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NOMINATION

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BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
EIGHTY-THIRD CONGRESS
FIRST SESSION

ON
NOMINATION OF JOSEPH E. TALBOT, MEMBER OF THE
UNITED STATES TARIFF COMMISSION

APRIL 9, 1933

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NOMINATION OF JOSEPH E. TALBOT, MEMBER OF THE UNITED STATES TARIFF COMMISSION

THURSDAY APRIL 9, 1953

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

The committee met pursuant to call in room 312, Senate Office Building, at 10:10 a. m., Senator Eugene D. Millikin, chairman, presiding.

Present: Senators Millikin (chairman), Butler, Martin, Malone, Carlson, Bennett, George, Kerr, Frear, and Long.

The CHAIRMAN. The meeting will come to order.

We have for confirmation a gentleman from Connecticut for member of the United States Tariff Commission.

Will you take the chair and identify yourself please.

STATEMENT OF JOSEPH E. TALBOT, MEMBER OF THE UNITED STATES TARIFF COMMISSION—DESIGNATE

Mr. TALBOT. My name is Joseph E. Talbot.

Mr. Chairman, do you want a history of my life?

The CHAIRMAN. I think you ought to tell us something about yourself. Do you have a written statement?

Mr. TALBOT. No, I will just give it orally.

I was born in Connecticut in 1901. I am 52 years of age, educated in the public schools of my home town of Naugatuck, graduated from Dartmouth College in 1922 and law school at Yale University in 1925.

Senator MARTIN. Excuse me, what is the college?

Mr. TALBOT. Dartmouth.

Since 1925 I have been a practicing attorney for 28 years now. I am practicing in all courts in the State of Connecticut, in the United States district court and in the Supreme Court of the United States. I have been actively practicing and was in court up until Tuesday of this week.

The CHAIRMAN. Do you specialize in any particular kind of law?

Mr. TALBOT. No, Mr. Chairman, it is general law practice.

The CHAIRMAN. Where is your law office?

Mr. TALBOT. My law office is in Naugatuck at the present time. It was in Naugatuck and Waterbury previously.

In addition to that, I have been engaged very actively—

The CHAIRMAN. May I ask you, do you practice by yourself or do you have associates?

Mr. TALBOT. I have four associates.

The CHAIRMAN. Thank you.

Do you want to put their names in the record?

Mr. TALBOT. Yes.

The CHAIRMAN. Proceed.

Mr. TALBOT. Mr. Claremont Tolles, his son, Mr. Fremont Tolles, Miss Helen McDonough, and Mr. Thomas Neary.

I have also been very active in politics and have been a Republican all my life.

Senator KERR. I say, are you still a Republican?

Mr. TALBOT. Still.

I say that because many of my friends during the years I was here in Washington, many of them were very good Democrats. One of my closest friends was Senator Francis Maloney, the late Senator Maloney, and another of my close friends, even though I ran against him for the Senate, was Senator Brion McMahon and I have a very lovely letter in the file here from him just prior to his death.

I first ran in Republican politics and served as State treasurer of Connecticut, under Governor Baldwin, from 1930 to 1941. Thereafter I served as Workmen's Compensation Commissioner in the Fifth Congressional District of Connecticut. I served there only for a little over a year because right after Pearl Harbor I ran for Congress in a special election and was elected in January of 1942 and came to Washington. I then served in the 77th, 78th and 79th Congresses. I was renominated again for the 80th Congress but I did not accept the nomination and went back into law practice.

During my years here in Washington, I served on the Committee on Insular Affairs, the Committee on Education, and for 5 years on the Judiciary Committee. Then I left Washington in January of 1947.

Now, as to my work on tariff matters: It is pretty hard to say just how to qualify myself for it, except this: I studied, of course, tariff matters and foreign trade and foreign exchange, which is so tied up with tariff, in college. I majored in it and had a smattering of it in law school, as we all did. Here in Washington I introduced a bill in the 78th Congress to suspend the tariff on coconut, which was a forerunner of the bill that you gentlemen have had in the last 2 or 3 Congresses, suspending the tariff on copper.

In 1942, of course when the Philippines fell, our world supply of coconut went with it and one of the largest candy industries in the country, the Peter Paul Candy Co., was located in my town. I had some difficulty in getting the measure passed and I think perhaps Senator George will recall it, finally Mr. Peterson, who was then the Democratic Congressman from Florida joined with me on the bill and he saw that it went through very well. It was very necessary as a war effort because all agencies of the Government, the Navy Department, the War Department, the Tariff Commission, and several others of our defense agencies felt that since about 80 to 90 percent of the product was being used by Army and Navy, and was also being used generally, I found out later, in the North African campaign, as the pay for the natives who were helping our country and our allies in carrying on the war in North Africa.

In fact, candy bars were the medium of exchange for a long period of time.

Now, of course in the last month or so, I have interested myself in the study of tariff matters and I cannot say that I am more qualified than what I have already related to you gentlemen here.

The CHAIRMAN. Are you familiar with the Reciprocal Trade Act?

Mr. TALBOT. Was I employed with it?

The CHAIRMAN. No; are you familiar with it, sir.

Mr. TALBOT. Oh, yes, the Reciprocal Trade Act of 1931 and its renewals and extensions?

The CHAIRMAN. Yes.

Mr. TALBOT. Yes.

The CHAIRMAN. Are you familiar with the peril-point and escape-laws procedure?

Mr. TALBOT. Well the peril point, as I understand it, has not been used very much in either bilateral or multilateral treaties in their formulation. After the committee recommended its various proposals—those which are embraced within the proposed treaty—the Tariff Commission had a period of time—60 days—in which to investigate to determine whether any of the particular subjects embraced in that treaty were liable to endanger one of our going industries, or going trades.

If so, the peril point will be reached in that particular commodity. That may then be stricken from the treaty.

The CHAIRMAN. The basic theory of both the peril point and the escape clause is that we must not have imports in this country which seriously injure or threaten serious injury to any of our domestic production.

Do you agree with that?

Mr. TALBOT. Well, I certainly do. The escape clause, of course, is used as I understand it, Mr. Chairman, after the treaty is in operation.

The CHAIRMAN. One is intended to protect against that before the deal becomes final.

Mr. TALBOT. That is right.

The CHAIRMAN. And the other is to provide an escape if injury or threats of injury develop afterward.

Mr. TALBOT. That is right.

The CHAIRMAN. All I am asking is do you agree with the theory of that?

Mr. TALBOT. I certainly do.

The CHAIRMAN. Any questions?

Senator Martin—

Senator MARTIN. I have no questions.

The CHAIRMAN. Senator George—

Senator GEORGE. I would like to ask Mr. Talbot a few questions. Would you tell the committee whether or not you are in complete accord with the administration on the extension of the Reciprocal Trade Agreements Act?

