

CONFIRMATION OF MEMBERS UNITED STATES TARIFF COMMISSION

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-FIRST CONGRESS

THIRD SESSION

ON

THE CONFIRMATION OF MEMBERS UNITED STATES
TARIFF COMMISSION

DECEMBER 6, 8, AND 9, 1930

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CONFIRMATION OF MEMBERS OF UNITED STATES TARIFF COMMISSION

SATURDAY, DECEMBER 6, 1930

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

The committee met, pursuant to call of its chairman, at 10 o'clock a. m., in room 312, Senate Office Building, Senator Reed Smoot presiding.

Present: Senators Smoot (chairman), Watson, Reed, Shortridge, Couzens, Greene, Deneen, Bingham, La Follette, Thomas of Idaho, Simmons, Harrison, King, George, Walsh of Massachusetts, Barkley, Thomas of Oklahoma, and Connally.

The CHAIRMAN. The committee will come to order. We will proceed to an examination of the members of the United States Tariff Commission, and Mr. Henry P. Fletcher, of Pennsylvania, nominated for a term expiring June 16, 1936, will be the first witness. I should like to ask the members of the committee if they desire the witnesses sworn.

Senator HARRISON. I do not see any reason why it should be done.

The CHAIRMAN. All right. We can proceed in the usual way.

Senator HARRISON. It is the chairman only who has suggested that they be sworn.

The CHAIRMAN. I was merely asking the preference of the committee.

Mr. FLETCHER. I am perfectly willing to be sworn.

Senator HARRISON. No request has been made by anybody for the nominees to be sworn, except the chairman.

The CHAIRMAN. And I merely asked an expression of the views of the committee. I did not want any question to be raised on the floor of the Senate.

STATEMENT OF HON. HENRY P. FLETCHER, OF PENNSYLVANIA, NOMINATED TO BE A MEMBER OF THE UNITED STATES TARIFF COMMISSION

The CHAIRMAN. You gentlemen may proceed.

Senator REED. Mr. Fletcher, where were you born?

Mr. FLETCHER. At Greencastle, Pa.

Senator REED. When?

Mr. FLETCHER. 1873, April 10.

Senator REED. What has been your work since you became of age?

Mr. FLETCHER. I graduated from Chambersburg Academy and prepared for Princeton. Not having sufficient money to go to

Princeton I became a stenographer and studied law. I was the court reporter of the Franklin County courts when about 18 and was admitted to the bar when I was 21. I practiced law until 1898 when I joined Roosevelt's Rough Riders as a private—and I came out as a private. I then went back to the practice of law in Pennsylvania and stayed there, where I was practicing with my uncle, Judge Rowe—

Senator WATSON (interposing). Did you say that you came out as a private?

Mr. FLETCHER. I did, and with typhoid fever.

Senator WATSON. Well, you are the only one I ever heard of who did come out as a private.

Mr. FLETCHER. I came down to see Mr. Roosevelt after he became President—and I do not know whether this will amuse you or not, but he said, "Well, Fletcher, what do you want?" I said, "Mr. President, I don't want anything." He said, "The rest of them are all in office or in jail." As a matter of fact, to be serious about it, I went to the Philippines as first lieutenant in the Fortieth Infantry and served there two years. I then came back home and assumed my place in the firm as a very junior partner. I then was appointed second secretary to the legation in Cuba by Mr. Roosevelt in 1902 at \$1,500 a year. From there I went to China as second secretary. From there I went to Portugal, and from there back to China as first secretary and was in charge for a year. After Mr. Rockhill was sent to Turkey, or to Russia, and I have forgotten which, I was made minister to Chile by Mr. Taft. Then when Mr. Wilson came in and the legation was raised to an embassy, I was made ambassador to Chile. From there I was transferred to Mexico. I remained in Mexico until after the war, when I resigned. I was out of the service for a year, and then Mr. Harding asked me to become Under-secretary of State, which I did. I served there for a year and was then made ambassador to Belgium, and from Belgium I was transferred to Italy, where I served five years and resigned last year. That, I think, is as nearly as I can remember it my experience.

Senator REED. Have you ever taken an active part in any agitation with regard to the tariff?

Mr. FLETCHER. No, sir.

Senator REED. Have you done any lobbying on tariff matters?

Mr. FLETCHER. Oh, no. I am perfectly free of that.

Senator REED. That is all.

Senator SIMMONS. Have you made any study of the tariff?

Mr. FLETCHER. No, sir; not until I came on the commission?

The CHAIRMAN. Any other questions?

Senator HARRISON. Mr. Fletcher, have you been active in politics in Pennsylvania?

Mr. FLETCHER. Well, I have hardly had time to be, Senator Harrison. I have been away from there a great deal. I have taken an interest in politics to a certain extent, as we all do, but that is about all.

Senator HARRISON. Well, of course, they are divided up there in Pennsylvania within the Republican Party. I take it that you are a Republican?

Mr. FLETCHER. Yes, sir.

Senator HARRISON. They are divided into various groups and factions up there in Pennsylvania.

Mr. FLETCHER. Yes.

Senator REED. There is nothing like that in Mississippi, Senator Harrison, is there?

Senator HARRISON. Oh, no. Everything is unanimous down there. Mr. Fletcher, there are some groups and factions no doubt that were formed while you were serving the country in the various places that you have named.

Mr. FLETCHER. Yes.

Senator HARRISON. When you were in Pennsylvania as to what connection you did have with politics, what particular faction have you been associated with?

Mr. FLETCHER. I have not been associated with any of them.

Senator HARRISON. Which one did you feel closer to?

Mr. FLETCHER. In my time there were not very many factions. It was Mr. Quay and Mr. Penrose who ran it.

Senator HARRISON. Then you belonged to Mr. Quay's and Mr. Penrose's crowd?

Mr. FLETCHER. Not exactly. I secured their support for the job of second secretary in Cuba. Mr. Roosevelt said he would appoint me if I could get the Senators to endorse me. I asked them to do it, and that was the last time I asked anybody, except Senator Reed when I wanted to be transferred from Brussels to Rome. I then asked him if he would say a good word in that connection, and he did, and also I believe Senator Pepper. I think that is about all.

Senator HARRISON. Then you did not feel that you were one of the cogs in the Penrose-Quay machine?

Mr. FLETCHER. No; I did not have that feeling exactly.

Senator HARRISON. How close to that feeling did you have?

Mr. FLETCHER. Oh, no; I didn't have that feeling at all.

Senator HARRISON. How about the Grundy machine?

Mr. FLETCHER. Well, I have only met Mr. Grundy about three times in my whole life.

Senator HARRISON. He never solicited you for campaign funds?

Mr. FLETCHER. He never did, not that I know of. He might have as secretary of the committee, but if so I don't remember it. I never have had very much money to contribute to campaigns.

Senator HARRISON. Maybe that is the reason he did not call on you. He was after bigger fish.

Mr. FLETCHER. Maybe so.

Senator HARRISON. Did you contribute to any of the campaigns up there?

Mr. FLETCHER. Yes; to the national campaigns, but not to the State campaigns.

Senator HARRISON. Not to the State campaigns?

Mr. FLETCHER. No.

Senator HARRISON. You have contributed pretty well for a number of years, have you not?

Mr. FLETCHER. No. I think it was about \$500 or \$1,000, but I never gave more than \$1,000 in any campaign.

Senator HARRISON. And not to the State campaign?

Mr. FLETCHER. No. I gave to the treasurer of the national committee, you know, to the State treasurer for the national committee. Who was this, Senator Reed?

Senator REED. I confess I don't remember.

Mr. FLETCHER. It was Jay Cooke, wasn't it?

Senator REED. I do not know. But it went to the national committee. I remember your contributing in the last campaign to that.

Mr. FLETCHER. Yes.

Senator REED. I know that your check went to the national treasurer.

Mr. FLETCHER. Yes.

Senator HARRISON. Have you been associated financially with any interest in Pennsylvania that was seeking protection?

Mr. FLETCHER. Not that I know of.

Senator HARRISON. Aren't you interested personally in any industries?

Mr. FLETCHER. No.

Senator HARRISON. That have sought tariff protection, I mean?

Mr. FLETCHER. I have a few shares of Westinghouse airbrake, and perhaps of the Westinghouse Manufacturing Co. Those I bought about three or four years ago; and of the Westinghouse Electric & Manufacturing Co. that I bought about three or four months ago when I thought they looked cheap. But I do not know that they are interested in the tariff in any way; in fact, that was the reason I bought them. I had some shares of stock which I thought might be affected by the tariff and I sold those and bought others which I thought would not be.

Senator HARRISON. Would you mind telling the committee what those shares were?

Mr. FLETCHER. Which ones?

Senator HARRISON. What kind of industries they were in. You say that you feared that they might be interested in the tariff and you got rid of them?

Mr. FLETCHER. Because of the oil investigation, which I noticed by resolution we were instructed to go into, in regard to the marketing of oil from Maracaibo on the domestic production, and I had some few shares of Phillips Petroleum and Gulf Oil. I sold those before I came onto the commission. I thought that maybe that matter would be raised. I thought I should like to feel I was perfectly free to do my job down there. If anything were to come up, of course, before the commission in which I was interested, either directly or indirectly; that is, if any of my family had any interest, if I knew of their connection, I would certainly not participate in the investigation.

Senator HARRISON. Did you belong to any organization in Pennsylvania with which Mr. Grundy was connected or anyone else was connected that sought higher duties by way of the tariff?

Mr. FLETCHER. No; I have not been interested in the tariff in any way.

Senator HARRISON. I am asking you these questions to find out, you understand.

Mr. FLETCHER. I am very glad for you to ask them. I should be very happy for you to fully understand the situation.

Senator HARRISON. Have you been interested in copper?

Mr. FLETCHER. I had some shares at one time in Kennecott Copper, as an investment.

Senator HARRISON. Was that while you were minister to Chile?

Mr. FLETCHER. No, sir.

Senator HARRISON. Were you interested in any of those stocks at the time when you were minister to Chile?

Mr. FLETCHER. No; I do not think so. When I was minister to Chile I bought 10 shares of stock, and amounts like that, occasionally, of General Electric, say, and tried to get some stock that was safe, and so forth. As I had an opportunity to make a little investment I would buy a little stock. I tried in every way, however, never to buy—

Senator HARRISON (interposing). Were you interested in any nitrates?

Mr. FLETCHER. No, sir.

Senator HARRISON. Were you ever interested in any American getting any contracts with reference to nitrates?

Mr. FLETCHER. No, sir; not that I know of. Well, I believe that the DuPont Co. was purchasing a nitrate field during my time there. I might have helped their representative to make his contacts, but I rather think that was done before I came.

Senator HARRISON. That was in Chile?

Mr. FLETCHER. Yes. My attitude was always one of helping any American industry that came there that wanted to establish itself.

Senator HARRISON. You merely helped them as minister?

Mr. FLETCHER. Oh, absolutely.

Senator HARRISON. You were not interested in any contract?

Mr. FLETCHER. Not in the slightest.

Senator HARRISON. Or in the slightest for you to get any profits?

Mr. FLETCHER. Not at all.

Senator HARRISON. Does that go also with reference to copper?

Mr. FLETCHER. That goes completely, with reference to anything.

Senator HARRISON. Did you know Mr. Guggenheim?

Mr. FLETCHER. I did. I knew the young boy, who is now minister to Cuba; yes.

Senator HARRISON. Well, he was interested in the copper industry, was he not?

Mr. FLETCHER. Yes. I think the Guggenheims came into Chile after I left there. I left there in 1916, and I don't know when they really took over the property. I think it belonged to the Braden interests first, but I don't remember.

The CHAIRMAN. Copper has been on the free list always

Senator HARRISON. I understand that.

Senator COUZENS. But there was a campaign on to put a tariff on it.

Senator HARRISON. I understand that copper has been on the free list. And I take it that the Senator from Utah knew that I knew that, didn't he?

The CHAIRMAN. Well, I wasn't sure about that.

Senator HARRISON. Mr. Fletcher, how long were you minister to Chile?

Mr. FLETCHER. From 1910 until 1914, about October, it was raised to an embassy and I was called ambassador from that time on until 1916.

Senator HARRISON. Did you know of the Guggenheims' interest at that time?

Mr. FLETCHER. No. Well, I might have known of them. I would not say that I did not know Mr. Guggenheim, and I knew there was the Guggenheim interests, but I did not know them any more than I knew any other big concern in this country. I had no particular interest in them in any way.

Senator HARRISON. Did you know Mr. Jeffery who was minister during the Wilson administration to one of the South American countries?

Mr. FLETCHER. I do not remember him. I don't even remember where he was.

Senator HARRISON. I wish you would just read the letter which I now hand you, and then give me your reaction to it.

Mr. FLETCHER. I shall be very happy to do so.

The CHAIRMAN. Senator, do you want it put in the record?

Senator HARRISON. I do not know whether I do or not. But I want to ask Mr. Fletcher some questions about it.

Mr. FLETCHER. No, sir, Senator, there is not a word of truth in any of that. I wish you would call Mr. Haven, and I can get hold of him if you want me to. I never had any connection with these things. I will be very glad to have you call Mr. Haven.

Senator HARRISON. I am interested in a letter that one of my colleagues received from R. E. Jeffery, of Newport, Ark. Mr. Jeffery states this, and I want to ask you for your reaction to it:

I had been honored by President Wilson with the appointment as United States minister to the Republic of Uruguay in February, 1915, where I went and remained until I was informally notified that my resignation would be accepted by Mr. Harding's administration as soon as he became President.

I brought my family to the United States in March, 1921, and proceeded to Washington to hand my resignation to Secretary Hughes.

I was received very cordially by Secretary Hughes who expressed a lively interest in the continued friendly relations between our Government and the River Platte countries and asked me to give him any information which might be useful to him in dealing with these matters. After a pleasant interview with him along the line referred to, I told him that I had come to tender my resignation as United States minister. He said that he had not had occasion to know the procedure to be followed in such matters; but that I would have to see Mr. Fletcher, the Undersecretary of State, who would attend to the matter for me.

I then went to Mr. Fletcher's office, which was adjoining that of Secretary Hughes. His secretary informed me that I could not see Mr. Fletcher that day but I might have a conference with him the following day. The following day I was still unable to see Mr. Fletcher but continued to call twice each day, and on the afternoon of the third day he received me.

Mr. Fletcher was sitting at his desk when I entered and with the most polite manner I knew I told him that I had come to pay my respects to him and to ask him to attend to a business matter for me. His reply was: "I do not know of any reason why you should come to pay your respects to me—if you have any business to take up with me I will attend to it." My reply was that I knew many friends of his in Santiago, Chile, and in Buenos Aires and Montevideo; that he was United States minister to Chile when I was serving in a like capacity on the other side of the continent. He had in the meantime been called to Mexico as our ambassador by President Wilson, where he was stationed during our stormy days with that nation during the war. I entered his office with high hopes of being cordially received by him, but he repeated the statement and asked what the nature of my business with him was. I then told him of my conference with Secretary Hughes a few days before that when I had offered my resignation and was directed by Mr. Hughes to see him (Mr. Fletcher) who would attend to the matter for me. Mr. Fletcher promptly

replied, saying that my resignation was accepted and asked me if I had any other business with him.

I said I had no further business and started to leave his office when he stopped me with this statement: "Say, I would like to know what in the h—— is the matter with those people in the River Platte countries." I replied that I did not know what he meant, but that my association with them for several years had been very pleasant and that I had found them quite friendly toward our Nation during and after the war; that the Government to which I had been accredited had followed our Nation into the war and rendered every service possible to our country; that Argentina was also friendly with us during the war and that the congress voted to break diplomatic and commercial relations with Germany with only two dissenting votes. Mr. Fletcher stopped me by saying: "These people are wrong and they need to be told and they will be told." My reply was that I had nothing else to say except that I felt quite different from him about the matter. I then left his office.

I remained standing while in his office and he did not offer me a seat while he remained seated at his desk. I was greatly embarrassed by his treatment of me.

Do you recall that incident?

Mr. FLETCHER. I do not recall it at all, and it does not reflect my attitude regarding the South Americans, and I think that is pretty well known.

Senator HARRISON. Do you recall any facts such as those?

Mr. FLETCHER. No. I do not recall that at all. I do not recall the interview. I saw a great many people there, but I do not remember ever having been rude to Mr. Jeffery, as he says, but if he says so—well——

Senator HARRISON (interposing). That is not the way you would deport yourself as chairman of the United States Tariff Commission if you should be confirmed, is it?

Mr. FLETCHER. Well, I don't know, but I don't usually go swearing around the office, although I have been known to use profanity occasionally on the golf course.

Senator HARRISON. I was not asking about the profanity but about your general attitude.

Mr. FLETCHER. No; it is not. It might have been that my conduct was not such as to meet his approval, and apparently it was not, but I do not remember having been rude to him.

Senator HARRISON. What are your general views with reference to tariff?

Mr. FLETCHER. I haven't any general views.

Senator HARRISON. You haven't any views on the tariff?

Mr. FLETCHER. No.

Senator HARRISON. Well, you are a Republican in your views on the tariff, I assume.

Mr. FLETCHER. Well, to that extent, perhaps; yes.

Senator HARRISON. What are the Republican views on the tariff?

Mr. FLETCHER. Well, if you will tell me, sir, that; they are not so awfully different from the views of some Democrats, so I have been told.

Senator HARRISON. Are you what is called a high protectionist?

Mr. FLETCHER. Well, I do not think so. I feel that the system has been adopted in this country.

Senator HARRISON. Do you believe in the theory as followed in this bill as laid down in the flexible provisions, of ascertaining the difference in cost in this country and abroad, and taking into con-

sideration certain things, by which to arrive at that difference in cost of production here and abroad, and fix the rate accordingly?

Mr. FLETCHER. Yes; I think we will try to do that to the best of our ability.

Senator HARRISON. Is that your viewpoint?

Mr. FLETCHER. That is the only way I could go about it in order to comply with the law, and that without regard to any views which I may or may not have. I think I could do that.

Senator HARRISON. Would you care to give any opinion as to whether you approve this last bill that was passed, or not—the various rates in it?

Mr. FLETCHER. I do not know enough about the rates, Senator.

Senator HARRISON. Would you as chairman of the United States Tariff Commission, following an ascertainment of facts with regard to the difference in cost of production here and abroad, take into consideration the various things enumerated in the law?

Mr. FLETCHER. Certainly.

Senator HARRISON. And that the rate should be reduced would you then recommend under the flexible provisions that the rate should be reduced?

Mr. FLETCHER. I certainly would.

Senator HARRISON. And the same thing applies to an increase?

Mr. FLETCHER. Yes; just according to the facts.

Senator HARRISON. Were you an applicant for this place?

Mr. FLETCHER. No, sir.

Senator HARRISON. What was the first intimation that you had that you were liable to be appointed?

Mr. FLETCHER. The President asked me to come down to Washington.

Senator HARRISON. You had never thought about it?

Mr. FLETCHER. I had never thought about it.

Senator REED. And it took quite a little persuasion, too, didn't it?

Mr. FLETCHER. Yes; but maybe I shouldn't say that.

Senator HARRISON. How much persuasion did it take?

Mr. FLETCHER. Well, not very much, perhaps, but I declined it.

Senator HARRISON. These fellows who have to be persuaded are curious to me. You had to be persuaded to take public office?

Mr. FLETCHER. I think there are a few like that.

Senator HARRISON. I think probably there are a few exceptions.

Senator WATSON. But they are not in the Senate.

Mr. FLETCHER. Maybe they would like to be there though.

Senator HARRISON. Who indorsed you for the place?

Mr. FLETCHER. I do not know, sir. I had no idea.

Senator HARRISON. Did you ask anybody to indorse you?

Mr. FLETCHER. No; I did not.

Senator HARRISON. With whom did you confer except with the President about the proposition?

Mr. FLETCHER. I did not confer with anybody. I spoke with Senator Reed over the telephone, and that was all. I conferred with my wife.

Senator HARRISON. Senator Reed, of course, called you up?

Mr. FLETCHER. He did.

Senator HARRISON. And that was the first intimation you had that you might be appointed?

Mr. FLETCHER. No, sir; it was not. The first intimation I had was when the President asked me to come down here. I came down and spent the night at the White House. He talked to me after breakfast the next morning, and I told him I didn't think perhaps I was the best man for the job. I went on to say—

Senator HARRISON (interposing). Did you tell the President you did not have any views on the tariff?

Mr. FLETCHER. He did not ask me.

Senator HARRISON. Have you since you have been serving on the Tariff Commission had any conference with the President or anyone else with reference to a reduction or an increase in rates?

Mr. FLETCHER. No, sir.

Senator HARRISON. Or with reference to any policy the commission should follow?

Mr. FLETCHER. No, sir.

Senator HARRISON. Do you believe that the Tariff Commission as constituted under the law should be subjected to executive or congressional influence?

Mr. FLETCHER. No, sir; and it won't be as long as I have anything to do with it.

Senator HARRISON. That applies directly or indirectly?

Mr. FLETCHER. As far as I can see it, yes. There might be some indirect influence that I wouldn't know about.

Senator HARRISON. Is it your belief that a member of the Tariff Commission should not be terrified about taking a proper course because he might be subject to some disfavor at the White House?

Mr. FLETCHER. No, sir.

Senator HARRISON. Or some disfavor with the chairman of the Finance Committee or some member of the committee?

Mr. FLETCHER. No, sir.

Senator HARRISON. But of course it is desired to stay on good terms with the chairman of the Finance Committee, isn't it?

Mr. FLETCHER. Yes. I should like to stay on good terms with all of you, so far as that is concerned. You do not mean to insinuate that that would have to be arranged improperly, do you, Senator Harrison?

Senator HARRISON. Oh, no. The chairman of this Finance Committee would not do anything improper for anything in the world. I think that is all.

Senator WATSON. Would you think it improper for a member of the United States Senate if he wanted to come down to the United States Tariff Commission and talk about a tariff rate on some import?

Mr. FLETCHER. No; I should be very happy to receive any evidence or any light on the question, as I say, I think everybody would. We would try to make as near a quasi-judicial decision as could be made.

