRODUCERS

In view of the obvious necessity of vastly increased imports, if we are to achieve the collossal goal of exports indicated, no industry now dependent upon the tariff can take the assurances of the State Department at their face value. Mr. Clayton, Mr. Vinson, Mr. Acheson, Mr. Ryder, Mr. Wickard, all say that no essential domestic industry will be injured. But these industries must be injured if the program of an enlarged foreign trade is to be put through.

Professor Condliffe of the University of California (America's Foreign Trade Policy) is more honest than most. He says "some industries must be impaired and some employment must be taken away," but he, like many others, refuses to try to balance the ledger and insists that what you lose in one place is small compared with what you gain in another.

Judge Vinson also admits the possibility of some damage and he advises us to get into those "lines of production that can stand on their own feet without heavy protection or subsidies." He has perhaps forgotten that those particular industries already produce so much that this program has been designed primarily to help them dispose of their surpluses. It would not appear that there was room for displaced textile workers in those fields.

The State Department has prepared long and meaningless monographs showing what the trade agreements program has done for each State in the Union. The fact is that no real test has been made of the effect of the cuts which we have made nor of the so-called concessions we have obtained from other countries. But the objective of the program has been stated again and again and this is far more persuasive than any listing of figures which purport to show the effect of the program to date. The objective is more exports through more imports.

These assurances on the part of the State Department are either insincere or they are an indication that the Department itself does not understand the implications of its own trade agreements program.

CONCLUSION

I am not an economic isolationist, but I do believe we should decide for ourselves what we should produce and what we should buy abroad. I am definitely not in favor of appeasing other nations by inviting them to dictate what we should import, nor do I believe we should force our products on anyone who doesn't want them. We cannot have our cake and eat it, too. We must decide whether or not we want a diversified economy as a means of developing diversified skills to assure us the ability to meet a crisis such as we faced in December 1941. Perhaps we don't care about a diversification and are content to make this country into a glorified assembly line. If we want the diversified economy, we should decide what elements we have to preserve to assure it—and should preserve them and not bargain them away in a futile quest for an indefinite expansion of general exports.

I sincerely hope the Congress will not delegate this power to tinker with the tariff to the State Department. We should sit tight until we know more of what the postwar world will be like. No new agreements should be even thought of for at least 2 years. Congress can well postpone until then the decision as to whether or not it is competent to continue jurisdiction of our tariff structure. If at that time you decide you want to delegate your authority, it should be delegated only after you have enumerated certain definite principles and defined specific fields within which that delegated authority may be exercised.

Statement of the Hard Fiber Cordage and Twine Industry of the United States

To the Finance Committee of the United States Senate:

This memorandum is submitted on behalf of the entire hard-fiber cordage and twine industry of the United States. The names and addresses of these manufacturers are attached hereto as an appendix.

The sole purpose of this memorandum is to suggest that consideration be given to any effect the proposed legislation (H. R. 3240, extending "the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes") might have on the stock piling of strategic materials, authorized by the act of June 7, 1939. (Refer S. Doc. No. 5.)

The suggestions contained herein may be applicable to many of the industries processing strategic materials stock-piled under the afore-mentioned act, and not merely to the hard-fiber cordage and twine industry.

This industry manufactures the following products:

> First, cordage (rope) used for maritime, oil-well production, wire rope centers, transmission of power, construction and engineering projects, farm operations, commercial fishing, general industrial uses, operation and maintenance of railroads, air and other transport, and other essential purposes.
>
> Second, binder twine (binding twine) used in the harvesting of small grains; and
>
> Third, wrapping twine (tying twine) used in the packaging of bundles, newspapers, etc., particularly, but without limitation, the relatively heavier packages.

The raw materials—abaca (manila), sisal, and henequen fibers—from which the above products are manufactured, are produced solely in foreign countries, namely, the Philippines, Netherlands East Indies, Africa, Mexico, Cuba, Haiti, Honduras, Panama, Costa Rica, and Guatemala. None of these fibers can be grown commercially in the United States. Manila (abaca) and sisal, the two cordage fibers included in group A of the recommendation of the Army and Navy Munitions Board relating to the stock piling of strategic materials (S. Doc. No. 5), come primarily from the Far East or Africa, although there is a limited "war production" of manila fiber in Central America (developed during the present war) and a relatively small production of sisal in Haiti, some of which was also planted during the past 3 years.