Mr. TALBOT. I voted for it I think twice or three times, Senator George.

Senator GEORGE. I believe the President stated he favored the extension for 1 year substantially in its present form. Is that your present position?

Mr. TALBOT. Yes; that is correct, sir. I believe that.

Senator GEORGE. And did you at any time vote against the extension of the Reciprocal Trade Agreement Act?

Mr. TALBOT. Not to my knowledge. I think I voted for it three times and never against it.

Senator GEORGE. When you were in the House?

Mr. TALBOT. That is right, now I hope I am not mistaken on that, but that is my best belief at this time.

Senator GEORGE. Well, anyway, the President is aware of your position on tariffs.

Mr. TALBOT. I think so.

Senator GEORGE. Did you talk with him personally?

Mr. TALBOT. No; I have not talked with the President personally on it. I have talked personally with Senator Bush and Senator Purcell, my two Senators from Connecticut, and they have talked with the White House, but I do not know the nature of the conversation.

Senator GEORGE. You have had no knowledge of the nature of the conferences?

Mr. TALBOT. No.

Senator KERR. Have you had any conferences with any representative of the President in the White House?

Mr. TALBOT. No; I have not.

Senator KERR. Do you know with whom your Senators have discussed your appointment?

Mr. TALBOT. I am not certain, except from what they have told me.

I think Senator Purcell told me he had talked with Mr. Adams, Sherman Adams, on several occasions. Mr. Adams served with me, of course, in the House before he was Governor of New Hampshire.

Now I do not know, Senator Kerr, whom Senator Purcell or Senator Bush ever conversed with.

The CHAIRMAN. They are both here, Senator, and we can ask them.

Senator KERR. You referred to the bills which you introduced in the Seventy-seventh and, I believe, the Seventy-eighth Congresses.

Mr. TALBOT. I think so.

Senator KERR. To suspend the duties on coconuts?

Mr. TALBOT. Yes.

Senator KERR. Do you believe that there should be any limited product legislation of this kind?

Mr. TALBOT. Any limit?

Senator KERR. Yes.

Mr. TALBOT. You mean limit to suspend.

Senator KERR. I mean do you think that legislation of that character to suspend the duties on other products would be in order?

Mr. TALBOT. There are circumstances. I am glad you asked me that because I think it will probably give you gentlemen my theory on what I believe—the basic reason for suspending the tariff on coconut, of course, was that the world's supply of coconut had fallen so far, as we in the United States know, when the Philippines fell. I went to the Embassy, the British Embassy, in the hopes that we could get into the island of Jamaica where the next largest supply of coconut in the world is, or was at that time, in 1942.

The English Government would not allow us to go in there. Coconut was the bread or staff of life on the island of Jamaica.

Then I saw Mr. Ickes, who was the Secretary of the Interior and who had charge of Puerto Rico, and his assistant, I believe it was Mr. Abo Fortes at the time. He agreed that we could go in there for coconut.

Senator KERR. What do you mean "we"?

Mr. TALBOT. I mean the Peter Paul Candy Co. who had asked me to introduce this legislation, and therefore I became part of the picture only as any legislator would.

I think the company then purchased from the Secretary of the Interior, a desiccating plant in Arceibo, and from that point they sent out small boats to all the islands there to bring coconut in.

That was shipped from there, from the desiccating plants in Arceibo, to Tampa—I believe to Tampa.

Now, the reason I believed then that suspension should be on was this: There was no other source of coconut. If the boys in the Army and Navy were to receive these candy bars, the only source of coconut was in the islands of the West Indies.

Senator KERR. Were the sale of the bars limited to the Army and Navy?

Mr. TALBOT. No; I think 80 to 90 percent of them were used by the Army and Navy. The other 10 percent were distributed very thinly. I think our cafeterias here in the building and the House Office Building occasionally had them; but they were hard to get.

Now, going on from there to the suspension of copper.

Senator KERR. Let us stay with coconut a moment.

The question I would like to ask you is: Did the suspension of the tariff on it increase the amount that you got—was it from Puerto Rico?

Mr. TALBOT. What it did, as I understand it—

Senator KERR. Did it increase the amount that you got?

Mr. TALBOT. No; it did not increase the amount.

Senator KERR. The act was then in effect really to relieve the tariff on the quantity that you did get?

Mr. TALBOT. We would not have gotten it with the tariff. We would have had no coconut had not this company gone there to attempt to get coconut and bring it into the country.

In other words, our source of coconut had been in the Philippines, and little if any coconut came from the islands of the West Indies up to that time.

Senator KERR. But the suspension of the duties was not the gadget that got the coconut. The thing that got the coconut was the Secretary of the Interior, I believe you said, making it possible for you to go to Puerto Rico to get it.

Mr. TALBOT. That is right.

Senator KERR. The suspension of the duties just reduced the cost of it?

Mr. TALBOT. That is right. It did this, Senator, as I recall it. It took off, I believe, 4 cents a pound. Now, it may have been 2 cents a pound. It gave the company an opportunity to go down there and invest money and to bring it in and somewhere come within the production that they had known prior to the beginning of the war.

Senator KERR. It gave them an opportunity to get it at less cost without aid, but it did not increase the amount which they were able to get, is that it?

Mr. TALBOT. Exactly.

Senator KERR. Then, the question I asked you was: Do you believe that the pattern fixed in that regard should be a general pattern; that is, the pattern of suspension of duties on those products?

Mr. TALBOT. I think it is a dangerous pattern.

Senator KERR. What is that?

Mr. TALBOT. I think it is rather a dangerous pattern. It should be used only in case of dire circumstances.

Senator KERR. Was the Peter Paul Co. in dire circumstances?

Mr. TALBOT. No, no; not the Peter Paul Co. The Peter Paul Co. would have gone out of business as would every other coconut company, because there was no source of coconut.

Senator KERR. Well, then, you mean they would have gone out of business if they could not have gotten coconut?

Mr. TALBOT. That is right.

Senator KERR. But they would not have gone out of business if they had not gotten suspension of the duties?

Mr. TALBOT. No; what that would have done—and I certainly am no expert on this, Senator—what that would have done, it would have increased the cost of production, and so forth. The price of the coconut bar had to go up to 11 or 12 cents instead of 10 cents, and it would have increased the cost to the Government for the purchase of this candy in enormous quantities by the Army and Navy.

Senator KERR. How much coconut is there in a candy bar?

Mr. TALBOT. I would say it is about 80 percent coconut and 20 percent sugar and sirup.

Senator KERR. Is that 80 percent of a pound or of an ounce or gallon, or what?

Mr. TALBOT. Well, it is 80 percent of the weight of the bar, and I think a bar would weigh probably 3 ounces or something like that.