Senator BARKLEY. Mr. Fletcher, have you sufficiently studied the new tariff law to know whether you care as chairman of the Tariff Commission to say whether the rates are high enough?

Mr. FLETCHER. I have not studied it at all. I expect to learn a little bit about it as it comes along, as each case comes along.

Senator WALSH. Mr. Fletcher, how many years were you in the Diplomatic Service?

Mr. FLETCHER. About 27, I think.

Senator WALSH. And there was a period of time when you were not in the service?

Mr. FLETCHER. Yes.

Senator WALSH. How long was that?

Mr. FLETCHER. Well, there was a period I think from February, 1920, until I went back as Undersecretary of State in March, 1921.

Senator WALSH. What did you do during that time?

Mr. FLETCHER. I did not do very much of anything. I went on a trip to Europe. I had not been there for a long time. And when I came back I took some part in the Republican National Campaign, made a few speeches against the League of Nations, and a few things like that.

Senator WALSH. Did you resign in order to participate in that campaign?

Mr. FLETCHER. I did not.

Senator WALSH. You stated that you had made no speeches and written no articles upon the tariff?

Mr. FLETCHER. Yes, sir.

Senator WALSH. Did you read any book on the tariff, prior to your nomination?

Mr. FLETCHER. No, sir.

Senator WALSH. That is all.

Senator GEORGE. Mr. Fletcher, when did you say you were admitted to the bar?

Mr. FLETCHER. In 1894.

Senator GEORGE. Did you practice law?

Mr. FLETCHER. Yes; I practiced law.

Senator GEORGE. For how many years?

Mr. FLETCHER. Well, I practiced law for about four years, until I went into the Rough Riders.

Senator GEORGE. In the general practice?

Mr. FLETCHER. Yes; with my uncle, who had been judge of one of the courts up there for a long time. I was a very junior man in the firm.

Senator GEORGE. Engaged in general practice?

Mr. FLETCHER. Yes, sir; I had the work that a country lawyer has to do.

Senator GEORGE. You have given no particular study to the tariff?

Mr. FLETCHER. I have not.

Senator LA FOLLETTE. Mr. Fletcher, the law now provides that there are several ways for investigations to be initiated.

Mr. FLETCHER. Yes, sir.

Senator LA FOLLETTE. And one of them is on the motion of the commission itself?

Mr. FLETCHER. Yes, sir.

Senator LA FOLLETTE. Have you made a sufficient study of the law so that you would care to give the committee your view as to whether you conceive it to be the duty of the Tariff Commission to initiate investigations looking to changes in the tariff of its own motion?

Mr. FLETCHER. No, sir; I have not. But if I felt that it would be I should vote for the initiation of an investigation, if a prima facie case were made out by one of the members of the commission, just

as I would if I thought a prima facie case were made out by an applicant.

Senator LA FOLLETTE. The reason I asked the question was that in the investigation made by the select committee of the Senate we discovered that soon after the Tariff Commission was organized there was a controversy which grew up in the commission as to whether or not the commission should, so to speak, wait for applications, or for a resolution by the Congress, or a suggestion by the President, or whether where they thought there was as the result of an investigation made by their economic staff a prima facie case for an investigation were made out, that they should then proceed to investigate of their own motion.

Mr. FLETCHER. Yes; I understand.

Senator LA FOLLETTE. I was interested to know whether you had made a sufficient study of the law to come to any conclusion as to whether the Tariff Commission should on its own motion initiate investigations.

Mr. FLETCHER. No, sir; I had not. And one of the reasons is that we have, as you know, these 35 investigations that have been ordered by the Senate.

Senator LA FOLLETTE. I understand that you are very busy.

Mr. FLETCHER. Yes. And then we have a few individual applications also. So I imagine that situation won't come up for some time. But if it should and it seemed to me to be in the public interest to order an investigation, I would join my colleagues or a majority of them to order an investigation.

Senator LA FOLLETTE. That is all.

Senator CONNALLY. Mr. Fletcher, I am sorry that I was a little late this morning. I understood you to say you had never made any special study of the tariff.

Mr. FLETCHER. That is true.

Senator CONNALLY. And you have no views on it?

Mr. FLETCHER. I have no particular views on it.

Senator CONNALLY. Is that the reason why the President appointed you?

Mr. FLETCHER. I dare say; I do not know.

Senator CONNALLY. Were you given to understand any other reasons for your appointment?

Mr. FLETCHER. No.

Senator CONNALLY. You feel like you would be an unbiased juror, then?

Mr. FLETCHER. I think so. If I did not think so I would not have taken the job.

Senator KING. Mr. Fletcher, were your relations with the South American Republics, the Latin American States, friendly?

Mr. FLETCHER. Always so.

Senator KING. And they are now?

Mr. FLETCHER. Perfectly.

Senator KING. You have no such prejudices growing out of your service in Latin America as would incline you to look with favor upon a policy that would exclude their commodities from our shores?

Mr. FLETCHER. Certainly not.

Senator KING. Or to interrupt our friendly trade and commerce with them?

Mr. FLETCHER. Certainly not. I think it is pretty common knowledge that my relations with the Latin-American governments have always been close, and that I have been one in this country who has preached the doctrine rapprochement with them at every point.

Senator KING. You have very frankly stated that you have not given any particular study to tariff questions.

Mr. FLETCHER. That is perfectly true.

Senator KING. Have you any views, subconscious or otherwise, that we ought to adopt a policy that would interrupt our trade with other nations and make it almost impossible for us to trade with them and to receive their products in payment for our products?

Mr. FLETCHER. No; I have not any views one way or the other about that, except the general ones that I think everyone holds. Even if I had any they would not interfere with my fulfillment of my duties, my sworn duties.

Senator WATSON. In other words; Senator King, you want to ask him whether he is a protectionist or a free-trader?

Senator KING. No; I do not. But generally speaking, do you favor a policy that would accommodate our exports event though in so doing it might increase our imports in exchange for our exports?

Mr. FLETCHER. Yes; I think there is a happy mean to be secured there if it can be done.

Senator KING. You would not feel as a member of the United States Tariff Commission that it was your duty to try to enforce a policy that would give local manufacturers a monopoly of the market by cutting off any possible foreign competition?

Mr. FLETCHER. Not unless they were given it by the law.

Senator KING. Exactly. That is all.

Senator HARRISON. Mr. Fletcher, have you made any changes up there in the organization of the United States Tariff Commission since you took office?

Mr. FLETCHER. Yes, sir.

Senator HARRISON. What changes?

Mr. FLETCHER. Well, we have transferred Mr. Bethune to Brussels and appointed a young man who had been in the Commerce Department, Mr. Morgan, secretary. Mr. Harrison was appointed chief of the International Relations Division. He had just resigned as Minister to Uruguay, and we appointed Mr. Durand in the place of Mr. Coulter, who is a very good man and we are very fortunate to have his assistance there. I believe that is about all.

Senator HARRISON. Why was Mr. Bethune appointed minister—

Mr. FLETCHER (interposing). He was not appointed minister. He was appointed our foreign representative at Brussels.

Senator HARRISON. He was taken out of the secretaryship?

Mr. FLETCHER. Well, I thought it was about time to make a change there. I thought it would be a better organization, and I thought also that he would do very well in Brussels.

Senator HARRISON. Why did you think it would make a better organization?

Mr. FLETCHER. Well, I don't know. After a survey I came to that conclusion, Senator Harrison.

Senator HARRISON. The fact that Bethune was a Democrat did not have anything to do with it?

Mr. FLETCHER. No.

Senator HARRISON. Not much, anyway?

Mr. FLETCHER. Not any.

Senator HARRISON. Not at all?

Mr. FLETCHER. No, sir.

Senator WATSON. Did you know he was a Democrat?

Mr. FLETCHER. I think I did. I think I was told so.

Senator HARRISON. Had Senator Watson or Senator Smoot told you so?

Mr. FLETCHER. No, sir.

Senator HARRISON. Where did you get that information?

Mr. FLETCHER. I think I got that from my fellow members of the commission.

Senator HARRISON. From what members of the commission?

Mr. FLETCHER. I do not remember.

Senator HARRISON. Mr. Brossard?

Mr. FLETCHER. No, sir. I think Mr. Page told me that he had appointed Mr. Bethune when he took it over. There was no question about Mr. Bethune's efficiency.

Senator HARRISON. Have you made any more changes in the key positions of the commission?

Mr. FLETCHER. In the different divisions; no, sir. But we are making a survey with a view to making them if necessary, and if we think it would give a more efficient organization we propose to make them if you will give us the money with which to get good men. We will need some more economists and some more accountants in order to do this work that you wish done.

Senator HARRISON. Do you believe that a man ought to be transferred out of one of these key positions because he might not be as high a protectionist as some other man?

Mr. FLETCHER. No, sir. And that has nothing to do with it.

Senator HARRISON. You believe a man who has been in the Government service and proven his efficiency should be maintained in that position?

Mr. FLETCHER. Yes, sir; if he is all right, other things being equal.

Senator HARRISON. You appreciate the fact that there are certain men in these key positions that certain men have been anxious to get out and to get other men in who are more in sympathy with their views?

Mr. FLETCHER. No, sir; I do not know that, and should be very glad to know about it if it exists.

Senator HARRISON. That is all.

Senator LA FOLLETTE. Mr. Fletcher, what is your view with regard to publicity of reports made by the Tariff Commission to the President? Do you believe that those reports that have been made to the President are subject to his release?

Mr. FLETCHER. I should think that would be the most usual way to handle it, Senator La Follette. We report to the President, and then if he approves our report, why, he issues a proclamation.

Senator LA FOLLETTE. Assuming, now, for instance, that you make an exhaustive investigation and report to the President.

Mr. FLETCHER. All right.

Senator LA FOLLETTE. Is it your view that that report should not be made public at any time by you until the President does it?

Mr. FLETCHER. Well, I had not thought of that. I was assuming that the President would make the report public at the time he approved or disapproved of our finding.

Senator LA FOLLETTE. It has not always been done, however, as you may remember in the case of the sugar report.

Mr. FLETCHER. I do not remember about that. In fact I do not know anything about the proceedings of the old Tariff Commission. We have been so very busy there trying to organize and start our work that I have not had much time to go into the past history of the commission. That would be my attitude in making a report to the President as required by law.

Senator BARKLEY. Suppose the President does not act upon your report but pigeonholes it as has been done in some cases, do you think the public ought to be denied the information brought to you by the investigation?

Mr. FLETCHER. I imagine you might get that by a resolution of the Senate. I have not met that because I have not thought it out. I could take it up with the commission and have it considered.

Senator WALSH. Does the chairman, or the whole commission, or the personnel officer, select the employees of the commission?

Mr. FLETCHER. Well, we have done differently. In some respects, in the ordinary clerical positions, and so forth, I usually manage that myself in trying to take the administration part over. If it comes to the selection of an economist or an accountant I have asked Doctor Page and Doctor Coulter, both of whom have been on the commission—Doctor Page as chairman for many years and Doctor Coulter is an economist—to go over the applications and get the best men.

Senator WALSH. Are political affiliations considered in the matter of selecting employees?

Mr. FLETCHER. No, sir; not that I know of, Senator Walsh.

Senator WALSH. I suppose if it were done the commission would be desirous of giving equal representation to both parties?

Mr. FLETCHER. I think so. Really, that matter has not so far come into our picture. I did not ask whether Mr. Durand was a Democrat or a Republican.

Senator SHORTRIDGE. They are nearly all Democrats up there now, are they not?

Mr. FLETCHER. I do not think so, although I don't know. Some of the other Members can tell you better about that.

Senator HARRISON. Is it any different on the commission now than it was up until the last election?

Mr. FLETCHER. Well—

Senator HARRISON (interposing). You know the last election showed a great many more Democrats in this country than before that.

Mr. FLETCHER. Yes; I am told that there were more last year than the year before that.

The CHAIRMAN. If there are no other questions we will proceed to hear the next member of the commission.

Senator CONNALLY. Just one question:

Mr. Fletcher, you just stated that in appointing employees you did that. Do you mean by that that you discharge the matter yourself?

Mr. FLETCHER. No; I have been appointed or entrusted with general administrative matters, I mean routine things. But nobody is appointed without a vote of the commission.

Senator CONNALLY. When you stated you had been appointed, who appointed you; the other members of the commission?

Mr. FLETCHER. Yes, sir. You say it is the work of an administrative committee. Somebody has to look over it.

Senator WALSH. You do the interviewing?

Mr. FLETCHER. Yes, sir; and look over the applications.

Senator SHORTRIDGE. Do you understand that it is obligatory on the part of the commission to initiate an investigation upon any petition that is presented for that purpose?

Mr. FLETCHER. No, sir.

Senator SHORTRIDGE. Do I understand you to consider the law to mean that you yourselves must determine whether there is a reason submitted that is a prima facie case?

Mr. FLETCHER. Yes, sir—

Senator SHORTRIDGE (continuing). To warrant an investigation?

Mr. FLETCHER. To warrant an investigation, yes, in connection with the other work that we have before us. We should like, and we have so stated in the new rules that we have adopted, that we should like to have a prima facie case presented. I brought a copy of our rules along in case they are desired. They have just been published, as of November 25, in which we have tried to help any applicant in the way of giving information he needs in accordance with the law as it now is.

Senator SHORTRIDGE. And the rule to which you invite attention directed to that immediate proposition, namely, as to whether there shall be a prima facie case before you put a given industry to the trouble or expense of ever starting a petition or facing it.

Mr. FLETCHER. Yes, sir; we have received to date, I think, or I mean have acted, I think, up to date, on only two applications on which we have ordered investigations. The rest of the time we are working on the investigations ordered by the Senate.

Senator KING. Were these rules unanimously adopted?

Mr. FLETCHER. They were, sir.

Senator SHORTRIDGE. Under the rule, do you feel it is obligatory on you—

Mr. FLETCHER (interposing). We do not say anything about that in the rules. These rules indicate the lines on which we should like to have the petitioner or applicant proceed in giving us information.

Senator SHORTRIDGE. Does that rule cover the resolutions of the Senate?

Mr. FLETCHER. No. These rules just follow out the provisions of the law. You will find that in here.

Senator SHORTRIDGE. When a Senator introduces a resolution calling for an investigation of a certain rate on a certain imported product—

Mr. FLETCHER (interposing). Yes, sir.

Senator SHORTRIDGE (continuing). You feel you should proceed at once and hold that investigation?

Mr. FLETCHER. No; it is in accordance with the law. If you have a resolution of the Finance Committee, or of the Ways and Means Committee, or of the House or the Senate, or a direction by the Pres-

ident, on these requests we consider it is mandatory and go ahead.

Senator SHORTRIDGE. And in arriving at your conclusion you would apply the same rules and the same reasoning in respect to a petition for an investigation, I mean if a resolution were passed by the Senate, as you would if it came from some other source?

Mr. FLETCHER. Yes, sir. We give notice of a hearing, we order a hearing and give notice of time for hearing, so that anyone can come and present their case. We invite it. These rules have been adopted with the idea of facilitating the presentation of facts which the commission should have in arriving at a recommendation.

The CHAIRMAN. If that is all, Mr. Fletcher may be excused.

Senator KING. Mr. Fletcher, in the matter of your employees, do you select them from the civil-service list?

Mr. FLETCHER. Yes; where we can. But in many cases, such as economists and the higher grades, we look around.

Senator KING. You would feel that the United States Tariff Commission ought so far as possible be nonpartisan?

Mr. FLETCHER. Oh, yes.

Senator KING. And absolutely free from politics or political control or political suggestion?

Mr. FLETCHER. Yes, sir.

Senator KING. And in the personnel that you select the same care should be taken as would be taken in the selection of the commissioners themselves, that they would be free from bias and from politics?

Mr. FLETCHER. Yes; and up to this time we have not inquired of the economist whether he was a Republican or a Democrat. We wanted to get a man who knew the business.

Senator SHORTRIDGE. I am very deeply interested in that thought. Say here is an economist who has viewed it from the standpoint of a sincere, able, free trader. for brevity's sake, if I may express it that way.

Mr. FLETCHER. All right.

Senator SHORTRIDGE. Or, on the other hand, suppose he were viewed as a protective-tariff economist.

Mr. FLETCHER. Well, if he were too set in his views, I don't think we would take him.

Senator SHORTRIDGE. Would you take these things into consideration at all?

Mr. FLETCHER. I think we would go over his record and see what he had done and see about the integrity of his conclusions.

Senator SHORTRIDGE. But ultimately you would be governed by the facts, I assume?

Mr. FLETCHER. Oh, yes, sir.

Senator COUZENS. I believe Doctor Page is the next one to be heard.

The CHAIRMAN. Dr. Thomas W. Page will come around.

Senator SIMMONS. Just one minute: Mr. Fletcher, you said the commission did not consider the question as to what political affiliations of the applicant might be. Did you mean by that that you did not consider that in open session?

Mr. FLETCHER. I did not quite understand you?

Senator SIMMONS. That you do not in open session take into consideration the question of political affiliation of the applicant?

Mr. FLETCHER. No; we do not have any—we do not do it that way. Applications are made and they are referred to this personnel committee, the temporary committee, composed of Mr. Page and Mr. Coulter, and they examine the qualifications, and that is all that I know about it. After they have made their recommendations it comes up in commission meeting, and we canvass the qualifications of the applicant. So far as I know there has not been any question raised whether a man was a Democrat or a Republican.

Senator SIMMONS. I understood you to say that you did not discuss these things in the commission. Did you mean when it was in session?

Mr. FLETCHER. Yes, sir.

Senator SIMMONS. I should like to ask further, and the point of my questions is: Do you know of any practice of the majority members, or the minority members, taking up among themselves the question of what the political affiliation of the applicant is?

Mr. FLETCHER. I do not know about that. We usually, as I say, just have an informal meeting.

Senator SIMMONS. Since you have been there, have there been any discussions among the majority members, of which you are one, as to the political affiliation of the applicant?

Mr. FLETCHER. No, sir. And might I correct that inquiry, Senator Simmons, by saying that we are evenly divided. There is no majority and no minority. There are supposed to be three Democrats and three Republicans on the United States Tariff Commission.

Senator SIMMONS. Well, I will change my question. Has there been since you have been there any conference among the Republican members on the commission not in open session?

Mr. FLETCHER. Do you mean in secret session?

Senator SIMMONS. Yes.

Mr. FLETCHER. No, sir; not that I know of.

Senator SIMMONS. Or in any other session or meeting of the members of the majority?

Mr. FLETCHER. Not that I know of. I think everybody has been actuated by proper motives, toward getting the best people we can. There is no question about that. I am certainly unconscious of any influence of that kind in any way.

Senator SIMMONS. There has not been since you have been with the commission any understanding among the majority members themselves as individuals with reference to the—

Mr. FLETCHER (interposing). Do you mean the Republicans?

Senator SIMMONS. Yes.

Mr. FLETCHER. Well, there is no majority. It is three and three. But I do not know of anything of the kind you speak of. For the moment I might say the Republicans are in majority because Mr. Dixon is ill.

Senator SIMMONS. Well, I will say Republican members. I was talking about the old law.

Mr. FLETCHER. I can give you one instance: We waited until Mr. Dixon came to join us so that there might be three and three, and every action taken has been unanimous. There has been no question about anything that I know of in that way. The spirit

of the commission has been excellent. We have run along as a very happy family up to the present time.

Senator CONNALLY. Mr. Fletcher, you say you took an active part in the campaign of 1920?

Mr. FLETCHER. Not very active; no.

Senator CONNALLY. You made some speeches?

Mr. FLETCHER. Two speeches, I believe.

Senator CONNALLY. Where did you make them?

Mr. FLETCHER. I made one at Shady Gap, up in Pennsylvania, in the mountains, against the League of Nations. I do not know whether I made another one or not now.

Senator HARRISON. And both places went Democratic?

Mr. FLETCHER. No, sir; they have never gone Democratic.

Senator WALSH. That is a place up in Pennsylvania.

Senator WATSON. Neither before nor after your speech?

Mr. FLETCHER. No, sir; in spite of it it did not go Democratic.

Senator CONNALLY. You do not have a copy of that speech?

Mr. FLETCHER. No; I did not think it was valuable enough to keep.

Senator HARRISON. You did not touch on the tariff?

Mr. FLETCHER. No; I do not think so.

Senator HARRISON. With reference to the subject of the majority or Republican members of the commission not having any secret meetings; of course, if you should be confirmed you would not sanction any such practice?

Mr. FLETCHER. I would not sanction any secret meetings.

Senator HARRISON. Of course, there will never be a time while you are chairman of the United States Tariff Commission that the Republican members will get together and agree among themselves?

Mr. FLETCHER. I think not.

Senator HARRISON. I hope not.

Senator WATSON. What about the Democratic members?

Mr. FLETCHER. I do not think it would occur with them.

Senator WATSON. But that would be legitimate, no doubt, in Senator Harrison's view.

Senator HARRISON. We are in agreement.

Senator WATSON. It did not look like it in the 1928 election.

Mr. FLETCHER. I think you better ask some of our colleagues about that matter.

The CHAIRMAN. If you will take the trouble to go do down there I think you will find the most of the organization are Democrats.

Senator CONNALLY. Judging by the statement of the chairman I would say there has been some inquiry made.

The CHAIRMAN. It has not been necessary. I think that is a well-known fact.

Senator HARRISON. Everybody hopes that the tide has changed. You will see what two years have brought about, and two years more will bring a bigger change.

The CHAIRMAN. I do not know about that. But in reply to the statement of Senator Connally I will simply say that I have heard that the employees themselves have said what the situation is.

Senator HARRISON. Mr. Fletcher, will you have given to the committee the publicity statement that was prepared during the discussion of the tariff bill, which was signed by Mr. Brossard and Mr. Dennis, saying that agriculture would be greatly benefited by

the passage of the bill? I should like to see the original statement.

Mr. FLETCHER. If it is on the files of the Commission, you shall have it.

Senator BARKELEY. Senator Harrison, do you mean by the original the one that was drawn up first, or after it was changed by one member of the commission?

Senator HARRISON. I want both of them. There was one word left out as Senator Smoot said on the floor.

The CHAIRMAN. It was the word "not" as I remember it.