The hard-fiber cordage and twine industry is essential to war. This is amply demonstrated by the inclusion of manila and sisal fibers in group A of the stock-piling recommendations of the Army and Navy Munitions Board. Statistics are held "restricted" for military security reasons, but it can be stated that requirements of hard-fiber cordage during the current war approximate five times normal requirements and over 80 percent of this quantity is used directly by the Army, Navy, Air Corps, War Shipping Administration, and Maritime Commission and the balance is used for complementary, essential war uses, such as mentioned above in the products which the industry manufactures.

The industry is faced with added production problems, in wartime, due to the demand for certain sizes, such as tent rope, varying in a major degree from the normal demand for these sizes.

Relatively more rope was used in the Second World War than in the First World War, particularly due to the changed methods of operations. Typical of such uses are landing nets (which saved many soldiers' lives), disembarkation nets, cargo nets, etc.

Obviously, binder twine, used in the harvesting of small grains for foodstuff, alcohol, etc., is essential. Here again the industry was called upon to produce in wartime in excess of normal.

Congress authorized the stock piling of strategic materials in the act of June 7, 1939 and has received recommendations from the Army and Navy Munitions

Board relative to the quantities of these materials to be stock-piled in the future. Some of these materials, among which are fibers, require rotations of stocks. This rotation of stock requires manufacturing facilities in the United States (where the stock piles are to be held) and comparable sales and use of such products manufactured.

Any additional imports of finished products made from the strategic materials stock-piled under the act fo June 7, 1939, would, to the extent of such imports, decrease the demand for manufacturing facilities in the United States and tend to the abandonment of such facilities. This abandonment need not be in direct ratio to the additional imports but could exceed same even to the total discontinuance of an industry in the United States. This could be caused by additional imports causing operations to be on an entirely unprofitable basis.

In this connection, increase in labor rates in the United States during the present war should be borne in mind. Whether or not these rates will ever decline to the rates existent prior to the war or when the Tariff Act of 1930 was enacted is problematical.

It is therefore suggested that H. R. 3240 be amended to provide that there shall be no reduction in tariffs on any finished products made, wholly or in part, of strategic materials now or hereafter stock-piled under the act of June 7, 1939, without the concurrence of such individuals, agencies, committees, etc., having power to determine what strategic materials shall be stock-piled.

We reiterate that the purpose of this memorandum is not to circumvent the purposes of H. R. 3240 but to point out the practical difficulties which will ensue in making effective the stock-piling program unless manufacturing facilities are maintained in the United States to make use of these stock piles and to assist in the rotation of same where necessary.

Respectfully submitted,

J. S. McDaniel, *Secretary.*

Appendix

Memorandum to the Finance Committee of the United States Senate

LIST OF HARD-FIBER CORDAGE AND TWINE MANUFACTURERS IN THE UNITED STATES

American Manufacturing Co., Noble and West Streets, Brooklyn, N. Y.
Badger Cordage Mills, Inc., 423 North Plankinton Avenue, Milwaukee, Wis.
Cating Rope Works, Inc., 58–29 Sixty-fourth Street, Maspeth, N. Y.
Columbian Rope Co., 309 Genessee Street, Auburn, N. Y.
Cupples Co., Manufacturers, Inc., 386 Third Avenue, Brooklyn, N. Y.
Federal Fibre Mills, 1101 South Peters Street, New Orleans, La.
Edwin H. Fitler Co., 5625 Tacony Street, Philadelphia, Pa.
Great Western Cordage, Inc., Orange, Calif.
Hooven & Allison Co., Xenia, Ohio.
International Harvester Co., 180 North Michigan Avenue, Chicago, Ill.
Thomas Jackson & Son Co., Reading, Pa.
R. A. Kelly Co., Xenia, Ohio.
Peoria Cordage Co., 1502 South Washington Street, Peoria, Ill.
Plymouth Cordage Co., North Plymouth, Mass.
Rinek Cordage Co., Easton, Pa.
E. T. Rugg Co., Newark, Ohio.
St. Louis Cordage Mills, Eleventh and Lafayette Streets, St. Louis, Mo.
Tubbs Cordage Co., 200 Bush Street, San Francisco, Calif.
Tubbs Cordage Co., 2021 Fifteenth Avenue West, Seattle, Wash.
Tubbs Cordage Co., 1336 Northwest Northrup Street, Portland, Oreg.
Wall Rope Rope Works, Inc., 48 South Street, New York, N. Y.
Waterbury Rope Co., Inc., 401 Park Avenue, Brooklyn, N. Y.
Whitlock Cordage Co., 46 South Street, New York, N. Y.
New Bedford Cordage Co., 233 Broadway, New York, N. Y.

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