Senator KERR. How many of them would there be in a pound?

Mr. TALBOT. I do not know.

Senator KERR. I am just trying to find out how you arrived at the conclusion that the failure to get this suspension on the duties of either 2 or 4 cents a pound would have increased the 3-ounce bar 1 or 2 cents a bar in cost to the Government?

Mr. TALBOT. Well, the cost of the coconut would have been, let us say, 4 cents a pound greater with the duties on it.

Now, I was not interested in that at all. I had nothing to do with the manufacture of the bars.

Senator KERR. I am just trying to examine your arithmetic a little.

Mr. TALBOT. I see.

Well, perhaps—you mean in using the figures from 10 cents to 11 cents?

Senator KERR. Using the figure 11 to 12 cents instead of 10 cents.

Mr. TALBOT. I was just using those figures as an example.

Senator KERR. You just kind of picked them out of the air?

Mr. TALBOT. That is right.

Senator KERR. Now, then, I would like to ask you that question again.

Do you think that that legislation should become a pattern or do you think it should be limited to the product of the coconut?

Mr. TALBOT. Well, certainly that type of legislation should be limited. I think we all agree on that.

Now, I know at the present time it applies to copper and it was my successor in Congress that put that bill in—Representative Patterson.

The District Representative, of course, has three of the largest brass industries in the world, which are all in Waterbury. I would say this: I think that there is an escape clause on that in that when—

ever the price of copper reaches 24 cents, I believe, the suspension automatically goes off.

You gentlemen are much more familiar with that than I.

The CHAIRMAN. Mr. Talbot, let me ask you a question. We do not raise coconut in this country. We do not raise coffee in this country. We do not produce much tin in this country.

There are many things we do not produce, and in all instances of that kind the stuff comes in here free. That is a well-established policy in this country. So, all you have had about coconut is within the well-defined powers of Congress.

Senator KERR. Mr. Talbot, do you own any stock in these companies?

Mr. TALBOT. No, sir.

I do not own one share of stock in any company at this time.

Senator KERR. Do you believe that either the Republican or Democratic Party should have a majority representation on the Tariff Commission?

I believe the present Commission has three members of each party, so as to make it entirely bipartisan. Do you approve of that or do you think one party should have the majority of the members?

Mr. TALBOT. Senator Kerr, the question is very difficult to answer. I have read the last 12 or 14 decisions of the Tariff Commission on escape clause, and I hope I am absolutely wrong in this, but the decisions are divided.

They are 3 to 2 or 4 to 2; whether they are political decisions or not, I do not know. I would never want to say such a thing.

Senator KERR. Would you even want to intimate it?

Mr. TALBOT. Well, it is a difficult thing, Senator.

Senator KERR. The reason I ask you that is because I am afraid that unless you say that you do not, the record might intimate that you do.

Mr. TALBOT. Well, I do not want to intimate any such thing, of course. I have them before me here. It seems to me that where you have a "3 to 3" you are very apt to have a tie vote.

Senator KERR. How many tie decisions have you run into there?

Mr. TALBOT. Well, I did not count them. I said 12 or 14.

Here is the way I feel about it.

Senator KERR. I say, how many tie decisions have you run into?

Mr. TALBOT. There were no ties, because they were missing 1 or 2 members because of a resignation or death. There are several 3 to 2 decisions here.

Senator KERR. But no tie decisions?

Mr. TALBOT. No ties.

Senator KERR. In other words, then, your fear that there might be a tie decision is based upon your thinking of the future and not upon any record you can refer to; is that it?

Mr. TALBOT. That is right.

Now, I want to have the committee understand my feeling on this. I think being a member of the Tariff Commission is, of course, a great honor, and yet I feel this way about it, that I would deal on a commission just as I would deal as a member of this body. All of us have decisions to make but I think we decide for the good of the country, what is best for all the people all the time and not necessarily what is good for our own particular district, whether it be a Congressional

District or State, or anything else. And I feel that my judgment in coming to any conclusions as a member of the Tariff Commission, if I am successful in becoming a member, that my conclusions would be based on a Nationwide point of view rather than any narrow sectional point of view.

Senator KERR. Do you now feel that the coconut bill was a rather narrow sectional bill?

Mr. TALBOT. I think so, yes. I think in one sense it was and in another sense it was for the good of the country and the good of our Army and our Navy. There was not one single agency that objected to the bill, and Mr. Knudsen of Minnesota was then the minority leader on the Ways and Means Committee, and for several months Mr. Knudsen opposed it, but he finally came to me and he told me that he thought for the good of the country it ought to be passed.

Senator KERR. I was asking you do you approve the present membership of 3 from each party, or do you favor fixing it so that there would be a majority of the members from 1 party?

Mr. TALBOT. Well, that is a question of policy I think others than I should decide. It would be unfortunate, I think, otherwise. I would not want to see it otherwise. It would be unfortunate if we had decisions that were 3 to 3 decisions because of party politics; that would be unfortunate.

Senator KERR. You do not find where there have been any decisions; do you?

Mr. TALBOT. No, sir; I do not.

Senator KERR. So I am asking you just as a matter of your personal position in the matter, do you favor continuation of the 3 to 3 membership?

Mr. TALBOT. I feel that way.

Senator KERR. You would favor it being continued as it is?

Mr. TALBOT. I do not believe that any man in this position would decide a question on purely politics; certainly I would not.

Senator KERR. Then you would favor keeping it as it is?

Mr. TALBOT. Yes, sir.

Senator KERR. I have one more question, Mr. Talbot. Suppose the question before you had to do with the welfare of the cotton producer or the wheat producer or tobacco producer, would you feel their welfare had a similar relationship to the national welfare as you felt at one time that the welfare of the Peter Paul Candy Co. had to the national welfare?

Mr. TALBOT. I certainly would; I certainly would.

Now, in the study of the preparation of these matters that come before the Tariff Commission, I could not help but run into the problem they have in the Rocky Mountain States in the district Senator Millikin represents.

Senator KERR. I can understand how you feel about the area that our distinguished chairman comes from. I have some concern about how you would feel about the agricultural area that I represent.

The CHAIRMAN. Will you let me applaud him for solicitude for the West.

Mr. TALBOT. I think where in the Rocky Mountain States where the pay for shearing a lamb is, I believe, 46 cents—

The CHAIRMAN. They make better pay than on Wall Street.

Senator KERR. You mean they make more by shearing them?

Mr. TALBOT. In the Argentine the lamb is sheared for approximately 8 cents. There is not any question but that the difference in the wage scale is going to cause the South American wool to come in at a cheaper price than our domestic wool.

Now, there are two things I ought to mention.

First of all, we have been getting the business on foreign currencies.