Mr. FLETCHER. I do not know anything about that, but will try to get it.

Senator HARRISON. Do you think that Mr. Brossard and Mr. Dennis gave out a statement saying that they did not think agriculture would be benefited by the bill?

Mr. FLETCHER. How was that?

Senator HARRISON. I understood the chairman to state that the word "not" was left out.

Mr. FLETCHER. Well, I do not know about that.

The CHAIRMAN. Get the statement and you can then tell what it applied to. It was not what Senator Harrison suggests now.

Senator BARKLEY. I should like to ask the chairman of the United States Tariff Commission if he could make a note that he have all of the members of the Finance Committee furnished with a copy of these new regulations.

Mr. FLETCHER. I shall be very happy to have them sent right up to you, and to anybody else interested. They are attached also to our annual report, which has been sent to the Congress.

The CHAIRMAN. All right, Mr. Fletcher; you are excused.

(Thereupon Mr. Fletcher was excused.)

The CHAIRMAN. Next we will hear Thomas W. Page, of Virginia, nominated for the term expiring June 16, 1935.

STATEMENT OF HON. THOMAS W. PAGE, NOMINATED AS A MEMBER OF THE UNITED STATES TARIFF COMMISSION

The CHAIRMAN. Mr. Page, for how many years have you served on the Tariff Commission; I mean before this recent appointment?

Mr. PAGE. Well, I served on the tariff board while President Taft was in office. That was before the new commission was created. As well as I can remember I served there two years or a little over. Then I was appointed on the Tariff Commission in March, 1918, as well as I can remember, and I served until, I think it was the spring of 1922. I don't remember the exact time when I left the commission.

Senator GEORGE. Were you chairman of the commission, Mr. Page?

Mr. PAGE. During a part of that time; yes.

Senator GEORGE. Of the old commission?

Mr. PAGE. Well, I was chairman, I think, from about 1919 until a couple of months before I left there.

Senator REED. From what State do you come, Doctor Page?

Mr. PAGE. Virginia.

Senator REED. You are a Democrat?

Mr. PAGE. I am.

Senator BINGHAM. Have there been many cases where the commission has divided three and three on a decision as whether to recommend a rate, either a raise or a decrease?

Mr. PAGE. Do you mean since I went back to the commission in September.

Senator BINGHAM. Oh, no. In your experience on the commission, and you have been with the commission for a great many years, as I understand it.

Mr. PAGE. We never had a divided report at all while I was on the commission before. Every report that we made was unanimous.

Senator WALSH. He has not been a member since 1922, Senator Bingham.

Senator BINGHAM. Oh, all right.

The CHAIRMAN. The reports were unanimous during the time the Democrats were in power as Mr. Page states. Every decision was unanimous, did I so understand you, Doctor Page, while you were a member?

Mr. PAGE. They were. But I ought to remind you, Senator, that we made no recommendations with regard to rate making at that time.

The CHAIRMAN. That is not the prerogative of the commission to-day.

Senator GEORGE. What you mean is that the flexible provisions, so called, came in in 1922.

Senator WATSON. They suggest a rate and the President proclaims it under the existing law. You understand that the law invests you with the power to suggest a rate to the President?

Mr. PAGE. Yes, sir.

Senator SHORTRIDGE. You reach your findings and make certain recommendations is that your understanding of the law?

Mr. PAGE. That, I think, is the substance of the law; yes, sir.

Senator WALSH. Apparently there is no opposition to Doctor Page's confirmation, Mr. Chairman, and therefore I suggest that we call the next witness.

The CHAIRMAN. I know of none.

Senator BINGHAM. I should like to ask the commissioner what conditions would lead him as a member of the United States Tariff Commission to recommend an increase in a rate?

Mr. PAGE. It would be very difficult, Senator, to specify or describe conditions which would lead to a decision for either a higher or a lower rate. It would depend upon many things, which would be different for different industries. That would have to occupy considerable time and I should like to get my thoughts rather more definitely organized for an expression before I undertake to reply to your question.

Senator BINGHAM. Well, that would be applicable to any specific rate, of course. But I was curious to know what general principle in your mind would underlie the possibility of an increase in a rate.

Mr. PAGE. If an American industry was suffering from depression, and that depression were due to foreign competition, I should feel justified in recommending an increase in the rate on the merits of the case that brought that state of depression to the American industry.

Senator COUZENS. Would you do that regardless of the efficiency of the American manufacturer?

Mr. PAGE. I said, if it were due to foreign competition, and if it was suffering from a state of depression in general. As I said a moment ago, when you make these general statements there are so many qualifications necessary that a general statement does not have any great significance. I should want to study the state of the industry, and to know something about the efficiency of its operations, about the importance of the industry. I agree with several gentlemen who have spoken on the tariff who are members of this committee, that it is not necessary that every industry that exists should be established in the United States. There are some that it is not worth while for us to undertake to foster in the United States, and I shouldn't regard it as being necessary to increase the duty to improve the position in this country of an industry it was not desirable that this country should have.

Senator HARRISON. You think it proper to have a duty on bananas, don't you, in order to foster the apple industry?

Senator WATSON. Does the commission as a whole proceed on the theory that in fixing a rate it should measure the difference in cost of production here and abroad? Is that the general theory upon which you base your operations in the consideration of these questions?

Mr. PAGE. That appears to have been the theory of the Congress, Senator Watson, when the act was passed.

Senator WATSON. Certainly. Well now, is that the theory of the commission?

Mr. PAGE. So far as the commission can ascertain that matter, it will be guided in great measure by it. The commission also has to take into consideration all the other factors.

Senator WALSH. The commission has made no report as yet?

Senator HARRISON. You believe in arriving at the difference in cost of production here and abroad, and that the question of whether or not the management of economically located industries is efficient, and that that should be taken into consideration, don't you?

Mr. PAGE. I do.

Senator BINGHAM. You used the word "important" a few minutes ago, which led me to wonder just how you would define that word. You say if an industry is sufficiently important you would recommend an increase. Now, if it happens to be a struggling industry, which has not yet arrived at great importance, or an industry which is not in its very nature of great importance, would that be a reason in your mind for not recommending adequate protective tariff rates in regard to it? Supposing there was an industry which had been struggling along for 25 years with an unimportant product, that only applied, perhaps, to one or two places in the United States, but your investigation showed that they were suffering from foreign competition due to the difference in cost of production. Then merely because it was an unimportant industry, carried on only at one or two places, would you feel that it was not deserving of consideration?

Mr. PAGE. I should regard a case of that kind, Senator, as one that would have to be decided on its separate merits. Perhaps I

can give you what I mean by citing an illustration better than I can by trying to apply general terms to describe industry. Many years ago the manufacturers of Gillette razor blades came to my office when I was on the tariff commission, and said they would like to get the duty reduced on the steel which they used for their products. They said that they had tried to get it made in the United States, and that Mr. Schwab had promised to try it out and see what he could do for them, and that they had asked for a duty on the steel that they needed in order to give him an opportunity to try it out. Well, he did. He undertook to make the steel for them in Bethlehem, and for about a year he manufactured it. At the end of that time he came to them and said that he would give it up; that the quantity of steel they used was so small that it did not pay him to divert a part of his plant at Bethlehem to the manufacture of that little amount of steel, so they could not buy it in this country at all. There was an industry, if you choose to call it one, an infant industry, a struggling industry in a way, and the duty was put on with a view to the manufacture of that particular variety of steel. Now, I shouldn't think an increased duty would be justified on an industry so unimportant at that, such as to handicap a much more important industry, and the production of that variety of steel itself employed only a few men, yielding no profits to the manufacturer or anybody else, requiring a diversion of equipment and of labor from other things which could be made more profitably as a branch of American industry. It is cases of that kind which I have in mind.

Senator BINGHAM. You would not use the word "important" or the word "unimportant" merely because it happened to be a small village, with a factory employing 200 or 300 people, who were in danger of losing their employment by reason of foreign competition.

Mr. PAGE. Not necessarily.

Senator LA FOLLETTE. Doctor Page, when you were testifying before the select committee you stated as your opinion, if I remember correctly, that you did not believe the flexible tariff provisions, so-called, were practicable. I will refresh your memory by reading from the hearings:

Senator ROBINSON. Doctor Page, how do you regard the flexible provisions now with reference to its practicability and usefulness?

Mr. PAGE. I think it is impracticable, and I think it is bad policy even if it were practicable. I do not believe the tariff should be a flexible measure. I think the tariff should be fixed and should be maintained until there are rather serious and widespread changes in the industrial and economic situation.

Have you changed your views with regard to that?

Mr. PAGE. I have not changed my views.

Senator BINGHAM. Holding those views, how could you accept a position on the commission, one of the principal duties of which is to apply flexible duties to articles?

Mr. PAGE. I do not know how that term "flexible" ever came to be applied to the tariff except in common parlance. I still think that the tariff should not be flexible. I do think that there are many rates in the tariff which should be readjusted, and I believe that that was the universal opinion of Members of Congress and of the people of this country, that there were rates which should be readjusted; should be altered from what they were in the act. Some one had to undertake to make such a study as would make it possible to readjust

those rates, where it be done by the Congress or the President or any other agency. I was asked to assist in making those studies, not with a view to having a flexible tariff that would vibrate up and down with a view to remedying what I believe the President called the inequalities and injustice in the tariff act of 1930. If I can assist in remedying those inequalities, that injustice, I shall be glad to do so. But I still believe, as I did when I made that statement before the select committee to which Senator La Follette belonged, that a flexible tariff is an undesirable feature of commercial policy.

Senator BINGHAM. Well, isn't the use of that term "flexible tariff" one which is commonly understood to refer to the provisions as they are now in the act?

Mr. PAGE. That may be true, Senator. I do not know what the common understanding is. I have always objected to the term and never believed that the policy was a good one.

Senator BINGHAM. When you were asked the question, didn't you understand it as referring to the tariff bill that was then in operation which was said to have flexible features?

Mr. PAGE. When I was asked the question by this committee to which Senator La Follette refers?

Senator BINGHAM. Yes.

Mr. PAGE. Yes. I understood it to have reference to the so-called flexible clause in that tariff act.

Senator BINGHAM. Has that clause been so changed in this recent law as to lead you to change your opinion about it?

Mr. PAGE. It has undergone some changes, yes, changes which I think make it possible for the Tariff Commission to do better work than it could have done under the act of 1922.

Senator LA FOLLETTE. That is what I wanted to bring out. That you feel that the amendment of the law, of the so-called flexible provisions, means that it has been altered so that the work of the commission will be more in conformity with a scientific determination of rates of duty.

Mr. PAGE. Yes.

Senator LA FOLLETTE. At the time we were investigating the commission, Doctor Page, I asked you this question:

While you were chairman of the commission, did you observe any effort to bring what might be termed political pressure to bear upon the commission with regard to any of its work or with regard to any personnel of its staff?

Mr. PAGE. There were a few instances, Senator, in which some pressure was brought to bear to get appointments on the staff by men who were favored by members of the administration who were in positions of importance.

May I ask you whether since your new appointment to the United States Tariff Commission you have seen any evidences of similar demands to influence appointments, either to the economic staff or to other positions in the commission of like character?

Mr. PAGE. Not the slightest, Senator.

Senator LA FOLLETTE. You find a different attitude and atmosphere in the commission?

Mr. PAGE. Quite different.

Senator LA FOLLETTE. Then you found at that time you were testifying about?

Mr. PAGE. Quite different.

Senator WALSH. Congress has not been in session since you were appointed in September until a few days ago.

Senator BINGHAM. Then it means there have been few opportunities for members of Congress on either side to make inquiry?

Senator LA FOLLETTE. Do you find that in the selection of such personnel as has taken place since you have been on the commission under your recent appointment there is a desire on the part of the commission to secure the best-qualified men, without consideration to political affiliations; but the best men for the work to be done by them?

Mr. PAGE. Absolutely.

Senator LA FOLLETTE. Now, one other question, Doctor Page: You will remember that after you left the commission and it undertook its duties under the so-called flexible provisions, that there was a considerable controversy grew up as to whether or not the reports made to the President by the commission should be made public; and when you were on the stand before a select committee I asked you the following question:

What have you to say with regard to the matter of publicity of the work of the commission? I mean particularly with regard to the studies and the reports made by the commission?

Your answer was:

I think every report made by the commission should be published for the benefit of the country as a whole.

Do you still entertain the same views?

Mr. PAGE. Identically the same; yes, sir.

Senator LA FOLLETTE. That is all, Mr. Chairman.

The CHAIRMAN. No further questions?

Senator SHORTRIDGE. You mean before the President acts on your recommendations?

Mr. PAGE. Not necessarily before the President acts, but I think that whatever the Tariff Commission finds it worth while to send down as a report should be worth publishing; and whether it should be given out for publication by the President or the commission, I think, is a matter of no real importance. It is a matter that has been discussed since I have come back to the commission. But I am convinced that the President would want any reports made to him by the commission published, and I am sure that the commission would want every report that it labors on and brings to a conclusion published for the influence on the thought of this country that it should presumably have.

Senator SHORTRIDGE. The law is silent on that point as it touches whether it shall or shall not be given out.

Mr. PAGE. So far as I know.

Senator SHORTRIDGE. Sir?

Mr. PAGE. The law does not mention that, so far as I can remember, whether the reports shall be published or not.

Senator SHORTRIDGE. I understand you to say, and your attitude to be, regardless of what you may think theoretically as to tariff policies and legislation with respect to tariff duties, you would be guided by the law as it is written? Is that your position?

Mr. PAGE. I should have to be, after taking the oath of office to observe the law.

Senator SHORTRIDGE. And you think that any preconceived notions touching theories would not affect you in arriving at a conclusion based upon ascertained facts?

Mr. PAGE. I have never let my acts be guided by theories so much as by facts, so far as I know. Certainly in this case it would be facts and not theories that would determine what I shall do.

Senator BARKLEY. Of course, Mr. Chairman, the Tariff Commission should not lose sight of the fact that Congress had in mind in creating the commission that there would be men of different thought on the commission, and the creation of the commission was based on the fact that men of different positions and different theories would compose that commission. And the fact that a man is on the commission would not deprive him of the right to have theories; but he would have to enter into the study of the proposition.

The CHAIRMAN. I suppose that would be arrived at by a study of the report. I suppose the Doctor had reference to the reports.

Senator SHORTRIDGE. I think the remark of the Senator from Kentucky is very appropriate.

The CHAIRMAN. If that is all, Senators, we will hear next John Lee Coulter, of North Dakota, term expiring June 16, 1934.

**STATEMENT OF HON. JOHN LEE COULTER, OF NORTH DAKOTA,
NOMINATED TO BE A MEMBER OF THE UNITED STATES TARIFF
COMMISSION**

Senator WATSON. Where do you live, Mr. Coulter?

Mr. COULTER. My technical, legal home for most of my life has been Minnesota. I was born and brought up there and attended school, and since the beginning I have had some farming interests there. My family have been farming there. During the last 8 or 10 years before coming with the commission I was living in North Dakota, just across the river from my original home, so that I was within gunshot of the old home; but professionally I was living in North Dakota, and my technical and legal residence now is in North Dakota.

Senator WATSON. What has been your business?

Mr. COULTER. Aside from constant interest in my boyhood experience of farming, which I have continued up to the present time, and the same with reference to my wife's interest as a farm girl, or descended from a farm family, that has continued, I have, for nearly 30 years, been interested in economics and statistics and law.

Senator WATSON. Have you been a practicing lawyer?

Mr. COULTER. Practically not. I thought that that would be my chosen field and when I finished my usual college course I turned to the law and during a period of three or four years made my expenses and a little more by working in a law office, not as a partner but as one of the ones who did the work and prepared the cases and briefs and chased the collections and handled police-court cases and probate cases and minor cases. But otherwise professionally I never practiced.

Senator WATSON. Have you been a teacher in a college?

Mr. COULTER. I taught more or less for a period of six or eight years.

Senator WATSON. Where?

Mr. COULTER. I taught some in Wisconsin, at the university; following that a short time in Iowa; following that for two years in Minnesota, at the university.

Senator WATSON. And what did you teach?

Mr. COULTER. Economics and statistics, and a little commercial law; principally commerce, economics and statistics. I later had experience in Tennessee and West Virginia. I was eight years in those two States. And aside from that, I had four or five years in Government work in Washington.

Senator WATSON. In what branch?

Mr. COULTER. Twenty years ago I had charge of one division of the Census Bureau, as chief statistician and economist. And then I served for most of two years as special economic adviser on administrative work in the Department of Commerce. Then during the war period I came into Washington as an economist—I had just been traveling in Europe—and helped to organize the Exports Council. After that I helped to organize the War Industries Board and was an economist there. I got restless; I thought I ought to be in uniform with the rest of the boys, and joined the air forces and went to Europe; and when I came back I went to my old professional work.

Senator COUZENS. Who recommended you for this position?

Mr. COULTER. For this position? I really do not know. I do not know whether I had any recommendations or not.

Senator COUZENS. Are you a Democrat?

Mr. COULTER. No, sir; I am a Republican.

Senator WATSON. You served under President Hoover when he was Secretary of Commerce?

Mr. COULTER. No, sir; I have not been in Washington, really, since about 1917 or 1918.

Senator KING. You mean you have not been until now?

Mr. COULTER. Until I came to the Tariff Commission. I came to the Tariff Commission about a year and a half ago to fill a vacancy there, which existed, as chief economist. I was at that time President of the State College of North Dakota and the chief economist of the Tariff Commission. Doctor Turner had resigned and his place was vacant. I had gone there from the University of West Virginia. I was asked to come down as chief economist, and I did so.

Senator HARRISON. Who recommended you for that position?

Mr. COULTER. I really do not know whether anybody did or not.

Senator HARRISON. Well, did you apply for it or not?

Mr. COULTER. No, sir! I had made some inquiry at the Tariff Commission as to the status of several cases which were pending which affected agriculture in the Northwest, and had gotten acquainted with all of the tariff commissioners, and as a result of asking some questions and discussing some particular problems with them, the remark was made that they would like to have me down as one of the staff. I said that I could hardly afford to do that. The conversation continued, and the question was raised as to whether I would be interested in coming as chief economist.

Senator HARRISON. Do you know whether or not President Hoover suggested you?

Mr. COULTER. I really do not know.

Senator HARRISON. Had you heard that?

Mr. COULTER. No. I made this statement: That since there had not been a chief economist for some time, that I considered the work so strictly that of an economist and of a statistical nature that I would not be interested in coming, unless it was the unanimous wish of the commission.

Senator HARRISON. But you do not know whether the President suggested you?

Mr. COULTER. I do not.

Senator HARRISON. Or whether anybody conferred with him with reference to your appointment?

Mr. COULTER. No; I do not. I had known the present President only casually in 1917, when the Exports Council was created. I think I met him first then. I do not know that he would remember me. I did not remember him later. And then the War Industries Board was created, and as economist I had occasion once or twice to consult with the Food Administration and, in a general way, he may have known who I was.

Senator HARRISON. When did you receive the first intimation that you might be appointed on this commission?

Mr. COULTER. On the commission?

Senator HARRISON. Yes.

Mr. COULTER. I think a few weeks before I was appointed.

Senator HARRISON. Who intimated it to you?

Mr. COULTER. One of the President's secretaries.

Senator HARRISON. Mr. Newton?

Mr. COULTER. Yes, sir.

Senator HARRISON. Did he have a conference with you?

Mr. COULTER. A brief conference.

Senator HARRISON. Did he get your views on the tariff?

Mr. COULTER. No; he did not. He raised the question whether I was thoroughly satisfied with my work as chief economist of the commission. I said I was enjoying it very much, indeed. And he said: "Would you be more interested in membership on the commission?" and I first said, "I think not," because as chief economist and statistician professionally my life had been given to that, and I said that my interests were so overwhelmingly that of a scientist and economist that I doubted whether I would want to give up for a sort of an indefinite tenure the permanent position—although it is not absolutely permanent—even though it meant a difference of a thousand or two thousand dollars in salary, because I had sacrificed considerable salary by giving up my position as president of an important college to come here as chief economist, and I did not care to change soon again, because I have three sons, and already in coming here I had given up something in the way of salary.

Senator HARRISON. You knew that Mr. Newton was acting for the President?

Mr. COULTER. I assumed that he probably was.

Senator HARRISON. Did he tell you so?

Mr. COULTER. No; he did not.

Senator HARRISON. Following that, did you have a conference with the President?

Mr. COULTER. Yes, sir.

Senator HARRISON. Did he ask you your views with reference to the tariff?

Mr. COULTER. No; he did not. He said, "You are technically a Republican, are you?" I said, "Well, I have been listed as such for some 20 years in Who's Who as a so-called Progressive Republican," but I didn't know just what that means, only that I have always been a Republican.

Senator HARRISON. Of course, he did not ask you whether you were a Hoover Republican or not?

Mr. COULTER. No; he did not. He said, "I may ask you to serve on the Tariff Commission as a Republican." He said, "You are a Republican, are you not?" I said just as I have recited. He said, "I am not sure yet, but I may ask you to serve." I said something like I said to Mr. Newton, that I had no great enthusiasm for it professionally, but if it was the best thing for the development of the tariff work I would be glad to serve. I did make one additional observation. I said, "If asked to serve, I hope it will not be for a few months, because I am more interested in my profession. I would prefer one of the longer terms if asked to serve."

Senator WATSON. What are the duties of the chief economist?

Mr. COULTER. The staff, aside from the statistical staff, is made up of a group of economists and technical men. And the chief economist is to serve for the commission in bringing together all of the information, knowledge, and investigation on the questions formed, for the commission to review and determine a policy. The chief economist thus correlates and helps to plan each investigation. The weighty methods and the statistical methods and the scope of the investigation, and lays the plans before the commission, which acts upon them and then acts on the details, and lays the results before the commission for their action.

Senator LA FOLLETTE. Has your successor been selected, Doctor Coulter?

Mr. COULTER. Yes; Doctor Durand.

Senator LA FOLLETTE. Formerly Director of the Census?

Mr. COULTER. Yes, sir. I may say there that when Doctor Durand's name was suggested, I immediately favored it, because I came to Washington originally in 1909, 21 years ago, when Doctor Durand was Director of the Census Bureau, and I had known him since that time.