Senator KERR. How do you mean "We have been getting the business"?

Mr. TALBOT. I mean the depreciation of foreign currencies. Of course, there is one way of upsetting the best laid plans of all of us, and that is it.

The other thing is this: There is a very close connection between tariffs and our protection of the future. I mean our protection in the form of protection for peace and against war. We were very fortunate in this country that many of the industries in my section of the country were converted over within a period of 30 days from peacetime to war production.

Now, I have read these decisions on watches and clocks here. Very frankly, I would have voted the other way. I think they should have had protection. The Waltham Clock Co., as you know, is out of business. It may be that some of these other companies are in jeopardy at the present time. They have been asking for help. How fortunate we were in this country that those very companies were converted from a peacetime industry into a wartime industry over night. Now, certainly that is worth a lot of money to the American Government and to you and me, all of us.

Now, another thing I think is important in this connection is a statement which was recently made by Mr. Ford that we ought to have free trade.

Senator KERR. Say that again.

Mr. TALBOT. That we should have free trade.

Senator KERR. Who said that?

Mr. TALBOT. Henry Ford III; that we should do away with all tariffs and all barriers and everything else. Well, if we were to have peace forever, gentlemen, it might make some sense, but we have lived in a world that knows more war than peace. At least history would seem to record that, and we must at all times prepare for the worst.

Now, to destroy our domestic business, whether it be the business of your country, the cotton and the wheat; or the industry of my country; or the sheep of the Rocky Mountain States; the fruit on the west coast, if we are going to destroy that by a policy of free trade, then we are not doing the United States of America any favor. We are certainly injuring our own country. Now, that would be in the back of my head and that would be the basis and background of every decision I would make.

The CHAIRMAN. Mr. Talbot, awhile ago in your colloquy with Senator Kerr, we were talking about what would be good for the country. May I suggest to you that the laws of Congress, right or wrong, determine what is good for the country. I asked you awhile ago whether you approved the peril point and the escape clause ideas, and you said you did.

Mr. TALBOT. Yes, sir.

The CHAIRMAN. I respectfully suggest that your guide should not be your own notion of what is good for the welfare of the country. The Congress alone will decide that and you can stick to the law and the policy of the law and you will not be in trouble.

Mr. TALBOT. I think that is excellent advice, sir.

The CHAIRMAN. Senator Frear?

Senator FREAR. I just wondered, this may not be too pertinent to the matter here; however, you said, I believe, Mr. Chairman, that all products that we lack in this country come in free of customs or free of duty. Can I take from that or either from Mr. Talbot's statement that all coconut produced in Puerto Rico is tariff free coming into the United States?

The CHAIRMAN. I think, Senator Frear, that there should be a little qualification on that. Where you have coconut oil competing with some other form of oil, that may cause some different treatment.

Senator FREAR. Is it not true, that coconut produced in Puerto Rico is custom free in this country?

The CHAIRMAN. That is correct.

Mr. Benson, coconut oil comes in free; does it not?

Mr. BENSON. There is a tax on coconut.

Senator FREAR. The production of coconut in Puerto Rico is duty free into the United States.

Senator MARTIN. The raw coconut is free.

Senator FREAR. That is right. And whether it is processed in Puerto Rico or the United States.

Senator MARTIN. Mr. Chairman, is there any tariff on it from Puerto Rico?

The CHAIRMAN. It is part of the United States and, therefore, I do not think there is.

Senator FREAR. I think that is true of all things, but we were just talking about coconut. I think that gets back to a very basic thing in the selection of a man that is going to be on this very important commission.

And I might say at the outset I have a very high regard for the State of Connecticut. I do not know the Representatives, but I do know the two Senators that are now representing the State of Connecticut. But the gentleman before us today introduced a bill to relieve tariff on coconut. And according to his statement, he did it for the best interests of the people of this country. The Army and the Navy, according to his statement, took 90 percent of the Peter Paul product, which is processing coconut bars. Was there, to your knowledge, Mr. Talbot, during the war and when the Army and Navy or the Armed Forces were taking 90 percent of the Peter Paul product, which was chiefly coconut, were they not also taking candy bars from other candy manufacturers in this country?

Mr. TALBOT. I think so.

Senator FREAR. What percentage, then, did Peter Paul supply to our Armed Forces?

Mr. TALBOT. That, I do not know, Senator.

Senator FREAR. Was it a major part or minor part, in your opinion?

Mr. TALBOT. Senator, I had no particular interest in it.

Senator FREAR. But basically, an industry in your home town, and a fine industry—in my opinion, I think Peter Paul is one of the outstanding industries in this country—but that was a district that

you represented, and because you represented them and you wanted to represent them well, you introduced a bill for a tariff concession for that company that fitted that company. Senator Kerr has followed along that line and later said, as an industry, would you favor that principle if the cotton industry or the tobacco industry or some other in this country needed tariff restrictions; would you follow the same line of thinking?

Mr. TALBOT. Absolutely. I would follow it any time it absolutely threatened to wipe out an industry or wipe out the production of anything that we needed in this country, and particularly in the middle of a great war.

Senator FREAR. And it would not have to come from Connecticut?

Mr. TALBOT. No, sir.

Senator FREAR. Now, would that also pertain to the oil industry of this country?

Mr. TALBOT. Absolutely.

The CHAIRMAN. Senator Long?

Senator LONG. Nothing at this time.

The CHAIRMAN. Senator Kerr?

Senator KERR. I want to say I think Mr. Talbot is a distinguished citizen because, in response to my question, Mr. Chairman, I rather felt he devoted a little more time to reassuring the chairman on sheep than he did the Senator from Oklahoma on cotton and wheat.

Senator LONG. Do you have any view, Mr. Talbot, on whether or not the peril point and recommendations of the Tariff Commission should be made mandatory? Do you think that should be made mandatory upon the President?

Mr. TALBOT. I feel it should be.

Senator LONG. Do you feel it should be mandatory?

Mr. TALBOT. So far as I can find out, the peril point theory has not been used very much. In fact, I cannot find where it was used in the last 2 or 3 years at all. I may be wrong on that. Certainly it was not used last year on anything, because with the exception of 1 or 2 treaties, I guess we did not make any new treaties in the last 2 years.

But my answer to your question is "Yes; I feel it should be."

Senator LONG. We have had quite a few suggestions that in order for our allies to be able to maintain their economies, they are going to have to be able to trade with someone for the materials they need and the United States is their principal hope as a customer with whom they can trade. Do you have any idea as to how trade could be expanded with our allies and friendly countries?

Mr. TALBOT. Well, that is, of course, a question that is very, very difficult for me to answer. I think I get your point, Senator, that the only way we can trade with foreign countries is for them to ship goods into this country, and that gets you eventually down to the point of free trade.

Senator LONG. I am not recommending free trade, but I am thinking in terms of such measures as we might be able to adopt to make it profitable for them to obtain some of the things they need from us. They have to be able to trade something with us in order to do it.

Mr. TALBOT. That is right.

The CHAIRMAN. May I ask this question.

If the Congress should change the policy of the present law, you would obey the law, would you not?

Mr. TALBOT. Absolutely.

Senator LONG. I would be curious to know if the witness has any ideas on the subject. He would certainly be more of an expert on it than I would as a member of this committee. I was interested to know if he had any ideas as to how we might be able to expand our trade.

Mr. TALBOT. No; I do not have any such ideas. And I think Senator Millikin has well given me a guide and laid down a guide that you gentlemen who make the laws have the benefit of years of experience, the benefit of the finest experts in the world, and as you make those laws, I most certainly would apply them. I would have to and would do it. But this idea of no more aid for trade is at the very bottom of the question you asked me. And we reach a point where we can go along with free trade so far but the minute we begin jeopardizing or imperiling one of our own businesses or industries or agricultural products, or anything else, then we are up against a stone wall.

Senator LONG. Well, we try to keep a merchant marine bottom loaded. I will put it this way—we provided in the bill for European aid that half of that shipping would go in American bottoms, as I recall it, to guarantee that at least half of the business would be available to our industry and more or less conceding that the other half would be hauled in foreign bottoms. Certainly as far as the merchant marine phase of our economy is concerned, that is a major concession to allied industry, is it not?

Mr. TALBOT. It is.

Senator LONG. Fifty percent.

Now, you suggested that you thought the decision on watches was unfavorable. That would mean less trade in this regard, the Swiss would have less dollars to trade with us.

Senator BENNETT. Will the Senator yield?

Senator LONG. Surely.

Senator BENNETT. There is no American watch industry. The Swiss own the watches. All they are doing is assembling Swiss watches in American cases. There may be one company remaining and that would be Elgin. Hamilton has gone.

Senator MALONE. In other words, free trade wiped it out?

Senator BENNETT. The Swiss now own the American watch industry with one exception. I think there may be one company still hanging on, but the negotiations for the sale are going on because they cannot possibly survive. They survived as long as they could, and when the Tariff Commission turned them down, that was that.

Senator LONG. I am not arguing the watch industry at this moment, except if the Swiss are going to buy American products, they have to have some money from somewhere to buy it with. About the only thing they export, so far as I know, in any quantity is watches. Do you think of any other export that would come under a major export?

Mr. TALBOT. Cheese.

Senator LONG. We have plenty of that.

Senator MARTIN. Mr. Chairman, I wonder if the Senator would yield?

Senator LONG. Surely.

Senator MARTIN. If we do not have a watch industry in America, where do we expect to get the precision workers, plant workers, in case of a war emergency?

Senator LONG. I am not trying to argue the issue, but we in Louisiana have a sugar act to maintain a certain amount of domestic sugar production. That does not take over the whole market. We bring in about three-quarters of our sugar. I know our Chairman is very familiar with that. It certainly affects the Western States, but we do certainly import a lot of sugar, and it is probably better that we do.

Of course, my reaction to the tariffs generally is that everybody wants the tariff on the thing he produces in his own State. If he is going to have any trade, we have to make it possible for someone to import things to this country, and the thing I would like to explore is what measures can be undertaken to make possible more trade. If our allies are badly in need of raw material, food, and so forth, that we produce here, how can they get it unless we just give it to them? Do you have an ideas as to how that could be expanded?

Mr. TALBOT. No, sir; I do not, Senator.

Senator LONG. It has been suggested that there should be a tariff on lead and zinc. Do you have any opinion on that?

Mr. TALBOT. On lead and zinc?

Senator LONG. Yes.

Mr. TALBOT. Well, lead and zinc would follow the same pattern as copper. There would be a suspension of a tariff until lead and zinc reached a certain point in production in this country, and I assume the State of Missouri produces most of our lead, and where we reach the point where we were not jeopardizing our lead industry in Missouri, I think that is the point we have got to look for.

Senator LONG. It had occurred to me, and I wondered if you had given any thought to this subject at all. We have enormous stockpiles of certain commodities, particularly our agricultural commodities, far beyond our immediate needs.

It might be desirable to trade some of those commodities from our stockpiles for other materials which we would not put on the market but would simply maintain in our stockpiles, material that would be used in the event of war, either strategic materials or materials we would produce here but might find in short supply. Could we not increase our stockpile by increasing our exporting of surplus materials from other countries and decrease our stockpile where we have an excess of materials? Have you given any thought to that?

Mr. TALBOT. I think your point is we do not want to be building more warehouses and filling them up with more and more surpluses. We have got to find a market for them, and that is something that must be worked out.

Now, whether that comes within the lines of the duty that I hope to carry out here, I do not know, but it is a tremendous problem that you have brought out.

The CHAIRMAN. Mr. Talbot, I suggest you will have nothing whatever to do with that.

Mr. TALBOT. Thank you, sir.

The CHAIRMAN. Have you finished, Senator Long?

Senator LONG. Yes, sir.

Senator MARTIN. Mr. Chairman, may I ask one question?

The CHAIRMAN. Yes.

Senator MARTIN. Mr. Talbot, you appreciate that great difficulty in the cost of production in America and our competing countries is the one of labor?

Mr. TALBOT. Yes, sir.

Senator MARTIN. Do you approve of the general philosophy of our tariff regulations that that should be taken into consideration?

Mr. TALBOT. Absolutely, 100 percent, I approve.

Senator MARTIN. For example, take this glass; that is hand-blown. The man that does that work in America gets about \$2 an hour. In competing countries, it is about 30 cents an hour. Do you also approve of the theory that our small industries, which are really the backbone of the American economy, ought to be given consideration in tariff rates?

Mr. TALBOT. Yes, I do, Senator, I do. I come from a section that has a great, great many small industries.

Senator MARTIN. I believe, Mr. Chairman, there has been quite a change in the philosophy of a number of people in this great New England section of America as it relates to the matter of tariff. And I just wondered whether you had gotten indoctrinated with that theory?

Mr. TALBOT. Senator, I think our problem is exactly the problem that the west coast has. It is the same problem the Rocky Mountain has. It is the same problem that the gentleman from Louisiana has. And today with industry being spread out over the United States; for example, I know that recently in Little Rock, Ark., one of the companies in Waterbury, the United States Time Co., opened another company down there and, of course, the movement was made for several reasons, one of which is defense in case a war should come.

Nothing ever impressed me the way that these companies switched in 30 days and started making fuses for time bombs right in the very factory where watches and clocks were made 30 days before under a peacetime economy. Now, that is something that is very, very valuable.