Senator GEORGE. How old a man is he?

Mr. COULTER. I should say he must be 10 years older than I. At that time I felt that he was quite a little older, because——

Senator BARKLEY. In terms of years, what does that mean?

Mr. COULTER. I should say he was 58 years old. He is a vigorous, healthy, well trained, competent man that works night and day on economics and statistical work.

Senator BINGHAM. Mr. Coulter, it is going to be your duty in time, to recommend rates of tariff, up or down?

Mr. COULTER. Yes, sir.

Senator BINGHAM. I would like to know, in general, what would govern your decision as to whether a rate should be raised or lowered.

Mr. COULTER. Senator, that is quite well set out in the law, I think. The difference in basic cost of production, as set out in the law, taking into consideration advantages and disadvantages——

Senator BINGHAM (interposing). The question was stated a moment ago as to whether you considered the question important or not.

Mr. COULTER. I think the commission has very little leeway. If the Congress decided that a certain pin of which we made a few thousand in the United States, was dutiable and put a tariff upon pins of that character, if that came before the commission and we were asked to investigate that matter and if the commission found the rate was approximately correct, no change in the rate would be recommended. If they found it too high they would recommend a reduction; if they found it too low they would recommend an increase. I would think that irrespective of whether 100 men were employed, or 1,000,000 in the industry; whether there were 100 factories or 1,000 factories, if Congress had already determined that it was a dutiable commodity and we would have to face that and make an investigation.

Senator BARKLEY. Well, that is the only basis for an investigation anyway; you do not investigate the free list.

Mr. COULTER. No, sir.

Senator BARKLEY. You do not make any recommendations for the list.

Mr. COULTER. No, sir. We can not remove the duty and put a commodity on the free list. So if the commodity was very small, if Congress had decided it was dutiable, it would come within our purview.

Senator BINGHAM. Would you be influenced in your recommendation to increase or decrease the rate by the fact that we had quite fully debated it, and the decision arrived at?

Mr. COULTER. No, sir; I think that the Congress, in making this provision, assumed that it had not been in position to actually get the cost of production data from representative American factories and foreign factories, and had not been able to bring the essential facts together, considering the packaging and the transportation to the principal markets of the principal competing country, and that they might have made the rate higher or lower than the situation justified, and that they charged the commission with the duty of investigating those cases which came before us, to get detailed costs which the committees of Congress were not in possession of to determine whether those rates had been adequately or excessively prescribed. I think irrespective of the amount of discussion, that the commission would be charged with the investigations that came before them.

Senator BINGHAM. You will remember that on the floor of the Senate a good many arguments against certain rates were based on the fact that it would increase the cost to the consumer, and that there were millions of consumers who were concerned in the matter. Do you consider it the duty of the Tariff Commission to look after the consumer, or to look after the actual cost of production at home and abroad, and the relative difference that might exist?

Mr. COULTER. The Congress undoubtedly determined the question as to whether a commodity was to be dutiable, and the general level, and specified the rate, and then charged us only with the responsibility of looking into that in any case that comes before us, to deter-

mine whether the rate does represent truly the difference in the cost of production, and any other advantage or disadvantage in production and marketing of the commodity, if they are specific enough to weigh as a factor. For instance, I think in Congress many illustrations were given of many advantages that might be brought in, or disadvantages, if the country were granting a subsidy of a cent a pound, or a dollar a yard, or a ruble a pound, or something of that kind. That would be an item that would not enter into the cost. Other advantages and disadvantages would be given their due weight. But the Congress, otherwise, undoubtedly has determined the commodity shall be dutiable or not dutiable, and its place in the picture.

Senator BINGHAM. Do you feel that when Congress discusses a matter and attempts to take into consideration the political theory of whether it is better to favor a few people who manufacture an article, or a million people who use it, that it is not the duty of the Tariff Commission; that if a duty has been laid on it, it is the duty of the Tariff Commission to see that it is respected?

Mr. COULTER. Exactly; that it is not the duty of the Tariff Commission to legislate in any way.

Senator BARKLEY. Mr. Coulter, let me ask you this: Suppose you found that a commodity were being manufactured in some other country with modern methods and modern machinery greatly affecting the cost of production, and that the same article in this country was being manufactured by antiquated methods and machinery so that the actual difference in cost might indicate that a certain consideration should be granted; would you feel it your duty to take that into consideration in recommending a duty?

Mr. COULTER. Yes, sir.

Senator GEORGE. Let me ask you this: When you find an article on the list, your view is—and, of course, you are correct in it—that the Congress has determined the policy with reference to that particular article.

Mr. COULTER. Yes, sir.

Senator GEORGE. That it is to be a dutiable article; but the relative burden to be increased upon the masses of the consumers is a fact, is it not, that you will give some consideration to when there is a suggestion that that rate should be increased?

Mr. COULTER. The formula prescribed by the Congress is the difference in cost of production, providing for containers, and transportation and all other factors, to the principal market or markets of the United States and the principal competing markets, and any other advantages or disadvantages in competition. I think the commission would have to follow very closely the formula prescribed by the Congress as to what it can take into consideration.

Senator GEORGE. Then it was not so far amiss to suggest that the consumer might have somebody to represent him before the commission?

Mr. COULTER. In every case, I think, practically, the consumer does have, because in every case—we have had some 15 or 20 public hearings; we have 4 or 5 scheduled for next week, and some the following week—and in every case the consumer, as such, has been represented through the importers.

Senator GEORGE. Yes; I understand that.

Mr. COULTER. Who present their evidence; and our own investigators, of course, in getting the foreign as well as the domestic costs for laying down the foreign commodities on our shores, and the cost to the consumer.

Senator GEORGE. I am very much interested in your statement. Agree with you, of course, that wherever a tariff has been laid on an article by Congress, the policy has been laid down and the commission has not the power to legislate.

Mr. COULTER. Yes, sir.

Senator GEORGE. But when an investigation is ordered, and a proposal is made to increase that duty, does not the relative importance and the relative burden to be placed on the business have some weight with the commission?

Mr. COULTER. In a general way, it does.

Senator COUZENS. In what way?

Mr. COULTER. In a general way, it does, if it can be measured in any way. The factors which we can measure are very clearly set out. The steps are very clear and very simple. The ascertainment of facts, which is not always so simple. The question of the ascertainment of facts involves a number of things. One question may be as to what is included under straw hats; must they be all of straw? There may be a lot of articles in that immediate section. The comparability of the duty. The principal competing country; that is easily ascertained from the available data. The principal competing manufacturers; that is easily ascertained from the market records, and from the sales experiences.

Then the costs presented by the domestic producers and the foreign producers, and the invoices, which is necessary in the case of foreign goods. The difference in containers from the competing countries, the principal foreign market or markets, and American markets. And then the difference in transportation, which generally centers around bonuses, special treatment, drawbacks, or other elements which give either side an advantage in competition in the American markets. Now those really are the factors in every case.

Senator GEORGE. The fact, however, that Congress, in making the article dutiable, and coupled with the fact that it gave the commission the power to increase the rate only 50 per cent—

Mr. COULTER (interposing). Yes, sir.

Senator GEORGE (continuing). And to decrease the rate only 50 per cent is a very real indication, is it not, to your mind, that you are to take into consideration these broader questions for which you can lay down no very definite formula, such as the burden to be placed by increasing the duty on the consumer?

Mr. COULTER. In so far as it is something that can be weighed.

Senator GEORGE. Of course, I understand it is theoretical.

Mr. COULTER. It is theoretical; yes, sir.

Senator BINGHAM. Is that very difficult to compare if you have an article that costs \$1 and you propose to increase it to \$1.50, can you not weigh the cost to the consumer? Is there any difficulty about that?

Mr. COULTER. No; I do not think it is put up to us to weigh it, but I think it would be impossible, even if it was put up to us, in many cases.

Senator BINGHAM. Do you conceive it to be up to the Tariff Commission on any existing rates to determine what the effect would be on the consumer of an increase or decrease?

Mr. COULTER. No; I just said that we are not charged with that, and we could not do it even if we were charged with it.

Senator KING. Mr. Coulter, if it appeared in the course of a hearing that a domestic commodity was controlled by monopolistic organizations and the prices charged the consumer under this monopolistic cartel arrangement were excessive, made so, and the selling price was excessive, by reason of the combination, for that commodity, would that be a factor to be taken into consideration in fixing your recommendations?

Mr. COULTER. You understand, of course, we would not accept their price as to the cost of producing a commodity; we would go right to their costs of production; their actual labor costs; the raw materials and fabricating, and all costs, and we would have our figures, rather than their selling prices.

Senator KING. Supposing in that investigation it was disclosed that the manufacturers, or that a considerable number of them, were still manufacturing with archaic machinery, so that the cost is too great, would you adopt that to arrive at the weighted average?

Mr. COULTER. Undoubtedly that would be the first consideration, to take the weighted average of all the averages.

Senator KING. Supposing the majority of the manufacturers were using archaic methods, would you determine the question by the greater number of those using archaic machinery, or would you be guided by the fact that perhaps the smaller number were efficient and were producing a larger part of the commodity?

Mr. COULTER. After weighting the cost of production of the representative factories—and that is one of the first places where the commission has to use its judgment, as to whether it has gotten a representative group of factories—other advantages and disadvantages in competition might influence or modify the actual cost data. If it were brought out that efficient methods or inefficient methods, or that sort of thing, was a factor, that would have to be weighted under the general power of considering the advantages and disadvantages in competition.

Senator KING. Well, would you consider—and I am not sure that his is a fair question, because I can understand that asking a judge to judge in advance on a given state of facts is not quite fair to him; and I am not quite sure whether I am fair in this question, but if you do not care to answer it I shall not complain. But do you interpret the law to mean that if there were a number who were using inefficient methods and archaic machinery, so that the costs were very, very great—excessively great—and some had modern machinery and were producing the commodity at a relatively cheap price, would you feel that your recommendations must be such as to preserve those manufacturing plants which were producing at excessively high costs through inefficient methods?

Mr. COULTER. The committee, I think, will recall an illustration of that situation some years ago with a previous commission, in one of the glass cases—

Senator REED. Plate glass.

Mr. COULTER. Plate glass was it, or window glass?

Senator KING. And window glass.

Mr. COULTER. Some was made by one process, machine process, and some by hand processes. I think there is a real problem there of weighting at the beginning; weighting the relative amounts produced by the various processes; the costs under the various processes, and whether in the competing country the same situation prevails. In that case, you will recall, there were in Belgium, the principal competing country, all of those practices. In that case you could not take anybody's prices because they might represent only the output of one process. In that case it was found necessary to take the costs under various processes; and then the commission ought, in fact, set up and compare the various processes and then whether somewhat similar conditions maintained. And it was not necessary, I believe, in that case, and in many cases it would not be necessary, to weigh an efficient against a very inefficient process.

The commission undoubtedly would, in collecting data—that is one of the reasons why we have experts in each field in addition to the economists—ascertain the efficiency and some other things that are very much more difficult; whether they are running at capacity. A plant might have most efficient processes, but might be located where it could not run at capacity, and if the entire plant and overhead and all were charged in their output, the cost would be very much greater in difference for an efficient and inefficient process. All of those have to be weighted in getting at the cost of production.

Senator KING. You do not understand the law of the Congress to mean that it is the duty of the commission, in making recommendations, to preserve, by recommending increases in rates obsolete plants and inefficient organizations?

Mr. COULTER. No, sir; nor, on the other hand, to select only the plant which is the most efficient and most advantageously located, because that, in turn, would not be representative.

Senator KING. So that you would take the weighted average and try to reach a basis for determination by using a weighted average plant with respect to domestic manufacturers made pursuant to some plant with respect to foreign?

Mr. COULTER. Yes, sir.

Senator LA FOLLETTE. I would like to ask you a few questions, Doctor Coulter. What is your view with respect to reports made to the President, assuming no action is taken upon them?

Mr. COULTER. The commission has not discussed that as yet, but it will have to do so at an early date.

Senator LA FOLLETTE. I am asking your personal views about it.

Mr. COULTER. I have not given it very much consideration. I rather think that reports should be made public within a reasonable time after the commission has completed its report. I rather think that reports of the commission should be made available within a reasonable time. It might be wise not to make them public until the President has had some opportunity——

Senator LA FOLLETTE (interposing). I am assuming a reasonable time will be given him. You may recall that in the sugar case, the report lay for many months on the President's desk and was only published when the select committee made its investigation.

Mr. COULTER. That is the only case I recall of that kind.

Senator LA FOLLETTE. There were several others, but it was the only important one.

Mr. COULTER. I am of the view that they should be published.

Senator LA FOLLETTE. I take it it is your view that a reasonable time after the report is made, the report should be made public for the information of the country?

Mr. COULTER. I think so.

Senator LA FOLLETTE. Under the law provision is made for the commission to initiate investigations.

Mr. COULTER. Yes, sir.

Senator LA FOLLETTE. Do you conceive it to be the duty of the commission to exercise its prerogatives under that provision?

Mr. COULTER. Yes, sir.

Senator LA FOLLETTE. In other words, as you may remember there was a controversy in the commission originally; originally they assumed the duties, under the flexible provisions to be that they should act like a court and wait for Congress or the President to direct an investigation; or to wait for some interested party to apply for an investigation; and there was a question whether in cases where it thought the public interest would be served the investigation should be initiated by the commission.

Mr. COULTER. Yes, sir.

Senator LA FOLLETTE. And I am anxious to know whether your conception of this duty is that investigations should be initiated by the commission where conditions show a prima facie case in the public interest?

Mr. COULTER. I think the commission should. That is provided in the law. I think it should.

Senator LA FOLLETTE. Often officials may have power, but, of course, the question of whether they should exercise it or not is discretionary.

Mr. COULTER. Yes, sir.

Senator LA FOLLETTE. And the point I am anxious to bring out is your view. And your answer is responsive. And that is all.

Senator SHORTRIDGE. I would like to asked, Senator La Follette, in regard to the giving of publicity, and the findings and recommendations of the commission before the President has acted, and I invite your attention to subdivision (c) of section 336, the section which is subheaded Equalization of Costs of Production. This may help us to certain conclusions. That subdivision (c) reads:

PROCLAMATION BY THE PRESIDENT.—The President shall by proclamation approve the rates of duty and changes in classification and in basis of values specified in any report of the commission under this section, if in his judgment such rates of duty and changes are shown by such investigation of the commission to be necessary to equalize such differences in costs of production.

It might be argued that, inasmuch as specific power, and perhaps duty, is here given and imposed on the President to make the proclamation, and no provision is made as to the commission putting forth any proclamation or giving any publicity—

Senator WALSH (interposing). The proclamation is to be made in order to have the public know what the President does.

Senator SHORTRIDGE. Yes.

Senator WALSH. Would it not be a judicial act? I do not think it has any bearing on publicity.

Senator SHORTRIDGE. I think it has a great deal. It might be argued that these preliminary steps should not be given publicity until the President has acted.

Senator HARRISON. Does the Senator think that the President should be given one of those reports and it should be permitted to stay there indefinitely?

Senator SHORTRIDGE. Certainly not.

Senator HARRISON. He might do it under the law.

Senator SHORTRIDGE. But, Mr. Coulter, you have read section 336, I take it?

Mr. COULTER. Yes, sir.

Senator SHORTRIDGE. I invite your attention and the committee's attention to the language of the section, particularly the opening sentences. Subdivision (a) of this section reads as follows:

(a) CHANGE OF CLASSIFICATION OR DUTIES.—In order to put into force and effect the policy of Congress by this act intended, the commission (1) upon request of the President, or (2) upon resolution of either or both Houses of Congress, or (3) upon its own motion, or (4) when in the judgment of the commission there is good and sufficient reason therefor, upon application of any interested party, shall investigate the differences in the cost of production of any domestic article and of any like or similar foreign article.

I have read that for this purpose: To ask you this question, and I repeat the opening words, "In order to put into force and effect the policy of Congress," I repeat, "the policy of Congress, by this act intended."

What do you understand to be the policy of Congress as intended by this tariff act of 1930?

Mr. COULTER. In general, evidently the rates prescribed are intended to represent differences in cost of production, giving consideration to other advantages and disadvantages in competition; and the rates prescribed are those which to the Congress seemed to be as near as they could arrive at rates satisfactory to them in the interest of public welfare. And then they say, however, either because of advantages in conditions, patents, inventions, or discoveries, or other situations, some of these rates may be higher or lower than necessary to measure this difference, and the commission is charged with the duty, as an interim function, to study cases as presented to them or as initiated by them, to ascertain whether some changes are justified in the conclusions.

Senator SHORTRIDGE. Certainly. And to what end? To carry out the policy of Congress. Now, what was the policy of Congress, as you understand it, intended by this tariff act?

Mr. COULTER. Well, as set out in that section very clearly, it is, in whole, intended to prescribe rates of duty which represent differences in cost of production at home and abroad, and change those rates—

Senator SHORTRIDGE. Manifestly you do not catch the question as it is in my mind. The differences in cost of production are to be ascertained, of course, but that is done in order to carry out the policy of Congress.

Mr. COULTER. It is a protective policy.

Senator SHORTRIDGE. Which is what?

Mr. COULTER. A protective policy.

Senator SHORTRIDGE. That is what I am coming to.

Mr. COULTER. Yes, sir.

Senator SHORTRIDGE. What was, then, in your judgment, the policy of Congress as intended by this act?

Mr. COULTER. Unquestionably a protective policy.

Senator SHORTRIDGE. What, sir?

Mr. COULTER. Unquestionably a protective policy.

Senator SHORTRIDGE. That is to say, to American industry?

Mr. COULTER. Yes, sir.

Senator SHORTRIDGE. Agriculture, mining, manufacturing; is that not true?

Mr. COULTER. All commodities which Congress decided should be protected in that manner.

Senator SHORTRIDGE. To the end of what? Developing——

Mr. COULTER. American industry.

Senator SHORTRIDGE. Therefore, whether an industry be small or great——

Mr. COULTER (interposing). Congress has decided——

Senator SHORTRIDGE (interposing). To endeavor to protect——namely, to develop that industry—is that not so?

Mr. COULTER. The Congress has decided in each case whether it is one that should be included.

Senator SHORTRIDGE. The tin-plate industry was once called an infant industry.

Mr. COULTER. As all other industries were.

Senator SHORTRIDGE. Well, it was, was it not?

Mr. COULTER. Yes, sir.

Senator SHORTRIDGE. And there was a great deal of discussion as to whether or not it was wise to put a tariff on tin plate. You recall that, do you not?

Mr. COULTER. Yes, sir.

Senator SHORTRIDGE. When the McKinley bill was up, way back yonder.

Mr. COULTER. Yes, sir.

Senator SHORTRIDGE. Of course, then, in arriving at a given rate you are to be governed by the language of this law; is that not true?

Mr. COULTER. Exactly.

Senator SHORTRIDGE. Well, what are the controlling or dominant considerations to be taken into consideration when you are investigating as the result of a request or petition, be it upon some agricultural product or some mining product; what are the dominant things that you understand the law to require you to examine into?

Mr. COULTER. Well, the dominant things are the differences in cost of production here and abroad, set out rather carefully.

Senator SHORTRIDGE. Take a given agricultural product raised, if you please, in Texas, or in Mississippi, or in California, you would take into consideration the cost of raising or producing and reaching the market of that particular article, would you?

Mr. COULTER. Yes; and a like or similar foreign article.

Senator SHORTRIDGE. If it be an article raised in Egypt, for example, and, to be specific—and I am not merely wanting to take the time of the committee or waste words or delay things, but I have some views in regard to this subject, and I want to know yours. You take cotton, which is raised in Texas, and raised in Arkansas, and Oklahoma, and Mississippi, not to mention other

States, and California. It is raised over yonder in Egypt, and they import a great deal of a certain type of cotton from Egypt. Now would you deal with that problem the same as you would with some product just starting here in America? An infant article or product? Suppose we are raising figs in Texas and were up against the proposition that the price of labor there is such, the cost of production is such that the people of Texas can not compete with the imported article, would you still say, Well, there are 122,000,000 people in America who eat figs; this is an infant industry, as compared with the volume, therefore, we will take into consideration the consumers of figs, and thus not increase the tariff, or reduce the tariff, at the instance of the importers, who, you say, always speak for the consumers? Would you reduce the tariff on some things upon the consumer argument?

Mr. COULTER. Our formula is somewhat definitely set down for us, as to what we are to consider. We are certainly not a legislative body and would not go into many of these principles which the Congress goes into, at all. We would start right in at the bottom of getting a like or similar comparable article; finding the principal market from which it came; finding the principal American market or markets; developing the costs, foreign and domestic, including containers, and compare the results; and then inquire into any other special factors that may have entered into the matter. If it was Greece getting a special article in, this would have to be given consideration. It would not make any difference whether it was figs in Greece or pig iron in Pennsylvania.

Senator HARRISON. Or agar agar.

Senator SHORTRIDGE. I am trying to invite attention to this fact, that up to a few moments ago I was not aware it was opened up, and that is that you are charged with the duty of putting into force and effect the policy of the Congress by this act intended.

Mr. COULTER. Exactly.

Senator SHORTRIDGE. Now the policy of Congress was, also, to raise some revenue, was it not?

Mr. COULTER. Yes, sir.

Senator SHORTRIDGE. By duties?

Mr. COULTER. Yes, sir.

Senator SHORTRIDGE. To protect or encourage American industry, as well as to raise revenue?

Mr. COULTER. Yes, sir.

Senator SHORTRIDGE. Well, now, that being the policy, Congress specifically set forth what shall be done in order to carry out that policy, did it not?

Mr. COULTER. Yes, sir.

Senator REED. He has taken his oath to do it, Senator.

Senator SHORTRIDGE. I understand that.

Senator REED. We can not make it any stronger than that.

Senator THOMAS of Oklahoma. I would like to ask a few questions, Mr. Chairman.

The CHAIRMAN. Is the Senator from California through?

Senator SHORTRIDGE. Yes; that is enough.