Senator MARTIN. You agree that that is one of the great strengths of America and that should be maintained, although at times it may make us all pay a little bit more for products than we would had we a free trade policy?

Mr. TALBOT. Yes, sir.

Senator MARTIN. Thank you.

DUTY OR TARIFF—BASIS OF FAIR AND REASONABLE COMPETITION

The CHAIRMAN. Senator Malone?

Senator MALONE. Mr. Talbot, I have been very much interested in your discourse, but you are exactly right, we must stay in business to preserve the technical know-how for our national defense structure which we have to support, and to keep our economy sound. You believe that?

Mr. TALBOT. Yes, sir.

Senator MALONE. We have to stay in business for another reason, to support our economic structure on the basis of the wage living standards we have developed and may develop in the future. Do you believe that?

Mr. TALBOT. Yes, I firmly believe that.

PEACETIME INDUSTRY AND NATIONAL DEFENSE

Senator MALONE. And do you believe that we must maintain these industries like the precision instrument business, the watch industry, the machine tool industry, the mining, textile and other important industries, so that the peacetime skilled workers will be available to turn immediately, as you suggested, to national defense industries?

Mr. TALBOT. Yes, sir, I do. I believed that in the last war and I was very close to it, and it was one of the greatest things we have in America, and is today, that we can turn over so quickly and it is a jump we have over other countries of the world. And if we ever sacrifice that, you gentlemen do not want me on any tariff commission.

Senator MALONE. I am sure you are correct. Then it is to protect your standard of living that you have a tariff or duty as the Constitution calls it?

We want a tariff on the basis of fair and reasonable competition and not a wall around the Nation—not a high tariff or a low tariff.

Have you ever heard anyone who understands the use of the tariff or duty, to protect the American workingmen and investors, ever ask for a high tariff or a low tariff? Let me put it this way—what those of us want that advocate either a tariff or import fee or duty, is to have that tariff based on fair and reasonable competition so you do not exclude anyone from your market but they come in on the same basis as the American producer must meet; is that your idea of a tariff?

Mr. TALBOT. Somewhat.

Senator MALONE. Would you define what you mean by that?

Mr. TALBOT. May I go on a moment?

Senator MALONE. Yes; I would like for you to.

Mr. TALBOT. After all, the Tariff Commission is an agency of Congress.

Senator MALONE. That is right.

Mr. TALBOT. And it should be.

Senator MALONE. May I interrupt you at that point. The Constitution of the United States fixes that duty in Congress. That is a constitutional responsibility of Congress to fix the duties which we are to have. Do you agree?

Mr. TALBOT. Yes, sir; I agree with that, Senator, and I feel that perhaps in the last few years, perhaps since 1934, to be exact, that that cohesion between the Tariff Commission and the Congress of the United States has not been quite as close as I would like to see it.

Now, of course, I am prejudiced in this sense, that I have been a Member of Congress, I feel very definitely that the Tariff Commission should answer and be a close agency of the Congress of the United States at all times.

Senator MALONE. Mr. Talbot, you understand in 1934 they transferred the congressional responsibility to regulate duties, imposts, and excises to the Executive—when did you come to Congress?

Mr. TALBOT. I came to Congress in 1942, in January.

Senator MALONE. In 1934, the Trade Agreements Act did transfer the constitutional responsibility of Congress to regulate foreign commerce and fix the duties, imposts, and excises—commonly referred to as tariffs on import fees, to the Executive Branch, and severed all connections between this constitutional responsibility and Congress.

Mr. TALBOT. And particularly to the State Department; yes, sir.

Senator MALONE. Particularly, the President put the responsibility upon the State Department?

Mr. TALBOT. That is right.

Senator MALONE. Do you think that is a good thing?

Mr. TALBOT. I do not, Senator.

Senator MALONE. I think you have answered my questions. You believe that Congress should reassume its constitutional responsibility. The Tariff Commission is the agent of Congress, and the relationship should be reestablished between the Tariff Commission and the Congress that close relationship which should exist between the parent body and its agent. The Tariff Commission had the authority to adjust tariffs on a flexible basis of fair and reasonable competition—establishing fair trade with foreign nations. The theory of the tariff is to represent that differential cost of production due largely to the difference in the wage-living standards here and abroad. I believe that is about as concise as I can state it. Do you believe that?

Mr. TALBOT. Yes; I believe that.

Senator MALONE. Then you are very sound in your approach to the problem of foreign trade. I would like now to divert to your first statement—and I am sure that your subsequent testimony has erased any indication that you introduced any bill to help any special industry. You believed fully that if you could remove the duties on coconuts in the emergency, that you were assisting the boys in the Army?

Mr. TALBOT. Absolutely.

Senator MALONE. That is what you thought?

Mr. TALBOT. Yes, sir.

Senator MALONE. Well; I will ask you if you knew that when the Government buys anything for national defense, let it be coconuts or tungsten, or whatever it is, that they do not pay the tariff.

Mr. TALBOT. Yes, sir.

Senator MALONE. The Government does not pay the tariff on any of its imports for national defense—and if such material is imported by a private manufacturer he pays the tariff to the Government—then when such manufacturer sells the product to the Government the tariff is a part of the sales price—so it is an even exchange. When they pay the tariff, they pay it into the United States Treasury. Then when they sell the product to the Government, it is charged in the price of the goods—it is really just an exchange; is not that it?

Mr. TALBOT. I think I see what you are getting at, Senator, and, of course, under the tax setup then and now, it all comes back anyway.

Senator MALONE. In addition to that, if he makes a profit, the Government gets most of that too, unfortunately.

Mr. TALBOT. That is right.

Senator MALONE. That is another field but I hope these emergency taxes will be reduced or allowed to die like they should die, because they were levied upon the people under the guise of an emergency to start with.

The point is this: It does not make any difference whether it is steel, tungsten, or some other product, the tariff will be paid to the United States Government by the private manufacturer, and when the processor sells the product to the Government, he adds the amount

of the tariff to the price which has the effect of an even exchange, and no one profits?

Mr. TALBOT. No.

Senator MALONE. I would like to know if you agree with me on the premise, that Congress' continual tinkering with the protection of the investor and the workingman; standing ready to change the tariff on the slightest provocation, discourages private industry from going into any business where the labor cost is higher than their foreign competition pays?

Mr. TALBOT. I agree with you.

Senator MALONE. Now, one more thing. We have a picture of Henry Ford II, who is a direct descendant of the original Henry Ford, the inventor of the Ford automobile. I know his grandfather, who was a man of vision who said one morning out of a clear sky when the average wage of a mechanic was about \$2.50, "Hereafter \$5 is a minimum wage, because they cannot buy my Fords on a wage of \$2.50."