Senator THOMAS of Oklahoma. Some questions have been raised, and some cloud has been created as to the function of the commis-

sion. I want to ask you, do you take the Tariff Commission to be an independent bureau or department of the Government or rather to be an agent of the Congress to carry out its directions?

Mr. COULTER. It is an agency to make investigations and to transmit its report to the President, under the law, which he also signs, to put it into effect if the findings justify it.

Senator THOMAS of Oklahoma. Does not that, then, make the commission an agency of the Congress to carry out its will from time to time?

Mr. COULTER. Yes, sir. It is sometimes referred to as a quasi-judicial body, because it is to hear the representatives of the industry.

Senator THOMAS of Oklahoma. Now, the next question: You have the power under the law, by proper request or by your own initiative, to start making investigations for the reduction of existing duties or increasing existing duties.

Mr. COULTER. Yes, sir.

Senator THOMAS of Oklahoma. Now, if you should find in your investigations that some article on the free list should be on the dutiable list, and if you should find some articles on the dutiable list that should be on the free list, would you feel free to recommend to the Congress such a change in the basic law as to carry that into effect? Would you recommend it?

Mr. COULTER. Yes; I would, personally, although it does not come much within the purview of the commission, unless it be under the general survey powers, because we are specifically charged with recommendations for raising or lowering duties. We would not recommend it to the President in any case.

Senator THOMAS of Oklahoma. I understand; but to the Congress?

Mr. COULTER. Under our general survey powers, it would be our duty, unquestionably, to keep up our studies of all domestic and import trade.

Senator THOMAS of Oklahoma. It was stated during the discussion on the tariff bill that this would likely be the last general tariff bill, and that the subject would be taken up by the commission and it would be determined on their study as to what changes should be made in the future. Now would you think it would be the duty of the commission to take up and recommend changes in individual schedules; or do you think it is simply your duty to limit your powers to making recommendations to increasing or decreasing existing schedules?

Mr. COULTER. No; very definitely the commission has very definite powers. In section 332, in which we are charged with making surveys and bringing together data for the use of the Government, in addition to the functions under sections 336, 337, and 338. Section 336 is the general rate survey, to increase or decrease rates. Sections 337 and 338 relate to unfair practices, and so forth.

Now, in addition to that, the commission has the duty, under the old original tariff act, creating the commission, of making surveys and furnishing data for the Government, for its use in changing the policy, modifying its policy as it may be deemed wise, and by changing items on the free list, or changing items from the free list.

Senator THOMAS of Oklahoma. Do you think the commission should have that power to transfer items from the free list to the dutiable list and vice versa?

Mr. COULTER. No; I think not. I think it is better to put a very definite limitation on the commission, because if the commission finds upon its investigation that the rate should be raised 100 per cent, or lowered 100 per cent on the free list, that would be better to come from the Congress.

Senator THOMAS of Oklahoma. Under your present organization, that you should make recommendations covering that one phase, or leave that severely alone? I mean as to the point of putting matters that are on the free list and putting them on the dutiable list, or taking matters from the dutiable list and putting them on the free list.

Mr. COULTER. We might make it, anyway. For instance, if the Congress or this committee should ask the commission to investigate a certain commodity, and that investigation was made and it was found that there was no difference between the cost of production here and in the principal competing country, and that the duty was a cent, or a thousand dollars, or whatever it was, or there was no difference, it would be the same as saying that this commodity might just as well be on the free list.

Senator SHORTRIDGE. It should not be. You should preserve the American market for the American producer.

Mr. COULTER. That is a legislative matter for Congress to decide.

Senator SHORTRIDGE. Senator Thomas, this will interest you, I think.

Senator THOMAS. I am through, Senator.

Senator SHORTRIDGE. You spoke about the carrying out of the policy. The function is not to carry out any general national policy as evidenced by other legislation. It is to carry out the policy intended by Congress by this act. The policy of Congress is evidenced by this act, and when an article is put upon the free list the policy is to keep it there, or if upon the protected list, to keep it on the protected list. I wish that the law would permit the commission to advise Congress in respect to taking an article off the free list and putting it on the protected list.

Senator HARRISON. But the Senator did not vote that way.

Senator SHORTRIDGE. Yes, I did; as in the case of oil, when the Senator from Oklahoma made his great fight for a tariff on oil. I was disappointed and grieved, and I am now greatly disappointed and grieved, that crude petroleum oil which is coming in in millions and billions from Venezuela, is not on the protected list. I voted with the Senator right through.

I want this commission to carry out the policy of Congress as it is here set down.

Senator HARRISON. The fact that the slightest intimation that you might give some thought to the consumer in the construction of these tariff rates might anger certain gentlemen on the other side—would that in itself influence you in the discharge of your duties?

Mr. COULTER. No, sir. We have to carry out the instructions which the Government has given us.

Senator SIMMONS. Mr. Coulter, if I understand you correctly, your position is that Congress having failed to place any duty upon certain articles and the Congress having provided for a raising or increasing of a duty, you would have no jurisdiction whatsoever over

the question of whether an article on the free list should be transferred to the dutiable list?

Mr. COULTER. Except in the surveys which the commission is charged with making under the general law.

Senator SIMMONS. Which is now authorized by Congress under the general law?

Mr. COULTER. Yes, sir.

Senator SIMMONS. Then your position, further, is to this effect, that in fixing the rates, Congress did define its policy and its intent as to such article?

Mr. COULTER. Yes, sir.

Senator SIMMONS. If it left it upon the free list, it defined its policy and intent as to that?

Mr. COULTER. Yes, sir.

Senator SIMMONS. You have nothing to do with the policy of whether a thing should be on the dutiable list or on the free list; but when you come to fix a rate, that is, to recommend a change in rate, you are to consider neither the interest of the consumer nor the interest of the producer, but only the question of whether the cost of production here is higher or lower than that abroad, and to measure that difference, whatever it may be?

Mr. COULTER. Yes; by the formula which has been prescribed.

Senator SIMMONS. That is what I understand to be the general effect of your testimony.

Mr. COULTER. Yes, sir.

The CHAIRMAN. If there is nothing else, we will excuse you, Mr. Coulter.

(Witness excused.)

(Whereupon, at 12.40 p. m., the committee, after informal discussion, adjourned, on motion of Senator Barkley, until Monday, December 8, 1930, at 10 o'clock a. m.)

CONFIRMATION OF MEMBERS OF UNITED STATES TARIFF COMMISSION

MONDAY, DECEMBER 8, 1930

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

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 312, Senate Office Building, Senator Reed Smoot presiding.

Present: Senators Smoot (chairman), Watson, Shortridge, Couzens, Greene, Deneen, Bingham, La Follette, Thomas of Idaho, Simmons, Harrison, King, George, Barkley, Thomas of Oklahoma, and Connally.

The CHAIRMAN. The committee will come to order, and we will proceed with the hearings. The next nomination is that of Mr. Alfred P. Dennis, of Maryland, for the term expiring June 16, 1933.

STATEMENT OF HON. ALFRED P. DENNIS OF MARYLAND, NOMINATED TO BE A MEMBER OF THE UNITED STATES TARIFF COMMISSION

Senator BINGHAM. How long have you been on the commission, Mr. Dennis?

Mr. DENNIS. It will be six years next March.

Senator BINGHAM. During that time how many reports have been made to the President recommending changes in the tariff?

Mr. DENNIS. Fifty.

Senator BINGHAM. How many of them were unanimous?

Mr. DENNIS. I can not say about the unanimity. I know that the President proclaimed five decreases of duty. Fourteen cases—either 14 or 15—were never heard from after they went to the White House. The other cases were increases.

Senator BINGHAM. What is your procedure when three members of the commission are in favor of certain action, and three are opposed?

Mr. DENNIS. The reports were always sent to the President with opinions filed in the report on both sides. In one case the President proclaimed a rate of duty based on the opinion of one commissioner as against the opinion of four.

Senator SIMMONS. Mr. Dennis, I do not know whether I understood your answer. You say he proclaimed it against the opinion of four and in favor of the opinion of one?

Mr. DENNIS. Yes.

Senator SIMMONS. What case was that?

Mr. DENNIS. That was the cotton-warp knit-glove case.

Senator BARKLEY. Whose one opinion was it that he accepted?

Mr. DENNIS. I wrote the dissenting opinion, and his proclamation was in accordance with my opinion.

Senator BARKLEY. Do you mean that you dissented from the recommendations of the other members?

Mr. DENNIS. I did; yes.

Senator BARKLEY. Was your dissent for an increase or a decrease?

Mr. DENNIS. It was for letting the duty remain as it was.

Senator BARKLEY. And he did that?

Mr. DENNIS. He did that; yes.

Senator GEORGE. In other words, the President declined to interfere with the duty?

Mr. DENNIS. He did.

Senator BINGHAM. How many decisions have been evenly divided; do you remember?

Mr. DENNIS. Let me go back a little, Senator Bingham.

When I came on the commission there were three straight Republicans and three nominal Democrats on it. One of those Democrats was Mr. Glassie, originally from Louisiana. So long as I was on the commission he voted consistently with the Republicans, not only on questions of changing duties, the major or more important questions, but also down to every little detail of personnel. So I was confronted on the commission—that is, from a political angle—with having four men on one side and two on the other.

Misery makes strange bedfellows. That threw me with Mr. Costigan. Mr. Costigan wrote a number of dissenting opinions, some of which I agreed to; others I did not. I think in three cases I wrote the dissenting opinions. It is very difficult to say how many cases represented three on one side and three on the other, because throughout that period a great many of the cases were decided on that line of cleavage—four on one side and two on the other.

I must say that as a general thing I signed most of the higher-duty cases. I am not a free trader. I am a moderate protectionist. I went with the facts. If the facts led me to go with Mr. Marvin, Mr. Glassie, and his set, I went along with them. I do not want to go into those old controversies. They were very bitter, very sanguinary, as a result of which we could not decide any question, no matter how minute, unless six men and the secretary sat around a table and discussed everything up to the fifth decimal. That is one explanation of why it took four years and a number of months to put through the Canadian log case, and considerably over four years to put through the cotton hosiery case.

Senator GEORGE. You were appointed from what State?

Mr. DENNIS. From the State of Maryland.

Mr. GEORGE. You are a Democrat?

Mr. DENNIS. Yes; I am a Democrat, and I am not a spotty Democrat, either. I was a little bit sore, when I was nominated by the President, to have the papers state that I was a "nominal Democrat." I am not a nominal Democrat. I am a regular Democrat. I do not think any member of my immediate family, going back for three generations, was ever a Republican; and I can authenticate my standing as a Democrat by producing a document, if necessary.

Some years ago a livery stable keeper down in my little town—Pocomoke, Md.—wrote a will. In that will he provided that democ-

racy with him was a sort of a religion. He named his pallbearers in that will, and he named men who had never under any conditions scratched a Democratic ticket, or who under any possible supposition ever would. The first man named on that list of pallbearers was the late Senator John Walter Smith, of Maryland, whom perhaps some of you knew. The second name, I am happy to say, was Alfred P. Dennis. So I consider that a certificate of my regularity as a Democrat. That bound me over to rectitude; and if I wanted to vote for a Republican now, I do not feel that in justice to a dead man I could do it.

Senator BARKLEY. In other words, he named you as vice chairman of the pallbearers.

Senator SHORTRIDGE. Did you attend the funeral?

Mr. DENNIS. When he died I was in Europe, so of course I did not act.

Senator SHORTRIDGE. You did not serve in that capacity?

Mr. DENNIS. No, sir; I was engaged in Europe as a commercial attaché at Rome when the gentleman died, and so could not serve. But, joking aside, I do not want to be ranked as a "nominal Democrat."

The CHAIRMAN. Are there any other questions?

Senator BARKLEY. In that connection, the press on yesterday had Senator George and myself classed as straight Republicans in some attitude we had taken in this committee with reference to other members of the Tariff Commission. I am satisfied that was an honest mistake.

Senator SHORTRIDGE. There is always chance for reform and improvement, Senator.

Senator BARKLEY. There may be chance for reform, but very little for retrogression.

Senator LA FOLLETTE. Doctor Dennis, what is your view with regard to the publication of reports after they have been submitted to the President, and a reasonable time has expired in which he could act?

Mr. DENNIS. I am on record for the fullest publicity, Senator, with respect to either reports or transactions of the commission. We had a very absurd rule or convention in the old commission that no information should ever be given to anybody as to the exact status of a report. We were not permitted, under the old rules, to state to anyone that a report had been sent to the President. That always seemed to me to be a silly piece of business. We are a public agency, set up to transact the public business.

Senator LA FOLLETTE. Do you regard it as a function of the commission to initiate investigations where preliminary studies have shown that a prima facie case has been made for an investigation on the motion of the commission itself?

Mr. DENNIS. I have always thought that, because there is no philosophy back of the commission unless it is based on the theory that it is set up to correct inequalities and injustices in tariff rates as they crop out.

None of us are perfect. Suppose Congress should frame a perfect tariff bill. There are 21,000 items of commerce that enter our ports; but suppose it were absolutely perfect. We live in a time of flux and

change, and with these changes in style and the wonderful inventions that transform the whole ebb and flow of national commerce, a rate that may be just and fair to-day would not be so a year from now. I have always conceived the flexible tariff as an instrument set up by Congress to correct, ad interim, these injustices as they crop out; and naturally if the commission is worth its salt, that should be its principal objective.

Senator THOMAS of Oklahoma. Do you want to leave with the committee the impression that the present bill is not a perfect tariff bill?

Mr. DENNIS. I think I can say, without unbecoming modesty, that none of us are perfect. This bill is the work of men who are not perfect. I think, with the best of intentions, we are up against the awful brevity of human life, that there is not time to turn out a bill with so many items and so many complexities, such as the coal tar schedule, the watch and watch parts schedule. You will find makeshifts in the tariff bill. I think there are a great many errors in the new tariff bill that ought to be corrected.

Senator THOMAS of Oklahoma. Under your interpretation of your duties, if you discover irregularities and mistakes and errors in the tariff bill, would you feel free to make such recommendation to the Congress that they be amended, or repealed, or modified?

Mr. DENNIS. If it were a dutiable article I would call the matter to the attention of the commission and try to have the commission take jurisdiction. Of course, if the article were on the free list the matter would have to be reported to Congress—that is, if I could get anybody to back me up in it.

Senator THOMAS of Oklahoma. That would work both ways—articles on the dutiable list to be placed on the free list, and articles on the free list to be placed on the dutiable list.

Mr. DENNIS. Oh, yes; both ways, Senator.

Senator GEORGE. I believe you said you had been on the commission six years, Mr. Dennis?

Mr. DENNIS. I am the senior member of the commission from the standpoint of service.

Senator GEORGE. What was your experience before you went on the commission?

Mr. DENNIS. I have been jack of a good many trades. I have been a member of the faculty of three colleges. My health broke down when I was about 35. I was not permitted by my doctors to carry on my old type of work, which I suppose would be termed intellectual. I went out west for about two years in an effort to recover my health. I worked in the mining camps and logging camps of British Columbia. I went up into Alaska. I got back some modicum of health, became interested in the logging business and took it up as a profession, or as a trade.

For 10 years I worked in the swamps of southern Maryland and Virginia, which was a proposition of mud, mules, and negroes, and made, I think a success of it. During the war I put my services as an expert lumberman and forester at the disposal of the Government. The Government was about to send me over to Europe to investigate the destruction of forests and the probable demand for American lumber products at the close of the war. That was vetoed at the last

minute by the gentleman who was president of the National Lumber Manufacturers' Association. He did not want me to go, on the ground that I had been a college professor. I found that having been a college professor and being burdened with a number of degrees was not an advantage to me in the lumber business.

Later, on the basis of an examination which I took at that time, I was sent by the Department of Commerce, just after the armistice, to Rome to establish a commercial-attaché office there. I was promoted from that office to the London office, our principal office. Later Mr. Hoover came in, called me back, and set me up as his economic assistant, specializing principally in foreign trade.

Mr. Coolidge asked me to come over one day to see him and offered me a position on the Tariff Commission. It was not in a spirit of coyness, but I declined it. I have never been an office seeker, and not even my own Senators have been approached on the subject of my reappointment to this commission. I declined it because I was interested in my work under Mr. Hoover, happy in it, and I had a foreboding as to just what I would be up against if I went on the Tariff Commission. My worst fears were realized when I did go on.

Finally I asked Mr. Coolidge to give me some time to complete my work with Mr. Hoover. He gave me about five months. At the conclusion of that time I went on the commission and have served ever since.

Senator GEORGE. I believe, Mr. Dennis, that you have always been an advocate of what in political parlance we call the executive flexible tariff rather than the legislative?

Mr. DENNIS. I have, because I think it is implicit in the whole nature and theory of the so-called flexible tariff that it should be set up to correct inequalities in tariff rates ad interim between sessions of Congress; and if every item on which a change of rate was suggested by the Tariff Commission were referred to the Congress, it would be precipitating the whole tariff matter back into Congress.

A particular item in a tariff rate is something like a thread which you pull out of a hank, we will say, of silk. It draws a number of others with it. I have never thought that it was practical to refer a particular tariff rate to Congress and have Congress pass on it with expedition. For that reason I have always supported the idea of an Executive proclamation rather than a reference of the rate to Congress.

Senator BARKLEY. Under that theory it would be possible ultimately to take all tariff making away from Congress and put it in the hands of the Executive; would it not, Doctor?

Mr. DENNIS. Senator Borah pointed out that at the rate at which the old Tariff Commission was going it would take 800 years, Senator.

Senator BARKLEY. I know; but I am not willing to accept the old Tariff Commission as any criterion.

Mr. DENNIS. I think we are speeding up our cases at least a thousand per cent. I hope we are. I think it is the accumulation of grievances which forces on Congress these periodical general revisions of the tariff.

A man who suffers an injustice in a tariff rate is a good deal like a man with a toothache. He has a pain, and his disposition is to

get that pain corrected. If a man with a pain comes to the Tariff Commission as he would to a dentist, it will not do to say to him, "We have a select committee of odontologists who will look into your case, and probably three or four years from now recommend some remedy for your pain." I think the man whose business is being destroyed, as our wood alcohol industry was being destroyed in 1925, needs quick relief; and he would get it through an ideal tariff commission in short order, whereas it might take him several years to get it through Congress.

Senator BARKLEY. Suppose you have a tariff bill that gives everybody a pain. How would you operate there?

The CHAIRMAN. There is not any likelihood of that, because I do not think the Democrats are going to get in power.

Senator BARKLEY. I am speaking about the pains from which they are suffering now—not the future.

The CHAIRMAN. They are not suffering. It is about the only thing that is saving the country now.

Senator SIMMONS. Let us not get into a political controversy here.

Senator WATSON. No; if we get into that we will not settle anything.

The CHAIRMAN. I have heard these generalities until I am weary of them.

Senator SIMMONS. Mr. Dennis, as I understood your statement, you favor the tariff bill as it is written and as it was enacted, but you did not favor the flexible provision and the conditions attached to it in the amendment that was adopted by the Senate and subsequently stricken out in conference?

Mr. DENNIS. Senator, no law is self-executing. No matter how perfect the law is, it must be administered by human beings.

Senator SIMMONS. I understand; but you favor now a tariff commission along the lines of the bill?

Mr. DENNIS. To be perfectly frank, I appeared before this committee when the Democrats were excluded, and I outlined my views as to a flexible tariff bill; and it is no spirit of conceit or egotism that I say that the committee—I do not know whether I had any influence with them or not—did follow some of my suggestions about it.

I was very much opposed to a 7-membered commission. I was very much opposed to the idea of basing tariff rates on transportation charges paid to American ports. I was violently opposed—and it has caused me a great deal of difficulty and anxiety and injury to my health—to the view taken by some of the former members of the commission who have now retired from it that on this subject of transportation the output of an entire industry in some cases could be taken theoretically with a phantom rate paid on it to a principal competing market. We fought that matter out in the Canadian log case; and I am happy to say that I think my point of view, after years of wrangling, has been sustained by a Republican President of the United States, by a Republican House of Representatives, and by a Republican Senate, or certainly by the Republican members of the Senate Finance Committee.

I am a man of peace; but I think a man must have some loyalties, that there are some things that are worth fighting for. I hope these fighting times are past; I trust they are; but it has taken a great

many years to settle certain matters relative to the interpretation of the old law, how it was to be administered; and in the last bill Congress has been generous to us. It has liberalized the law, reorganized the commission.

Senator SIMMONS. I understand, then, that you mean to say that you are entirely satisfied with the provisions of the law as it was passed?

Mr. DENNIS. No, Senator; I am not. I think that any instrumentality of government which is set up, we will say, out of hand to meet a particular exigency or abuse has to develop just as any other mechanism has to do.

Take our automobiles: Twenty-five years ago they were clumsy contrivances as compared to the mechanical perfections they are today; and that will be the history of the flexible provision. It began in weakness. Many people distrusted it. The commission was not intrusted with very much power. We were fettered by narrow mathematical formulæ. But you are liberalizing our formulæ, and we hope to obtain—

Senator SIMMONS. And you are satisfied with it as it was written?

Mr. DENNIS. No; I am not, Senator. It is a much better measure than the original measure, but it is not so good a measure as some day it will become. That is my thought about it.

Senator SIMMONS. Not perfect yet?

Mr. DENNIS. Not perfect. I compare it to the Interstate Commerce Commission. That originated in weakness and distrust; but after 45 or 50 years of practical administration I do not believe anybody would want to go back to the old system of control of individual railroad rates by Congress; and 50 years from now I doubt whether anybody will want to go back to the individual detail control of tariff rates by Congress. We will have, however, to burst our swaddling clothes. The law must undergo subsequent liberalization. Some day we may have a Tariff Commission that in personnel compares favorably with the members of the United States Supreme Court. I hope so. I probably will not be here to see it.

Senator BARKLEY. Doctor, your theory about the Tariff Commission is that the commission ought to have power to fix rates itself, without reference to the President? That is a mere academic question.

Mr. DENNIS. Yes, sir; that is; but I think logically that is what we are heading out to. I think, however, the commission must justify itself before the country before that is done.

Senator SHORTRIDGE. You say you were opposed to having seven members of the commission, and favored an equal division in the partisan sense? Am I right, Doctor?