Now, if Mr. Henry Ford II, with his factories building English Fords in England, with his \$3.50-labor manufacturing an automobile which he can bring back here cheaper than he can make them on our wage standard of living in America, if he would set the English wage at a \$5 minimum, giving as his reason they cannot buy Fords on \$3 to \$3.50 wages, he would be doing a great service for England and for the United States of America.

Mr. TALBOT. There is another thing behind it all.

Senator MALONE. What is behind it?

Mr. TALBOT. Well, sir; as you well know, Senator, in every town and hamlet in the United States, the automobile industry today has service stations and parts, whether it is Chevrolets, Chrysler, General Motors products, or any other products, and when you and I buy a car and we have a breakdown, we get service in 5 minutes.

Now, of course, foreign automobile industries cannot get that service. I saw a car just a few weeks ago—it happens that my name is hyphenated into it—it is the Sunbeam Talbot, and it is an English car: 120 miles per hour and 40 miles per gallon. It sells at something like \$3,000, but there is only one place in the United States that you can get service on them. That one place is in New York City. Now, living out in the Middle West or in the South, if you bought one of those cars, it would probably cost you the price of the car to get it repaired if you needed it repaired. And, until the day comes that foreign automobile companies have similar service, we do not have to worry about foreign competition in that respect.

Senator MALONE. Let me ask you another question. Does that apply to Fords that are made in England?

Mr. TALBOT. Well, of course, Ford of England and Ford of Canada, I assume that although they are separate corporations, separate corporate entities, that those that hold the stock in those entities may be the same people.

Senator BENNETT. Would you ask me that question, Senator Malone?

Senator MALONE. They are not only the same people but his company grew rich on the tariff. Now he can go behind the sweatshop-labor curtain and build his cars and bring them back here under free trade and undersell the American-made product.

Senator KERR. If he can answer it, would you let him do it right now? Are they the same as the American Ford?

Senator BENNETT. They are not the same automobile.

Senator MALONE. Can you get service?

Senator BENNETT. American Ford dealers have the right to buy English Ford cars and plenty of them do, and most of them who buy the cars carry a supply of parts.

Senator KERR. None of the parts are interchangeable, are they?

Senator BENNETT. No; but they have the same service.

Senator MALONE. That is what I wanted distinctly understood. I am going to develop it further with Mr. Talbot, who seems to know what he is talking about.

Senator BENNETT. Mr. Chairman, I see the Senator from Oklahoma is leaving, and I have a question that I would like to clear up that he was interested in, so if you will yield for one question?

Senator MALONE. Yes, sir.

Senator BENNETT. You asked the gentleman whether he had ever known of any 3-to-3 decisions, if there were any 3-to-3 decisions. There were no decisions. So there may have been many 3-to-3 decisions which had the effect of dismissing the question because there was no decision, and I feel that possibly the witness did not realize that. So I want to ask him the question. Do you realize that there may have been many 3-to-3 decisions which had the effect of negating the question before the Commission?

Mr. TALBOT. No, Senator, I do not know that, because I have the last several reports and they only show---

Senator BENNETT. There would be no report.

Mr. TALBOT. That is right.

Senator BENNETT. There would be no decision.

Mr. TALBOT. I have no knowledge on that, but maybe you are right on that.

Senator BENNETT. So I believe, Senator, that may be a very real factor in this situation.

Senator KERR. Mr. Chairman, I recognize the possibility that might be opened up here through speculation. I must say I appreciate that when I was asking that of the distinguished witness, but I am happy the witness answered my questions on the basis of the facts and left me to do the speculating.

Senator MALONE. Mr. Talbot, I was just going to observe that we have a real Ford service at the airport in Las Vegas. If you call for a car and do not specify what you want, you will get an English Ford. Now, I am not objecting to English-made Fords. I am not objecting to Mr. Ford's action in putting his plants in foreign countries--using the cheap labor and advocating the abolition of the tariff protecting the American workingman--but I do blame an utterly irresponsible Congress whose action makes such an operation profitable. If we do not extend the 1934 Trade Agreements Act, the Tariff Commission can equalize the production cost here and abroad.

I do not blame the companies for using the foreign sweat-shop labor to threaten the wage-living standard of the American workingman--I blame a Congress which makes it necessary or profitable. General Motors and others that have had these factories before the war, are now replacing them. We should let the 1934 Trade Agreements Act expire and let the Tariff Commission take the profit out of sweat-shop labor.

Mr. TALBOT. If we reverse the whole process of our thinking, if we as American citizens are going to buy products at the \$2-per-day wage rate, it eventually would reduce our American wage to the \$2 limit. In other words, as your balance of trade goes the other way, we have got to come down in our wage scale.

Senator MALONE. You are absolutely right. I have made that speech on the Senate floor many times, to the effect, that when you are competing with a wage scale that is lower and a carrying charge that is less with the same machinery—and we are giving them the machinery—you must eventually meet the companies' wage-living standard of your competition and write down your investment to meet the competition or go out of business; is that true?

Mr. TALBOT. Water will seek its own level in even that case.

Senator MALONE. I am certainly delighted that you have been appointed to the Tariff Commission.

There is one other question I would like to ask. There have been statements made on the Senate floor and in the committee recently that there should be no tariff on any product when our domestic production does not equal the domestic consumption. There are very few products produced in this Nation to the full amount of the consumption, but without protection, you would produce little or none of it.

Now, what I want to ask you, if you produce 50 percent or 75 percent of the domestic consumption of a product, your import fee or duty, as the Constitution of the United States calls it to equalize the production cost here and abroad, keeps you in the business.

Mr. TALBOT. Of course, anything you would do to neutralize or to keep at a constant production, at a certain figure, whatever that figure may be, you are saying in the same breath "We are not expanding. We are not going to expand the business anymore." If we would do that with every business in America, we would stifle ourselves quickly. It is the expansion of business that made this country great.

Senator MALONE. By stabilizing the business?

Mr. TALBOT. Yes; and once you neutralize a figure or cut it off, if we ever come to that point, particularly with the growing population, we are defeating ourselves.

Senator MALONE. Well, then I will ask you a question this way; if you had no protection, then you go out of the business that you now have in that particular line because of competition from low-wage countries?

Mr. TALBOT. You will go out of business in a couple of years.

Senator MALONE. I have no further questions, Mr. Chairman. I think you have a wonderful candidate for the Tariff Commission.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. No further questions.

The CHAIRMAN. Do you have anything further to say?

Mr. TALBOT. No, sir.

The CHAIRMAN. I believe we have with us Senator Bush.

Senator BUSH. Mr. Chairman, I just have a very few things to say.

The matter of Mr. Talbot's nomination has received very careful consideration by Connecticut, I can assure you. I do not know of any appointment which Senator Purtell and myself have discussed as carefully as we have this one.