Mr. DENNIS. I outlined my position before you last spring, I think. Perhaps you remember the stand I took. My feeling at that time was that we would not be getting very far ahead if we had an odd-numbered commission with four members of the commission reflecting exactly the administration. My idea of a flexible-tariff provision is that it should be an objective, fact-finding, scientific commission.

Senator SHORTRIDGE. In most bodies—courts and legislative bodies, but certainly in courts—there is generally an odd number, so that the majority may render a decision. In this commission, assuming

that men should divide somewhat upon fundamental views, and there should be three and three, what then is the report to go to the President, if any?

Mr. DENNIS. We have never been up against that situation. I have often wondered.

Senator SHORTRIDGE. I have seriously wondered what would happen.

Mr. DENNIS. That does puzzle me.

Senator SHORTRIDGE. If six honorable and sincere men should divide equally in their views, what then?

Mr. DENNIS. To speak frankly, Senator, I think under this new régime we have a new soil in which confidence will strike root. So far we have gone along in harmony.

The CHAIRMAN. Three of you could send in one report, you know, and three send in another report.

Mr. DENNIS. I do not know, Senator, whether the President could act in that case.

Senator SHORTRIDGE. I do not think he could, Senator.

Senator WATSON. I do not think the President could act.

Senator SHORTRIDGE. No; I do not think the President would have any jurisdiction.

Senator KING. That would confirm the wisdom, then, of Congress in the law, perhaps.

Senator SHORTRIDGE. Possibly so, Senator. It just occurred to me, though, what might happen in such a case.

Mr. DENNIS. In case six judicial men split, three to three, would it not be rather obvious to the President that the merits of the case were so debatable that no action was required?

Senator SHORTRIDGE. Very likely. He probably would not have the power to act.

Senator KING. Senator, oftentimes in an appellate court there will be an equal number for the affirmance of a decision of the lower court, and an equal number against; and, of course, that means that the opinion of the lower court is affirmed. It remains in status quo, so to speak.

Senator SHORTRIDGE. Yes.

Senator BARKLEY. Doctor Dennis, I should like to ask you your view about a situation more or less hypothetical, but which has existed in some investigations.

Where you are investigating the question of the difference in the cost of production at home and abroad, and you find that the foreign article made according to modern methods, with up-to-date machinery and things of that sort, would tend to reduce the unit of cost, and the domestic article, or a very considerable portion of it—say probably the larger part of it—is manufactured by out-of-date methods and by old machinery—in other words, the domestic industry has not kept pace with modern invention and production—is it your view that the mere bald difference in the actual cost of production should be taken into consideration in increasing the rate or recommending an increase, or that the antiquated situation existing in this country, if it should, in any industry, should be offset against the question of difference in cost to determine whether a rate should be increased?

Mr. DENNIS. I understand your question, Senator. It is largely academic, because this country leads the world in the mechanization of industry.

Senator BARKLEY. As a general proposition, yes; but in some isolated cases it may not be true that it does.

Mr. DENNIS. They have not come to my attention. Of course 10 years ago in the chemical industry we were distinctly in the rear of Germany, far behind Germany in the technique of what I may call the science of hooking up modern chemistry with modern industry. That difference, even, has been cancelled, however; and when it comes to machines I do not know any country on the face of the globe that is superior to us in the application of machinery to production.

Let us try to think of a case. Take the Belgians. The Belgians for a number of generations have rather led in the production of window glass and plate glass. There has been, however, a revolution in the last three years in the methods of producing plate glass. The old crucible method, whereby a vessel of molten glass was tilted out on a table and a single sheet of glass made, has been superseded by what is called the continuous process, where out of a great tank this molten glass flows along very much like the transit of an automobile along a line in the Ford factory; and we produce glass now by the thousands of feet instead of by a few square feet at a time. But the leader in that revolution is not the Belgians; it is an American.

Senator BARKLEY. Yes; but at the time the Tariff Commission made its investigation and report on window glass and plate glass, it so happened that a much larger proportion of the Belgian product was made by the modern process than was true in America.

Mr. DENNIS. Yes.

Senator BARKLEY. And the commission reported that fact.

Mr. DENNIS. But it was made by Americans who had gone over there—Libbey-Owens.

Senator BARKLEY. I understand; but it involved the question of importations and an increase in the tariff; and, as I recall, when the attention of the Tariff Commission was called to that fact, the reply was that it was not the business of the Tariff Commission to fix a policy; its only duty was to make a report as to the difference in cost of production; it was up to Congress to fix a policy as to whether that ought to be taken into consideration in fixing rates.

Mr. DENNIS. Well, now, let us look at that.

In the first place, we are not a little Congress. We are supposed to have nothing to do with the great, broad, general policies which lie behind the enactment of a general tariff bill. We are hardly more than a ministerial agency to carry out the will of Congress as prescribed by law, and that law is written in great detail. So, while we have not very much to say about policy, I do think that if the commission is worth anything at all, its determinations should be based to some extent on horse common sense. If we are confined to the narrow mathematical formula of production costs, we are in a strait-jacket, and we are nothing more than automatons, and we will never amount to anything. I have always thought that our determinations should be based on mathematics plus common sense;

and it is not common sense to me, if we could discover such a supposititious case, to raise the rates on an American commodity that is produced at a disadvantage of technical competence—we may say, in general, inefficiently—as against the more efficient production of a foreign country. I do not believe that is true any more than I believe, as some of my former colleagues asserted, that Utah steel should be transported theoretically to New York, and a phantom rate paid on it in competition with Belgian steel; or any more than I believe that a steel plant should be set down in Oklahoma at a long distance from the ore, at a great distance from the fluxing material and from the fuel, and expect to receive a tariff rate that will enable it to make a living.

Senator THOMAS of Oklahoma. Doctor Dennis, do you hope to see the Tariff Commission developed to the point where it will have the power to make agreements with foreign nations, so that the two nations—America and, say, Switzerland or Belgium—can operate to better advantage than they can under the present law?

Mr. DENNIS. I do not know that I caught that, Senator.

Senator THOMAS of Oklahoma. In other words, a tariff between America and Belgium, say, to be based on a sort of a treaty, like some other nations have, in place of having a positively inflexible tariff with regard to all nations.

Mr. DENNIS. Well, theoretically that might not be so bad, but it is entirely outside of our province.

Senator THOMAS of Oklahoma. I was asking for your opinion. I know you have been around over the country quite a good deal and on the commission for a long time, and you made the statement that you hoped to see the time when the commission would be more powerful than it is now.

Mr. DENNIS. If we went back far enough, that would take us back to the old principle of reciprocity, which some of us older people remember—our efforts to obtain a reciprocity treaty with Canada.

Senator THOMAS of Oklahoma. What are your views on that question, if you care to express them, from the desirability standpoint—the standpoint of our best interests.

Senator KING. For my information, Senator, do you mean to have the Tariff Commission given the authority to negotiate what might be called a treaty, or *modus vivendi*, under which the same rates would be applicable abroad as in the United States?

Senator THOMAS of Oklahoma. No; my idea is this—that our best interests might be served by having one rate applicable between America and Belgium and probably another rate applicable between America and Spain, and have the Tariff Commission work this matter out to our best advantage, so that our trade may be promoted in place of being retarded.

Senator KING. Do you mean to let them work it out and recommend it to Congress or put it into effect themselves?

Senator THOMAS of Oklahoma. I understood Doctor Dennis to say that the time would come, he hoped, when the Tariff Commission would stand on a comparable basis to the Supreme Court, which would be a court of last resort. In other words, the Tariff Commission would have everything to say and Congress would not have

much to say about it. I am just looking into the future, and seeing where we are going, if I may.

Mr. DENNIS. Senator, I think you put a little too much emphasis on that. What I meant to say was this: I took 50 years at a time. I remarked that 50 years from now probably we would have made such a long advance in scientific, objective tariff-making that the man who suffered a tariff grievance, whose business was being hurt, who had an acute business pain, would come to the commission very much as he would come to a court to have his case heard with a view to getting a verdict one way or another; and I remarked that I hoped some day that the Tariff Commission would advance so far in public estimation and importance that its members might be comparable in quality or in caliber with the members of the Supreme Court. I did not mean to suggest—if my words carried that reflex—that the Tariff Commission should ever become a sort of a Supreme Court to decide on controversial tariff matters.

The CHAIRMAN. Senator Thomas, have you an opinion as to whether it would be a proper thing for the Government of the United States to have a rate of duty upon glass imported from Belgium and not have the same rate as to all other countries than Belgium?

Senator THOMAS of Oklahoma. I did not have that particular matter in mind; but there are some commodities that we get, you might say, from one particular country, and it occurred to me that it might be desirable to have arrangements made between America and that particular country that we would give them some preferential, favorite status on the stuff that they sent out in consideration of our enjoying similar rates on our commodities—in other words, make the tariff a sort of a reciprocity arrangement between America and her sister trading nations. Of course that could only be done where it would be harmonious. Other nations seem to operate on that basis, and they are getting along fairly well.

The CHAIRMAN. I know about England making preferential rates, but they are made on all items affecting all countries—not any particular item affecting any particular country. I know of no such proposition in the law of any country. That, however, is aside from the question now.

Senator WATSON. Do you think it possible to confer treaty-making powers on a Tariff Commission, Senator Thomas? And might we not run afoul of the favored-nation clause on a proposition of that kind?

Senator THOMAS of Oklahoma. I know the policy now is to make an inflexible rate that applies to the world. I realize that.

Senator BARKLEY. Would not that also involve the provision in the Constitution that all taxes must be uniform? If these are taxes, they are bound to be the same.

The CHAIRMAN. Is there anything else to ask of Doctor Dennis?

Senator SIMMONS. Mr. Dennis, I understood you to express some doubt as to whether the President under present law, in case the commission should divide equally, could fix any rate at all. Upon what ground do you base that doubt? You just stated that under the old law the President did make a finding of facts. You made the first finding and transmitted it to him.

Mr. DENNIS. Yes.

Senator SIMMONS. You said that under the old law he did accept the findings and the recommendations, if you made recommendations, in one case where four members were of a different opinion. Now, is there any change?

Mr. DENNIS. There is a change in the law, Senator.

Senator SIMMONS. I should like you to explain what the change is.

Mr. DENNIS. There is a slight change in the law.

Senator SIMMONS. What change in the law would deny the President the right to act in case there is a tie and two opinions, two findings, one by one group of members and one by another, by an equal division?

Mr. DENNIS. The old law directed the Tariff Commission to send a report to the President. It did not even use the word "recommend." Some of our subtle lawyers on the commission would not allow the word "recommend" to go into our report to the President.

Senator SIMMONS. You are speaking now of the present law?

Mr. DENNIS. No; of the old law. The old law directed us to ascertain differences in cost of production, and to transmit those differences to the President without recommendation. He could take it or leave it, or accept a minority report, or not act at all. In a number of cases he did not act at all. We sent an important case to him over five years ago—just five years ago last fall—the hardwood case, and nothing has ever been heard of that case since.

Senator SIMMONS. That is a matter of common knowledge.

Mr. DENNIS. Yes. The new law, however, clothes the commission with the power to fix the rate—that is, to name the rate—and they send the rate to the President; and my understanding of it is that it is on all fours with a bill which is sent to him by Congress. He can either accept it or veto it. That is the essential difference.

Senator SIMMONS. Do you recommend a rate to the President?

Mr. DENNIS. We do not recommend it. We send the rate to the President.

Senator SIMMONS. You send the rate?

Mr. DENNIS. We find the rate.

Senator SIMMONS. You mean you find the rate and send it to the President?

Mr. DENNIS. Yes.

Senator SIMMONS. And the only power that he has under the present law is to act according to your findings or not act at all?

Mr. DENNIS. Yes; he can take it or leave it.

Senator WATSON. He can either sign it or veto it. That is what it amounts to. That is the arrangement we had. We thrashed that all out in the committee.

Senator SHORTRIDGE. Do you send two reports, then, under the present law?

Mr. DENNIS. Well, Senator, under the present law we have not sent any reports.

Senator SHORTRIDGE. I know, but within the powers of the commission?

Mr. DENNIS. Do you mean the present commission—the present law?

Senator SHORTRIDGE. Yes.

Mr. DENNIS. I should assume that it would be a single report. If there is a division of opinion, it would be represented by dissent, dissenting opinions.

Senator SHORTRIDGE. That is to say, there would be two findings, two conclusions, and two reports to the President, and it would be for him to adopt one or the other?

Mr. DENNIS. I should imagine that the President would go with the majority. It is not a report.

Senator SHORTRIDGE. I am assuming that there is no majority; that there is an equal division.

Mr. DENNIS. I confess that I am puzzled by that, Senator. I do not know how to answer it.

Senator WATSON. My recollection is that we argued that all out in the committee of conference. If the conferees will remember, I took the position that there ought to be three and three. I was very decidedly of that opinion, because if we had four Republicans and three Democrats very naturally the Republicans would run together and would formulate the decision, whereas if there were three and three they would fight it out squarely on the question of principle as far as it was presented to the commission; and then, after it got to the President with the recommendation of the Tariff Commission, he could either sign it or veto it; and if the commission disagreed evenly, three and three, in that event they could transmit the report to the President, but he could not act at all. That was my understanding of the interpretation of the law.

Senator GEORGE. Obviously, in that case there would be no recommendation of the commission for a change.

Senator WATSON. He must act on a majority report or not at all; that is my understanding.

Senator GEORGE. I say, obviously in that case there would be no recommendation to the President of a change.

Senator WATSON. That is right.

Senator SHORTRIDGE. I do not wish to prolong the matter; but note the law:

The commission shall report to the President the results of the investigation and its findings with respect to such differences in costs of production. If the commission finds it shown by the investigation that the duties expressly fixed by statute do not equalize the differences in the costs of production of the domestic article and the like or similar foreign article when produced in the principal competing country, the commission shall specify in its report such increases or decreases in rates of duty expressly fixed by statute (including any necessary change in classification) as it finds shown by the investigation to be necessary to equalize such differences. In no case shall the total increase or decrease of such rates of duty exceed 50 per cent of the rates expressly fixed by statute.

The question arises in my mind—hence my initial question—where they equally divide, what is to be done?

Senator WATSON. Nothing.

Senator KING. There is no finding, then.

Senator GEORGE. The commission, as a commission, has not found in favor of a change.

Senator WATSON. He could not act on an equally divided recommendation, Senator Shortridge, any more than he could on a minority recommendation.

Senator SIMMONS. I think you are right; but Mr. Dennis expressed a doubt about it, and I wanted to know.

The CHAIRMAN. Are there any other questions?

Senator HARRISON. Yes; I want to ask Mr. Dennis some questions.

Mr. Dennis, I understood you to say that you were a Democrat; and you cited the will of some friend to that effect, among other things, carrying out that theory; and you have supported Democratic nominees, of course?

Mr. DENNIS. Without exception. I never voted for a Republican in my life, Senator.

Senator WATSON. That is bad.

Mr. DENNIS. I should like to add something to that, too. Twenty-seven years ago I took my meals every day at a little place called the Rahares Inn in Northampton, Mass. An obscure, rather unpromising lawyer known as Calvin Coolidge also took his meals there. I saw him practically every day of my life for five years. Even in Northampton—a Republican city in Republican New England—I can say with becoming modesty, I hope, that I was one of the Democratic political leaders of the place. I got nothing out of it, except that on occasion the boys did send me out to St. Louis as a delegate to the Democratic National Convention that nominated Parker, and I had the privilege of paying my own way and expenses, and nobody consulted me; but even at that time I was a regular Democrat.

I like Mr. Coolidge, and I think to this day he likes me, though not as much as he did before I went on the Tariff Commission and opposed some of his friends on the commission. But when it came to the election I voted for Mr. John W. Davis as against Mr. Coolidge. I voted in the last election for Al Smith against Mr. Hoover, although I have been his personal economic assistant for a number of years. I do not believe in any break in party regularity, because if you hit your party you hit the instrumentality for accomplishing something at some future time; and a man who bolts his party because he dislikes a certain nominee seems to me deficient in ordinary loyalty.

Mr. HARRISON. Mr. Dennis, you stated in your testimony that you were very friendly to Mr. Hoover. You had worked with him for a long time?

Mr. DENNIS. Yes; I have worked with him. I do not think any man could work with Mr. Hoover without sustaining a feeling of loyalty and very high respect for him.

Senator HARRISON. How long were you under him when he was Secretary of Commerce; did you state?

Mr. DENNIS. All told, about five years. Mr. Hoover came in in 1921, early in March of that year. At that time I was commercial attaché in London. He sent or called me home and looked me over, and I went back to London; and about two months after that he detached me from that office and sent me on a special investigation, a number of investigations. I was a rover in Europe for a period of two years under Mr. Hoover. If he wanted me to go down in Bulgaria, I went down there. If he wanted me to go to Finland, I went there. If he wanted me to escort colleagues such as Senator Brookhart around Europe, I did that. I was, in a way, Mr. Hoover's factotum over there.

Later, he ordered me back to Washington, and, as I say, set me up as a sort of economic assistant to him, specializing in international commerce.

Senator HARRISON. Did he first suggest to President Coolidge your appointment on the Tariff Commission?

Mr. DENNIS. I do not think so; no, sir. He backed me up in it.

Senator HARRISON. Did he approach you before you were appointed about the appointment?

Mr. DENNIS. He did; yes.

Senator HARRISON. In your testimony before the select committee, did you not state that he called you in and asked you to go to the White House, and say that he had recommended you to President Coolidge?

Mr. DENNIS. I did, yes; but the President, I think, had raised the matter with him before he recommended me. They were both for me, as a matter of fact.

Senator HARRISON. He had suggested to Mr. Coolidge then your appointment; had he?

Mr. DENNIS. It might have been the other way, Senator; I do not know.

Senator HARRISON. You do not know; but the facts are that he had called you in and told you to go over to the White House, that they were considering you for the Tariff Commission?

Mr. DENNIS. He did.

Senator HARRISON. And wanted you to talk to President Coolidge?

Mr. DENNIS. Yes; and I returned from the White House stating that I really did not care to accept the appointment. For one thing, I wanted to complete the work which I was doing for Mr. Hoover.

Senator HARRISON. And also you were writing some articles, I believe, at that time, and you wanted to have time to finish that contract?

Mr. DENNIS. Yes; that is true, too.

Senator HARRISON. You were appointed to Mr. Lewis's place on the Tariff Commission?

Mr. DENNIS. Yes, sir.

Senator HARRISON. Did Mr. Hoover call you in and ask you to recommend any one when Mr. Baldwin was appointed on the commission?

Mr. DENNIS. No; it was quite the other way. Mr. Coolidge asked me to recommend some one for the place which Mr. Baldwin had. I wanted to be sure of my ground, so I went to Mr. Hoover and asked him if he could suggest some one whom I could recommend to Mr. Coolidge, and he recommended Mr. Baldwin.

Senator HARRISON. Then, as I understand, Mr. Coolidge—who was then President—called you in and said there was a place to be filled. You were then on the commission?

Mr. DENNIS. Yes.

Senator HARRISON. And he asked you if you had anyone in mind that you could recommend?

Mr. DENNIS. He did.

Senator HARRISON. And you told him at that time that you did not, but asked him to give you a few days to think about it?

Mr. DENNIS. That is true.

Senator HARRISON. And then you went to see your friend, Mr. Hoover, to talk over the matter with him. Is that right?

Mr. DENNIS. That is quite correct.

Senator HARRISON. And you told Mr. Hoover that the President had asked you, and you asked him whom he had in mind, if any one, to suggest?

Mr. DENNIS. Yes.

Senator HARRISON. And he suggested Mr. Baldwin?

Mr. DENNIS. That is true.

Senator HARRISON. And then you went to Mr. Coolidge and suggested Mr. Baldwin?

Mr. DENNIS. I gave him that one name, Mr. A. H. Baldwin; yes.

Senator HARRISON. I believe you said you afterward changed your mind about Mr. Baldwin?

Mr. DENNIS. I did; yes. Mr. Baldwin was a sick man. I did not know anything about it; neither did Mr. Hoover.

Senator HARRISON. Afterward, when Mr. Brossard was appointed on the commission, did Mr. Hoover then ask your advice about Mr. Brossard?

Mr. DENNIS. Mr. Hoover?

Senator HARRISON. Yes.

Mr. DENNIS. No, sir.

Senator HARRISON. Did Mr. Coolidge?

Mr. DENNIS. Mr. Coolidge did; yes.

Senator HARRISON. What did you tell him at that time?

Mr. DENNIS. I told him at that time that Mr. Brossard was a member of our staff; that he had done good work on the staff; he was a very likable, personable fellow, a man of great industry, but I wondered whether it would be good policy to appoint on the Tariff Commission a man from Utah who had done considerable work in our sugar case; that sugar was one of the most controversial subjects that ever came before the commission, and I raised that point. Mr. Coolidge evidently paid little regard to my advice on the subject, and went ahead and appointed Mr. Brossard.

Senator HARRISON. Did you not at first, when he first approached you, recommend Mr. Brossard?

Mr. DENNIS. I do not know whether I did or not. I think it is likely that I asked for a little time to look into Mr. Brossard and his record.

Senator HARRISON. You testified before the select committee?

Mr. DENNIS. Yes.

Senator HARRISON. I read from page 187:

Mr. Coolidge flattered me enough one day to ask me to suggest somebody for the vacancy which was about to occur on the Tariff Commission. I asked, "What kind of a man do you want?" He replied, "I want a man who is not combative, who does not spend his time in fighting, who is able to find the facts as a scientific economist, and go by the facts." I asked him to give me three or four days to bring in a list of names. I went to see Mr. Hoover in that connection—

That was in connection with Mr. Baldwin, may I say.

Mr. DENNIS. Yes; that is true.

Senator HARRISON. Senator La Follette asked you this question:

Senator LA FOLLETTE. Were you consulted or did you recommend the appointment of Mr. Brossard as a member of the commission?

And you said:

Yes.

Senator LA FOLLETTE. Did you recommend his appointment?

Mr. DENNIS. I did.

Senator WADSWORTH. To whom did you recommend him, may I ask?

Mr. DENNIS. The President asked me on two occasions my opinion of Mr. Brossard.