Mr. Talbot has been recommended for this job by the three members of the Republican National Committee. That I say not just because they are Republicans, but I think anyone in Connecticut would agree that these three people hold very high positions in respect to our community and in their respective communities, so that their approval of Mr. Talbot means more to us, I think, than just the political implications of it. Our Governor, a former Member of Congress, has endorsed the appointment. Our former Senator Danaher, who may be known to some of you—I know he is to some of you—is being enthusiastic about this appointment of Mr. Talbot.

The CHAIRMAN. He was a very able member of this committee.

Senator BUSH. I recall that he was a member of this committee, and I am sure he must have been an able one. He is an able man.

At the White House that question was raised earlier and I did discuss the matter with Mr. Sherman Adams but not with the President of the United States. We have had—I have had—and I am sure Senator Purtell has had a great many prominent citizens endorsing Mr. Talbot for this nomination, and among those are large employers of labor and management of substantial operations in industry in our State. So that I might say one more word, I will say that I have known Mr. Talbot personally since about 1948; that I have also had the advantage of meeting his family, his wife, who is a very charming person. He has a very fine family life, which I always think is an asset to a man in public life, or any life, so that I am very glad to recommend to this committee that it report favorably on the nomination. If there are no questions of me, Mr. Chairman, I have no questions.

The CHAIRMAN. Thank you very much, Senator. We appreciate your endorsement of Mr. Talbot.

Senator PURTELL.

Senator PURTELL. Mr. Chairman, I would like to add my recommendations to those of Senator Bush. I have known Mr. Talbot for some while. He is one of our outstanding citizens. I think he has demonstrated this morning, in answering or attempting to explore fields that do not really come within the province of the duties he hopes to assume, his forthrightness and willingness to discuss or think with anyone else. He is one of our fine citizens.

I can add little to what Senator Bush has said except to say this: I feel he would be a benefit to the Tariff Commission and would work for the benefit of all the people in the United States.

The CHAIRMAN. Thank you very much, Senator Purtell.

Senator MALONE. I would not ask this question except it was injected and I think the record should be clear and complete. Of course, I know about what answer I am going to get already, I think I do.

The question of zinc and lead was raised. Zinc and lead are no more important than hundreds of other products in our national defense and in our Nation's economy, but it just happens that there will be some special legislation in regard to those products, mostly because of the free-trade policies that have been followed for 20 years.

I would simply like to ask you this: Taking both zinc and lead we only produce 40 to 75 percent of the lead and zinc that is consumed in this country. If you were asked to establish a tariff or duty on a basis of a fair and reasonable competition, you would be in favor of establishing such a duty on zinc and lead, would you not?

Mr. TALBOT. Senator, I must plead some ignorance. I do not know how much zinc is produced in this country. Is it a byproduct of copper?

Senator MALONE. Some of it is produced as a byproduct but generally speaking, it is mined directly like lead.

Mr. TALBOT. Well, of course, the same formula, as far as I am concerned, would have to apply. If it is a matter of producing it at a higher labor cost and you get that up to the point of where you get the worst kind of a marginal mined and, say, you went out to a place where you would only get 1 ounce of zinc out of a hundred tons of soil, that is 1 question.

Senator MALONE. We are talking about a basic fairness.

Mr. TALBOT. The same rule would apply. Where there is a difference in labor cost, and so forth, we have got to put on a tariff to equalize it.

Senator MALONE. That is correct, or go out of business. There may be cases like sugar, where a tariff alone might be inadequate, but in most cases, a tariff established on a basis of fair and reasonable competition does answer it, and I understand you are in entire accord with that?

Mr. TALBOT. Yes, sir.

Senator MALONE. I can say to you without fear of contradiction that no foreign nation has ever kept the spirit of a trade agreement with the United States of America.

Mr. TALBOT. I am surprised at that.

Senator MALONE. The way it is done—of course they really are not trade agreements. They are agreements to lower tariffs. Then the foreign nation lowers the tariff all right, but they then raise the price of their currency in terms of the dollar for that particular classification and in effect put the tariff on their money. As a matter of fact, at this moment, they have eight different prices of the peso in Chile. I used the table showing the uses of the different valued peso in my debate on copper-free trade. If they do not want you to import a certain product, they give you a less favorable exchange rate which means they put the tariff on their money.

Mr. TALBOT. I touched on that before when Senator Millikin questioned me when I said that was one way of getting the business.

Senator MALONE. In using the peril point, the Tariff Commission establishes the "peril point," then the trade agreement is made and 10 minutes after you make it the foreign nation can change the value of their money and nullify any safeguard that the peril point may have established; is that true?

Mr. TALBOT. That is exactly why the cohesion between the Tariff Commission and Congress should be much closer.

Senator MALONE. If the Tariff Commission had full authority to adjust the tariff on the basis of fair and reasonable competition, like the Interstate Commerce has the authority to fix freight rates on the basis of a reasonable return on the investment, then you could meet manipulation of the exchange rates, could you not?

Mr. TALBOT. Right.

Senator LONG. Mr. Talbot, I would like to ask one further question.

The CHAIRMAN. Senator George has to be at the White House right away.

Senator LONG. I just wanted to ask this question for the record.

You have several times referred to some foreign country giving us the business. I thought for the record you ought to translate that term. Do you mean they are cheating us?

Mr. TALBOT. I would not want to use "cheat."

Senator LONG. You said "giving us the business."

Mr. TALBOT. They intentionally will depreciate their currency.

Senator LONG. What did you mean by saying by doing so they would give us the business?

Mr. TALBOT. Well, what I meant was that no matter what kind of agreement we make with them, and no matter how you members of Congress try to fix something today, as far as differential under a differential of labor cost, or anything else, that once that treaty is in existence, that by depreciating this currency, they can undo the very work that either the Tariff Commission or Congress has done and they undermine your work and you have to repeat it again and make a new tariff according to the value of the money.

Senator LONG. What you mean is that by juggling the currency, they make the agreement more favorable to themselves and less favorable to us?

Mr. TALBOT. That is correct.

Senator MALONE. What you mean then, Mr. Talbot, is this, as I made this statement on the Senate floor when the pound was devalued from \$4 to \$2.80, whatever percentage that is, they lowered our tariffs to that extent?

Mr. TALBOT. It has that effect, correct.

Senator MALONE. And, of course, nullified every trade agreement that has been made since 1934.

The CHAIRMAN. Thank you very much. We are now going into executive session and we would like the room cleared as quickly as possible.

Mr. TALBOT. Mr. Chairman, I want to thank you and all the members of the committee. I thoroughly enjoyed it.

(Whereupon, at 12:10 p. m., the committee proceeded in executive session.)

X