* * * * *

I say on this point, however—I am not trying to defend the President—he needs no defense from me, but I resented the idea which has been propagated in the press that the President had attempted to pack the Tariff Commission. In the case of Mr. Brossard I happen to know that he was first indorsed by Secretary Jardine. Secretary Jardine felt that in consideration of the fact that so many agricultural cases were coming up before the commission, an agricultural economist ought to have a place on the commission. So Secretary Jardine indorsed without reservation, I believe, Mr. Brossard. As I say, he is a young man; he has come up from the ranks; he has not such a brilliant past, perhaps, but I think he has a fine future.

So you recommended him in your testimony there without any reservations in the first conference?

Mr. DENNIS. I had two conferences with the President on the subject of Mr. Brossard. Five years have elapsed, so I am not absolutely clear as to the exact language used; but at my first conference with the President I asked him to let me look into the matter. One thing that I knew at that time was that Mr. Brossard was from Utah, that he had been one of our experts on the sugar case, and I said to the President at that time that I thought that might possibly be a handicap.

Senator HARRISON. That testimony of yours was given on one day before the committee, and it appears from the testimony that you indorsed Mr. Brossard without any reservation. The next day you were recalled before the committee, and Senator La Follette asked you this question:

Doctor Dennis, at the conclusion of the hearing yesterday you were discussing the qualifications of Mr. Brossard. Will you state fully to the committee under what conditions you indorsed Mr. Brossard?

This is your answer:

I stated yesterday that I had indorsed Mr. Brossard, but it is a question what constitutes an indorsement, Senator.

Shortly after I was appointed on the commission the President asked me my opinion of Mr. Brossard as a possible appointee to the commission. At that time I had a very slight acquaintance with Mr. Brossard, who was a member of our staff, and I had to tell the President that I could give him no intelligent opinion of Mr. Brossard's qualifications. I looked up Mr. Brossard's qualifications, got acquainted with him as best I could, and several weeks later when the President asked me if I had been able to form any opinion about him, I made a statement substantially as follows:

That Mr. Brossard had done a very creditable piece of work in the sugar-beet investigation, that he appeared to me to be an amiable man and a man of fine character; that there was an emollient quality about him which I thought would be helpful to a commission which had been torn by factions, but that I felt, in spite of his manifest good qualities, there was objection to his appointment.

Senator LA FOLLETTE. Did you state what that was?

Mr. DENNIS. Yes; I did.

Senator LA FOLLETTE. What was the objection, as you saw it?

Mr. DENNIS. I felt that there had been so much criticism of the President's action in the sugar case that the public might draw improper and wrong conclusions if Mr. Brossard was appointed to the commission on top of the agitation about sugar, when most of his work had been connected with the beet-

sugar industry of the country. So, after all, my indorsement of Mr. Brossard to the President was a rather left-handed indorsement. But I want to say that later on, after he had been appointed to the commission, he was attacked, as I thought he would be attacked for his record in connection with the beet-sugar investigation; whereupon I took up the cudgels for Mr. Brossard and gave an interview to the Baltimore Sun.

That is right; is it not?

Mr. DENNIS. That is correct; yes.

Senator HARRISON (reading):

I do not know that I quote my statement literally, but it was to the effect that Mr. Brossard's connection with the beet-sugar industry had been nothing more than that of an agricultural economist who had been sent out to discharge a technical duty and that I thought it was unfair and unjust to connect him in any way, from the standpoint of personal interest, with the beet-sugar interests.

Senator LA FOLLETTE. In that connection, Mr. Dennis, in the Baltimore Sun of July 24, 1925, in a letter which you addressed to the editor, and which was printed in that issue, you stated and I quote:

"For nearly three years Doctor Brossard, as agricultural economist on the staff of the commission, has had charge of farm-products investigations such as wheat, butter, cheese, cattle, and sugar beets."

And then you stated in your testimony at another place here that you thought the connection of Mr. Brossard with Senator Smoot might militate against him; did you not?

Mr. DENNIS. I did; yes.

The CHAIRMAN. In what connection did you have reference to?

Mr. DENNIS. In connection with sugar, Senator, just as I would have stated that my connection with Senator Harrison in a case involving long-staple cotton would be rather unfortunate if that matter came up before the commission.

The CHAIRMAN. I do not think so.

Senator SHORTRIDGE. I do not think it could militate against you.

Senator HARRISON. Senator Harrison has not recommended anybody to the commission who had anything to do with long-staple cotton or anything else; has he?

Mr. DENNIS. No; not in the least.

Senator WATSON. What is the object of the examination, Senator? Are you trying to prove that Mr. Brossard is not fit for the place because Mr. Dennis recommended him, or that Mr. Dennis is not fit for the place because he recommended Mr. Brossard?

Senator HARRISON. I want the committee to understand all this matter.

The CHAIRMAN. I want to say to the Senator, however, that unless there is some improvement in the sugar situation within a year, there will not be any sugar industry in the United States.

Senator HARRISON. I expected that the Senator would say that.

The CHAIRMAN. Does the Senator doubt it?

Senator HARRISON. Yes; the Senator doubts it very much.

The CHAIRMAN. Then the Senator does not know the condition that exists.

Senator HARRISON. I do not want to discuss that matter at this particular time. I am just asking the commissioner here some questions.

On page 206, I read the following:

Senator LA FOLLETTE. Doctor Dennis, when you were first suggesting your objections to the President against Mr. Brossard's appointment, did you mention the name of Senator Smoot to the President?

Mr. DENNIS. Give me a moment to think about that. I believe I did; yes.

Senator LA FOLLETTE. In what connection?

Mr. DENNIS. In the connection that Mr. Brossard had been publicly represented as a protégé of Senator Smoot's. As I recall it, the President's reply was, "So much the better; I have no objection to him on that account." I did not feel that a man should go on the commission as a representative of any particular interest. I do not believe Mr. Brossard is a representative of any particular interest. I acquit him entirely of having any interest, financial, political, or otherwise, in the beet-sugar industry of this country.

And so forth. When you gave out the statement to the Baltimore Sun, did it cause some expressions of opposition upon the part of some of the employees in the department up there?

Mr. DENNIS. Oh, yes—yes, indeed. It created quite a little furor. As a result of it, one thing leading to another, charges and countercharges, things became so warm that I went to Senator Robinson about it. Mr. Glassie, one of our colleagues, wrote a letter to the Baltimore Sun, and he made a statement about me which I could not swallow. I took it to Senator Robinson, and he said, "Well, we will look into the whole business."

That was the beginning of the investigation of the Tariff Commission by a select committee. I think there are two members of this Committee on Finance who sat on that select committee—Senator Reed and Senator La Follette—and you have before you the testimony given before the select committee.

Senator HARRISON. From this testimony before the select committee it appears that you stated that when you first went on the commission, or afterwards, it organized into groups, and that you finally had to fight one of the groups, and you named in the group Mr. Marvin and Mr. Brossard among some of the members. Is that right?

Mr. DENNIS. Oh, yes. Do you want me to go into that?

Senator HARRISON. No; I am just asking you if that is what you said.

Mr. DENNIS. That is true. For the first four months of the commission things went along pretty peacefully. We had no serious controversy. I was appointed in March. I think I signed two or three reports that went in, and there was not a discordant note; but the straw-hat case came up. Some of the members of the commission laid down the principle that a straw hat as it emerged from the factory in Tuscany, Italy, should be compared in its cost of production to an American straw hat in New York and Baltimore. I took the ground that the straw hat in Italy was not competitive; that we had no interest in it until it landed on American soil; that it did not become competitive until transportation charges were paid on the hat. These commissioners whom I was opposing, or who were opposing me, calmly ruled out transportation as a factor in international competition. I carried the matter to a Republican President, who referred the matter to a Republican Attorney General, who supported my contention. That wound up that phase of the transportation controversy.

No sooner had they been compelled to include transportation, however, as a factor in international competition, than they put it to a wrong use, and they began to assess transportation on domestic articles to a common market, when in some cases 90 per cent of those articles never moved to the market or under any conceivable con-

dition ever would move. That whole controversy was interwoven with the Canadian log case, which dragged along for about four years. I do not want to go into the sanguinary struggles and fights over that case; but I do want to say that I had something to fight for, and was compelled to fight; and I feel that I am justified by the action of Congress a little later on in giving quasi support to my doctrine of transportation charges.

I do not believe that a man sitting in his comfortable office here in Washington with a stroke of the pen can move one billion feet of logs, made up into rafts, away from their mills in the southern part of Puget Sound up north to the Canadian border and then assess transportation charges on them; nor do I believe that transportation charges should be assessed theoretically on corn grown in Ohio for market in San Francisco, when under no conceivable conditions would that corn ever go to San Francisco. If the San Francisco people want to buy corn in the domestic market, they buy near-by corn, produced in States such as Nebraska, Kansas, or even Iowa. They do not cross Iowa and Illinois and Indiana and go into Ohio to buy corn for use on the Pacific coast.

That one controversy, transportation, split the commission in twain, and it was never settled until we referred it to the arbitrament of the Congress.

The CHAIRMAN. Was corn ever purchased in San Francisco from Ohio?

Mr. DENNIS. It never was, Senator. That was my objection.

The CHAIRMAN. That is why I asked; I thought it could not have been.

Mr. DENNIS. But they assessed it with theoretical transportation charges; and, as I recall, the theoretical charge on Ohio corn delivered on a Pacific-coast market was 43 cents. Well, you can get any answer you want. You can embargo practically every article of commerce that comes into this country if you use transportation charges in that indefensible way.

Senator KING. On the same theory you could have imposed freight charges upon corn raised in New York or down in South Carolina, and hypothetically transported it to San Francisco.

Mr. DENNIS. And you could have taken steel made in the Utah Steel Co., out in your State, theoretically to New York for sale there in competition with Belgian steel.

The CHAIRMAN. I wish we made steel in Utah, but we do not. We hope some day to do it.

Mr. DENNIS. I thought you did.

Senator KING. We make good pig iron—the best in the world.

The CHAIRMAN. Yes; we make pig iron.

Senator STORTRIDGE. Take a given product raised or produced in Sicily, and a like product raised or produced in California, the principal market being New York City. What have you to say in respect to the element or factor of transportation?

Mr. DENNIS. It is perfectly clear and logical. Ascertain the actual transportation charge on lemons from Messina, if that is your port, or Taormina or Catania, wherever they are shipped from, and set over against that the charge for taking your California lemons to the common principal market of New York. That is the actual movement. But if, perchance, it were possible to raise lemons in the

heart of the Behring region of northern Alaska, I would not want to have that lemon crop taken from northern Alaska to New York.

Senator SHORTRIDGE. But in the case which you give us, the true rule, as you understand it, under the law, is to take into consideration the element of transportation in fixing the rate of duty?

Mr. DENNIS. Absolutely, but based on actual movements of goods which under any reasonable condition might move. Suppose the tariff were raised. Then perhaps goods would move from a longer distance to the principal market. That was my view.

The CHAIRMAN. Then your view is the same as that of almost everybody else who has anything to do with the Tariff Commission.

Mr. DENNIS. Senator, why was it that we had to fight for our lives for nearly five years?

Senator HARRISON. And you did not put it in at all until the Attorney General expressed an opinion that you could take it into consideration.

Mr. DENNIS. We did not put it in at all; and after it was put in recently under this method—and that was the method that killed the Canadian log case after it had been prolonged for four years and a half—to show that it was a specious reasoning, when that item came before the last session of Congress you swept away the duty entirely. All that I was asking for was a 50 per cent reduction in that ridiculous duty of \$1 a thousand feet on logs imported into Puget Sound from Canada; and you people, looking at the facts of competition as we did—and we had all the figures before us—swept away the duty entirely.

Senator SHORTRIDGE. Then freight rates do enter into this problem?

Mr. DENNIS. Oh, absolutely. That was the thing that I contended for.

Senator HARRISON. And it is now stated specifically in the law that transportation shall enter into it.

Mr. DENNIS. Yes; but we did not have it before.

Senator SIMMONS. Mr. Dennis, when you were originally appointed, I suppose when the appointment was finally made you were called by the President and had an interview with him?

Mr. DENNIS. Yes, sir.

Senator SIMMONS. Did the President discuss with you in that interview what your views were about the tariff?

Mr. DENNIS. Not at all. The President knew me much better, perhaps, than you do, Senator. As I say, I had lived with him practically for five years when he was a young, obscure lawyer in Northampton, Mass.

Senator SIMMONS. Of course, he knew you were a Democrat; but did he know—

Mr. DENNIS. He ought to have known it. I opposed him in every Northampton election.

Senator SIMMONS. Was there any argument or discussion one way or the other about what your views were?

Mr. DENNIS. Not in the least. He asked me to go on the Tariff Commission. I expressed a disinclination to go on. I told him in the first place that I had some magazine writing which Mr. Hoover permitted me to do in between times, including Sundays, when I ought to have been at church; also, I had two investigations to com-

plete for Mr. Hoover himself. He said, "Well, think about it. I will give you time to complete the work."

Things drifted along. He wanted to nominate me in Lewis's place on the 6th of September. He did not actually nominate me until the following 5th of March. He was kind enough to help me along.

Senator SIMMONS. Did he indicate why he did not wish to retain Mr. Lewis?

Mr. DENNIS. Not a word.

Senator SIMMONS. There was no discussion between you and him as to your tariff views?

Mr. DENNIS. None whatever. He ought to have known, though, that I was supposed to know something about the fundamentals of political economy. I had studied the subject. I had three higher degrees at that time. I was a professor in Smith College at Northampton.

Senator SIMMONS. At that time did you in any way differ with the supposed Democratic theory of the tariff?

Senator WATSON. What particular year was that?

Senator SIMMONS. When he was called in conference by President Coolidge.

Mr. DENNIS. That was in 1925.

Senator SIMMONS. Immediately before his appointment.

Mr. DENNIS. Well, that is a hard question to answer "yes" or "no." If one of the fundamental cleavages in opinion which serves to distinguish a Democrat from a Republican is a belief in free trade, I do not believe in free trade, and I do not know that many—

Senator HARRISON. Do you know any Democrats now who believe in free trade?

Mr. DENNIS. I do not believe I do; no. I know some college professors, and I think probably Plato, in his Republic, might have been an advocate of free trade, or Sir Thomas More in his Utopia; but I do not know any practical American to-day who is an advocate of free trade. Certainly I am not. I am a protectionist and always have been. I think the industries of this country would go to pot without a measure of protection.

Senator SIMMONS. At that time did you understand the Democratic position to be in favor of protection?

Mr. DENNIS. No; I did not. You have a twilight zone, Senator.

Senator SIMMONS. That is the question I asked you—if at that time you entertained views upon the tariff different from those entertained by the Democratic Party as illustrated in its legislation and in its platforms.

Mr. DENNIS. I think, Senator, whether it is in religion or in politics or in philosophy or anything else, no two people in this world think exactly the same. If you will tell me what is the norm or what is the standard of Democratic doctrine, I do not know whether I am orthodox or heterodox or not; but unless I know I am not able to debate the question with you. I think I am a good Democrat.

Senator SIMMONS. But were your views in harmony with the Democratic view on the question of the tariff as enunciated in the previous national convention?

Mr. DENNIS. Why, certainly; and I supported the ticket and contributed to it.

Senator SIMMONS. I am not talking about supporting the ticket. I am talking about your views about the tariff. That is what we are inquiring into now.

Mr. DENNIS. In a broad, general sense; yes. I am a Presbyterian, but I can not swallow everything in the 107 questions in the Presbyterian catechism; but I think I am a good Presbyterian.

Senator SIMMONS. You were at that time known to be in favor of the principle of protection?

Mr. DENNIS. Limited protection; yes—moderate protection.

Senator HARRISON. Then what caused you to get on such friendly terms with Mr. Brossard? Was it because, as you expressed it in your testimony before the select committee, you felt grateful to him later on for having voted with you, so that you had been given an opportunity to speak your views before the commission, you at that time complaining that some of the members had monopolized all the time?

Mr. DENNIS. Senator, you are in error if you think that Mr. Brossard ever supported me in my views on the Tariff Commission.

Senator HARRISON. I am asking you about this particular proposition with reference to liberality of discussion and equality of discussion in the commission.

Mr. DENNIS. For about four years in the commission there was no equality of discussion. I was in a hopeless minority. Whatever I brought into a commission meeting and submitted, whether it was oral or written, was figuratively thrown into the wastebasket.

Mr. HARRISON. In your testimony on page 193 I note that you say this:

I protested against the disproportionate amount of time allowed to one member of the commission by the chairman. I made a protest against the slipshod, haphazard methods of conducting debate whereby one man could absorb two-fifths of the time of the commission. We had something of a row about that, and I was grateful to Mr. Brossard for siding with me on that occasion, and the commission came to an understanding that hereafter when a man desired to speak—

And so forth; so that you could get an opportunity to speak one-fifth of the time, I think.

Mr. DENNIS. Oh, well, being a sensitive man of peace, I wanted to go along with my colleagues as best I could. I had absolutely no ground of understanding with either the chairman of the commission or Mr. Glassie. They were men who were willing to take, but they would never give. They would never yield the least thing by way of compromise on any subject. Mr. Brossard almost habitually voted with them; but I thought at the time, and I still think that he was perhaps a little less stereotyped in his views, that he did have a little more of the spirit of give-and-take in him. I do remember expressing some feeling of gratitude to Mr. Brossard for his intervention in our behalf when things were conducted on the basis of a debating society every day, when six men had to sit around there and listen to two men, one of them an extremely subtle dialectician, discuss everything to tatters out to the fifth decimal. I can give you illustrations if you want to, but I do not want to prolong this.

Senator HARRISON. Did you ever give expression to the fact that you thought Mr. Brossard might change his views after he was con-

firmed, stating that a man did not have the independence of thought and action, perhaps, before he was confirmed that he had afterwards?

Mr. DENNIS. I hoped so, Senator; but it was a case of having the word of promise to my ear and breaking it to my hope. He did not change and the line of cleavage of opinion became sharper, I think, as time went on—that is, up to the time when Mr. Glassie retired from the commission. Then I think we had, I will not say truce of God, but we did have a period of comparative peace.

Senator HARRISON. You do not believe, then, that a fellow changes his opinion as to independence of action and speech after he is confirmed to an office, as contrasted with his behavior before he is confirmed?

Mr. DENNIS. It depends on the man. It is a question of personality.

Senator HARRISON. That would not apply to you would it?

Mr. DENNIS. I hope not; no, sir.

Senator HARRISON. You do not think it would?

Mr. DENNIS. I know it would not; no, sir.

Senator HARRISON. Do you think it would apply to Mr. Brossard?

Mr. DENNIS. I do not think so; no.

Senator HARRISON. I notice that on page 195, Senator La Follette asked you:

Then on what do you base your hope that in the future he will exercise independence of mind and judgment which he has not displayed to date?

Your answer was:

Well, I feel that after a man has been confirmed by the Senate, he probably can exercise a little more independence of action and initiative than he could before his confirmation. That is only human nature.

Mr. DENNIS. Well, we are all wise after the event. It just did not turn out so. Put yourself in Mr. Brossard's place: A comparatively young man raised to the purple from the ranks after having worked over there for a number of years under the captaincy of Mr. Marvin, the chairman of the commission. You could hardly expect him to desert Mr. Marvin in a crisis, could you?

Senator HARRISON. Are you asking me a question?

Mr. DENNIS. Yes; could you?

Senator HARRISON. I do not propose to answer. I do not think he did desert Mr. Marvin.

Senator WATSON. Do you know of any Senator who acts with a little bit more freedom and independence right after he has been elected for six years than just before, while the campaign is on?

Senator HARRISON. Why, Senator Watson is a striking example of that.

Senator WATSON. No; I always act just the same, but I understand there are some instances where it makes a slight difference. I mention no names, of course.

Senator HARRISON. Mr. Dennis, did you ever give expression to the thought that the rate on sugar should be higher than it was in the act of 1922?

Mr. DENNIS. Not an absolute, flat-footed declaration. I have always taken this ground—that if it is part of our national policy to endeavor to put agriculture on a parity with industry in the matter of tariff benefits, there is no one agricultural commodity on which you can confer any more tariff benefit than you can on sugar. There

are about 16 or 18 beet-sugar States involved, and three cane-sugar States.

Senator HARRISON. Then I judge that you have given expression to the thought that the rate should have been higher than 1.76 cents a pound as against Cuban sugars?

Mr. DENNIS. I would not want to prejudge any case that might come before the commission; but I have always contended that it was futile and impossible for agriculture to extract from the tariff the benefit which industry has been receiving for two or three generations.

Senator HARRISON. But I am asking you particularly about any expression that you have given. Have you given any expression to the effect that you believe that tariff rates on sugar should be increased over the rate carried by the act of 1922?

Mr. DENNIS. No absolute declaration to that effect.

Senator HARRISON. How far did you go?

Mr. DENNIS. It was hypothetical. If you are willing to pay the price, you can benefit the farmer perhaps more by raising the duty on sugar than on any other one that I can mention.

Senator HARRISON. But you have never stated to any newspaper representative, you have never written any article, you have never given any expression to anyone that you favored an increase over the rate carried in the act of 1922?

Mr. DENNIS. Oh, I would not do that; no; because sugar might come up before us.

Senator HARRISON. That is exactly why I am asking you the question.

Mr. DENNIS. Oh, no; I would not do that.

Senator HARRISON. Then you have given no such expression?

Mr. DENNIS. I have given guarded expressions—"If you want to accomplish this," or "If you want to do that."

Senator HARRISON. To whom did you give that expression?

Mr. DENNIS. I spoke in hypothetical rather than categorical terms. Oh, I do not know. I can cite you one source of information. Some two years ago I published in the Saturday Evening Post an article called *The Tariff, a Two-Edged Sword*. Mr. Lorimer asked me to write it. Quite unknown to me—I had no foreknowledge of it—one of the Senators had it reproduced as a congressional document. I can furnish you with it if you choose.

Senator HARRISON. I have read it.

Mr. DENNIS. There in one column I set up an argument as to the advantages of protecting our sugar industry. In the other I outlined what we would have to pay for it, both in cash and in our relations to Cuba.

Senator HARRISON. Did you see any impropriety in writing an article and selling it, discussing the tariff, when you were a member of the Tariff Commission, with that rate coming up before you?

Mr. DENNIS. Senator, we had disposed of the sugar case just after I came on the commission. I had no reason to believe that sugar would come up again.

Senator HARRISON. I know; but have you not reason to believe that under the flexible provisions of the law a proposition is liable to come up at almost any time for reconsideration?

Mr. DENNIS. I do not feel that a member of the Tariff Commission, particularly as he is supposed to have some expert knowledge of the tariff, should refrain from all public discussion of broad, general tariff questions. I have spoken on the tariff twice before the Academy of Political Science in Philadelphia. I have written a number of articles on the tariff. No one has ever taken me to task, because in every case I tried to set forth a balanced opinion, statements of fact.

Senator HARRISON. But it does give your opinion when you write an article?

Mr. DENNIS. Oh, no—no opinions; statements of fact.

Senator HARRISON. With no expression of opinion?

Mr. DENNIS. A chemical trace, perhaps.

Senator HARRISON. Do you still write articles for the Saturday Evening Post and Nation's Business?

Mr. DENNIS. No; I have ceased. I wrote an article for the Nation's Business shortly after you passed the new tariff law, at their request, setting forth the differences between the old flexible tariff act and the new flexible tariff act.

Senator HARRISON. Did you have an article published in Nation's Business in December?

Mr. DENNIS. That was it. They held it about three months before they published it.

Senator HARRISON. Do you now find any impropriety in writing or selling articles discussing the tariff as a member of the Tariff Commission?

Mr. DENNIS. I have ceased to do so and declined a number of requests on my own initiative. No one has ever said anything to me about it. As a matter of fact, up to last July a year ago our salary was only \$7,500. You people kindly increased our salary, and I am not under the necessity of trying to eke out a living for my family.

Senator HARRISON. You do not believe that a man should be influenced in the discharge of his duties as a member of the Tariff Commission because of any favoritism that might come to him, or because of any Executive power that might be wielded against an appointee?

Mr. DENNIS. I think a member of the Tariff Commission should be disinterested in his actions.

Senator HARRISON. You would not give an expression to any majority members of the committee considering the tariff that, because your bread and butter was dependent upon your job, you would look at a proposition a little differently?

Mr. DENNIS. My bread and butter is not dependent on any official job, Senator. I never sought the job. I am perfectly capable of supporting myself in three ways—either as a lumberman, as a college professor, or as a professional writer.

Senator HARRISON. I have not the slightest doubt about that. So you gave no such expression as that?

Mr. DENNIS. None whatever; no.

Senator HARRISON. How near to that expression did you go in talking to the Republican members of the committee?

Mr. DENNIS. You mean this committee?

Senator HARRISON. Yes.

Mr. DENNIS. They called me in and asked my views as to modification of the old flexible tariff law to make it a more workable instrument of government. I gave my views.

Senator HARRISON. You made no statement to them that your bread and butter depended on the administration?

Mr. DENNIS. None whatever. Why should I?

Senator HARRISON. I do not know why you should. I am just asking you if you did.

Mr. DENNIS. Why, of course I did not.

Senator SIMMONS. Mr. Dennis, you declared a little while ago that you thought probably of all the articles produced in this country in insufficient quantities and imported from abroad to supply the additional demand, sugar was more entitled to a high tariff, provided, from the standpoint of ability of the sugar producer, the people were willing to pay it?

Mr. DENNIS. Yes.

Senator SIMMONS. Have you anything to do with that as a member of the Tariff Commission in fixing these rates? Are you not held down to one standard?

Mr. DENNIS. That is quite true, Senator; yes.

Senator SIMMONS. You must fix it upon the basis of the difference in cost of production in broad terms?

Mr. DENNIS. Yes.

Senator SIMMONS. And not upon any theory that you may have that it would be beneficial to one class or hurtful to another?

Mr. DENNIS. Well, we are not controlled by policy; but I do think that we should exercise a little common sense as to whether we are toiling all night and catch nothing, or whether the rates that we are suggesting a change in will be of some benefit to the country or not. I think we are a little better than automatons.

Senator SIMMONS. Yes; you may consider it, you think; but when you go to make a recommendation you would not make it upon any basis of that sort: would you?

Mr. DENNIS. There has never been a case sent to the President where I have not gone with what I assumed to be the facts without any consideration of policy whatever.

Senator SIMMONS. If you entertained the opinion that the beet-sugar producer needed more protection than he is now getting, would you give him a higher rate of protection than the difference in cost of the Cuban sugar producers?

Mr. DENNIS. Why, not at all. I would go squarely with the facts after investigating the differences in the cost of production. My views on sugar where policy is concerned interlock with the whole question of trying to get some benefit for the American farmer. I was brought up on the farm myself, and I dare say that one-half the farm items on which the duties were raised—I do not like to call them "gold brick" items, but take such an item as lard:

Our imports of lard are infinitesimal. It is a mere picayune border trade as between Canada and this country; and I can see no benefit to the farmer in raising the duty on lard, or in raising the duty on eggs in the shell where one pickled duck egg from China comes into this country to be eaten by Chinese in contrast with 7,680 fresh eggs produced in this country.

Senator SIMMONS. In other words, although you may entertain the opinion that the interest of the beet producers of this country requires a higher rate of duty than they have, yet if that is higher than the difference in the cost of production here and abroad you ought to follow that formula?

Mr. DENNIS. I follow the formula, Senator; but a man may state a hypothetical case; may he not? He may ask the question, "How much benefit can American agriculture extract from the higher duty rates?" And he is privileged to give an opinion.

Senator SIMMONS. I agree with you entirely that agriculture ought to be given all of the benefits of protection that the industries are given where it is possible to do it; but the question that was raised in my mind from your statement was that you might feel that in the particular case of sugar, in the interest of the sugar producer in this country you would have to raise the rate a little higher than the difference in the cost of production in the two countries.

Mr. DENNIS. Oh, I would raise it based on the mathematical difference between the cost of producing sugar in Cuba, our principal competitor, and the cost of producing it here—the weighted-average differences in the cost.

Senator HARRISON. Mr. Dennis, did you take any part in the consideration of this new tariff bill that was formulated, in trying to influence public opinion one way or the other against its adoption or its defeat?

Mr. DENNIS. Well, I thought at the time I was pretty severely worked by Members of Congress in preparing special information and data for them. We had a staff over there of over 200 persons. I think the Senators themselves will testify that we were not idle. We supplied you with 2,700 printed pages of information on the tariff. In addition to that we turned out hundreds of special reports on special subjects at the instance of Members of Congress.

Senator HARRISON. Did you try in any way, by public statements or otherwise, to popularize the measure?

Mr. DENNIS. The tariff bill? Why, certainly not, Senator.

Senator HARRISON. Did you sign with Mr. Brossard a report that agriculture would be greatly benefitted by the bill?

Mr. DENNIS. Yes; and I am glad you asked me the question. I signed that because I was asleep at the switch, and hardly knew what I was signing.

Senator HARRISON. Explain that to the committee.

Mr. DENNIS. I will. A great number of papers pass over our desks every day, particularly last spring. These papers for the most part are a network of figures. They are jammed with figures. It would be a physical impossibility for any one man to check all the figures that are contained in the papers which daily pass over a man's desk. The commissioners in interstate commerce do not even attempt to do it. We attempt to do it.

On May 24, 1930, a man named Conrad came into my office. Conrad was a sort of an unofficial press man. When newspaper people come in to see us, and we have not time to see them, or are disinclined to see them, we send them to Conrad.

Senator LA FOLLETTE. Is he on the staff?

Mr. DENNIS. He is a member of the staff.

Senator HARRISON. How long has he been on the staff?

Mr. DENNIS. I should say about a year before this difficulty occurred.

Senator HARRISON. Who employed him?

Mr. DENNIS. He was brought in by the Tariff Commission, I believe, at the suggestion of the chairman.

Senator HARRISON. Mr. Brossard?

Mr. DENNIS. No. Mr. Marvin was chairman.

Senator HARRISON. Where did Mr. Conrad come from?

Mr. DENNIS. I do not know.

Senator HARRISON. Did you inquire?

Mr. DENNIS. I did not.

Senator HARRISON. Do you know anything about his political affiliation?

Mr. DENNIS. No; not a thing. He told me that he was an old newspaper man, and that he knew the ropes. I do not know that I had very much to do with him. His name came up before us, and a number of commissioners advocated his appointment.

Senator HARRISON. What salary did he get?

Mr. DENNIS. I think about \$2,800, or something like that.

Senator LA FOLLETTE. What position does he occupy at the commission, Doctor? I mean, is he on the economics staff, or the secretary's staff, or just what place does he hold?

Mr. DENNIS. He is attached to the division of foreign relations, that is now presided over by Mr. Leland Harrison; that is, he has office room there, and his function is that of—I won't say a publicity man, but that is his particular function, to deal with newspaper men, and if we have a release to go out, he handles it.

Senator HARRISON. Has it been the policy of the commission to release statements, and so forth?

Mr. DENNIS. Oh, yes. We have to do that, Senator.

Senator HARRISON. It has not been the policy of the commission heretofore to try to popularize a measure, has it, or to issue statements to that effect?

Mr. DENNIS. No; and I regret to say—let me come to that in just a minute. Mr. Conrad came into my office and said, "I have here a draft of a statement which demonstrates mathematically that approximately one-third of the total increases in duties in the new bill are on industrial products, leaving about 68 per cent in the duties on agricultural raw materials and the compensatory duties that figure in the conversion of raw materials into industrial products."

Senator LA FOLLETTE. Did he say who drafted it?

Mr. DENNIS. No; he did not.

Senator LA FOLLETTE. Did you ask him?

Mr. DENNIS. I asked him where this came from. He said it was gotten up by the advisory board.

Senator LA FOLLETTE. Who was on the advisory board at that time; do you remember, Doctor?

Mr. DENNIS. Yes; Mr. Fox, the chief of our economics division; Mr. Comer, our chief investigator; Mr. McNab, our legal adviser. They are the three whom I remember. I have the utmost confidence in all three of them. I asked him if these figures had been

checked by our advisory board. He told me they had. I turned over these pages—here it is. It is perfectly verminiferous with figures. It has strings and strings of figures. There is no statement of fact in it at all. Here are four and a half pages of figures. They go through all the different schedules, comparing the agricultural rates with the industrial rates. "Well," I said, "I don't know any paper in the country that will want to publish that stuff, but if you want to put it out, I can not see any objection. The only possible objection I can see to it is that there might be some error in your figures, but if the advisory board has checked those figures, I am willing to O. K. it." He walked out and sent the draft in to me. It was only a tentative draft. I O. K.'d it without another thought about it. As I say, it is a plain case of being asleep at the switch.

Senator HARRISON. Did you read it?

Mr. DENNIS. Unfortunately, I did not. I thought it was the same thing he brought in before.

Senator SHORTRIDGE. What is the matter with it?

Senator LA FOLLETTE. Was it changed?

Mr. DENNIS. Yes, sir; it was changed. I will tell you what is the matter with it—

Senator SIMMONS. You mean it was changed after you had this talk with this gentleman?

Mr. DENNIS. Yes; I presume it was.

Senator HARRISON. Is he still in your employ?

Mr. DENNIS. Yes. I will tell you exactly what is the matter with it. Here we have all these figures, but we have to believe what is perfectly poisonous and untrue, a statement that agriculture will benefit greatly by the new tariff bill. I never have believed such a thing, and only three weeks before I made a speech in Philadelphia before the Political Science Association in which I riddled that doctrine. A man of my age does not change his views entirely in three weeks.

Senator SIMMONS. Mr. Dennis, after that was published, with that expression contained in it, did you repudiate it?

Mr. DENNIS. I certainly did. If I had been living in the middle ages, I would have arrayed myself in sackcloth and sat in ashes about it. I was humiliated, distressed, and troubled.

Senator SIMMONS. You repudiated it publicly?

Mr. DENNIS. I did. I went over to see some of the leaders here in Congress, and took the entire responsibility for it. I wanted them particularly to know that my two Democratic colleague—at least Mr. Clark and Mr. Dixon—knew nothing about it, and were not responsible for it. I think I saw you, Senator.

The CHAIRMAN. Let me ask you a question about it. In this statement it says:

Based upon 1928 imports, approximately 68 per cent of the increase of total duties is on imports of agricultural raw materials and as compensatory duties on industrial products made from such raw materials. Approximately one-third (32 per cent) of the total increase in duties under the new bill is on industrial products. These facts are shown by calculations just put out by the United States Tariff Commission.

Mr. DENNIS. Yes.

The CHAIRMAN. Is that true?

Mr. DENNIS. The figures are true, Senator.

The CHAIRMAN. The figures are true?

Mr. DENNIS. Yes.

The CHAIRMAN. And even if it were true that approximately 68 per cent of the increase of total duties is on imports of agricultural raw materials, and as compensatory duties on industrial products made from such raw materials—even if that were true, you would think it was of no benefit to agriculture?

Mr. DENNIS. I do not say it is of no benefit, but I can not subscribe to the doctrine that agriculture has received any great benefit from the bill, because I think it is impossible to extract benefits to agriculture.

The CHAIRMAN. Do you not think 7 cents on long staple cotton benefited the long staple cotton grower?

Mr. DENNIS. I do.

The CHAIRMAN. Take each of the items, right straight through, outside of wheat and corn—

Mr. DENNIS. Just there, I think that—

The CHAIRMAN. Outside of wheat, corn, and the products that are produced in such quantities, not only in the United States, but all over the world, because there is an overproduction, do you not think that the balance of agricultural products received a benefit?

Mr. DENNIS. Where we are self-contained.

The CHAIRMAN. Take butter.

Senator SHORTRIDGE. And poultry products, as well as dairy products.

The CHAIRMAN. Take butter, poultry, figs, and all the California products that the bill is full of, and Texas products—dates, nuts, and everything of that kind. Do you not think there was an advantage in increasing the duties?

Mr. DENNIS. Oh, yes; I do; but I do not think the advantage compares to the advantage which industry is able to extract from the tariff.

Senator WATSON. Let me ask you, before you go any further, this one question: Do you make that as a general statement of a general proposition, or as applied to this specific bill?

Mr. DENNIS. It has always been true, Senator, for this reason, that we began as fundamentally an agricultural country. Our pyramiding of wealth has, as its base, agriculture. We have overproduced, and where we are on a heavy export basis on such commodities as wheat and corn, I do not see how any great benefit can be extracted by raising the duty on them. You raised the duty on eggs. Eggs are selling to-day at the lowest price in 30 years. Have we been able to extract any benefit from raising that tariff on eggs?

The CHAIRMAN. It says here that the duties, under the new tariff bill, for these comparable items, based upon 1928 imports, would be \$629,076,152, or an increase in total duties for these comparable items of \$106,426,000. We do not import any wheat. We do not import any corn. Therefore, it could not enter into the question of the duties as provided in this bill, and yet the duties that are provided for here would increase the duties on comparable items by \$106,426,000.

Senator HARRISON. Is not sugar the big item in that?

Mr. DENNIS. It is one of the large items.

Senator HARRISON. It is the largest one; is it not?

Mr. DENNIS. Yes.

The CHAIRMAN. That was only 24 cents a hundred.

Senator LA FOLLETTE. Did you make any investigation to find out who changed this report from the time it was submitted to you by Mr. Conrad to the time it was issued?

Mr. DENNIS. Senator, I hate to stir up old controversies. I have no first-hand information about it. I only know that I signed a document which I thought was perfectly innocuous and harmless, and when it came out in print it had something in it which was very distasteful to me, and which reflected on my colleagues, and for which I have been punished no end.

Senator LA FOLLETTE. I assume that you did not let the matter rest there, but that you made some effort to find out who had changed this document since you first saw and approved it. Is that not true?

Mr. DENNIS. There were two members of our committee on publicity, you might call it, if you please——

Senator LA FOLLETTE. Who are they?

Mr. DENNIS. Mr. Brossard and myself.

Senator LA FOLLETTE. Who authorized the change in this document from the time you first saw it, so that it was considerably changed when it was issued?

Mr. DENNIS. Senator, I have only second-hand information about it. Mr. Brossard will be put on the stand. Would you ask him that question?

Senator LA FOLLETTE. I would like to know what investigation you made yourself as to who had caused the change in this paper?

Mr. DENNIS. I was very much troubled about this.

Senator LA FOLLETTE. Did you make any inquiry at all?

Mr. DENNIS. I inquired of Conrad as to whether the final document was the original one that had been approved by the advisory board.

Senator LA FOLLETTE. What did he say?

Mr. DENNIS. He said no, it was not, that some changes had been made later.

Senator LA FOLLETTE. Did you ask him who made the changes, or authorized them?

Mr. DENNIS. Yes, I did.

Senator LA FOLLETTE. What did he say?

Mr. DENNIS. He said Doctor Brossard had. I had no first-hand information.

Senator LA FOLLETTE. Did you then ask Doctor Brossard about it?

Mr. DENNIS. I think I complained to Doctor Brossard that a statement had gone out which I thought was damaging to the commission.

Senator LA FOLLETTE. What did Doctor Brossard say?

Mr. DENNIS. Well, I think he thought that it was unfortunate, too, at the time.

Senator LA FOLLETTE. Did he make any explanation of it to you?

Mr. DENNIS. No.

Senator LA FOLLETTE. Just what conversation took place between you and Doctor Brossard?

Mr. DENNIS. It was to this effect:

I have been asleep at the switch. I should have read that document a second time. Not having read it or checked it over, I am technically responsible for it, and I will have to take the responsibility.

I then came over here on Capitol Hill and informed some of the leaders over here that I did take the responsibility, and told them how the thing occurred, and tried to exculpate my own colleagues from any share in it.

Senator LA FOLLETTE. Did you feel that this procedure had been improperly carried out, that a document had been submitted to you which you had approved, and then, without any notice to you, that document had been changed?

Mr. DENNIS. I can not say that, because technically there was notice to me. The changed document came back and went over my desk, and I O. K'd it as a matter of routine.

Senator LA FOLLETTE. You assumed it had not been changed, did you not?

Mr. DENNIS. I assumed so, yes.

Senator LA FOLLETTE. Otherwise you would have read it?

Mr. DENNIS. Yes.

Senator LA FOLLETTE. Were you not surprised when you found that in view of this procedure, the document had been altered without the alterations being called to your specific attention?

Mr. DENNIS. As first I did not know why there should be such a to-do over such a small matter. It seemed to me rather a small matter, and I had charity enough to believe that that objectionable sentence was not what the author intended it to be. I still think, to-day, that what was intended was this: That as between the agricultural and industrial rates, the agricultural rates had received more favor, or more advantage from Congress, than the industrial rates, but that is a different proposition. If he had put "agricultural rates" in there, instead of "agriculture," it would have been very different.

Senator LA FOLLETTE. Precisely; but even though you regarded the paper as relatively unimportant when it was issued, you saw the significance of it, did you not, when it was used in a debate to justify the bill, and to make claims for it on the floor, that it was benefitting agriculture, and to place the stamp of approval of the Tariff Commission upon it?

Mr. DENNIS. I did, and I very sincerely regretted it. I would like to do penance for it.

Senator LA FOLLETTE. What I am anxious to ascertain is whether or not, in your view, the procedure through which this paper finally was issued to the public, was a procedure which you approved?

Mr. DENNIS. How can I approve something of that sort when only a few weeks ago I had riddled that whole doctrine that agriculture had received a preponderating benefit under the new tariff bill? It is something I can not stand for. I do not believe in it.

Senator LA FOLLETTE. Have you given the committee the important substance of your conversations with Mr. Conrad and Doctor Brosard, following the issuance of the final draft?

Mr. DENNIS. Yes; I have.

Senator LA FOLLETTE. That is all.

The CHAIRMAN. The committee will adjourn until 3 o'clock.
(Whereupon, at 12 o'clock, noon, the committee adjourned to meet at 3 o'clock, p. m.)

AFTERNOON SESSION

The committee reconvened at 3 o'clock, p. m.

FURTHER STATEMENT OF HON. ALFRED P. DENNIS, COMMISSIONER, UNITED STATES TARIFF COMMISSION

Senator HARRISON. Mr. Dennis, when we adjourned this morning we were discussing the report on agriculture that was issued by the commission, which you and Mr. Brossard signed.

Mr. DENNIS. Yes, sir.

Senator HARRISON. I think, for the benefit of the record; you ought to state the exact changes that were made from the original draft, which you say you saw, to the one that was changed, which you signed. Is that the original? (Exhibiting paper.) I asked the Chairman of the commission day before yesterday to furnish the original.

Mr. DENNIS. That, in substance, was what I took the press release to imply, that arithmetically agriculture enjoyed increase of approximately 68 per cent, while industry received 32 per cent.

Senator HARRISON. Do you know whether that is the original, or not?

Mr. DENNIS. I could not guarantee it, Senator, but that is my recollection of what the original carried.

Senator HARRISON. I wonder if we can ascertain definitely about it, because I specifically asked the Chairman yesterday to furnish us the original. It ought to be available somewhere in the Commission.

The CHAIRMAN. That is what ought to be done.

Mr. DENNIS. Senator, may I suggest something? Mr. Conrad prepared this press release. I asked him to come over here. I do not know whether it would be in order to have his testimony on it, or not.

Senator HARRISON. I wanted to inquire if anybody knows whether that is the original. If that is not the original, I want to see the original if it is in the files of the commission.

The CHAIRMAN. I asked for the original, and that is what they gave me.

Mr. BROSSARD. According to my information, this is the document which the staff member, Mr. Conrad, submitted to me originally, and which was later revised.

Senator HARRISON. Then, the main difference, for the record, is that the original, in substance, stated this—I quote from the first part of the original:

Agriculture will benefit to the extent of approximately 68 per cent of the tariff advances under the bill of 1930 on imports of agricultural raw materials, industrial products made from such materials, and for other industrial products.

Mr. DENNIS. Yes.

Senator HARRISON. In lieu of that, the one which was issued, to which you attached your name, and to which the name of Doctor

Brossard was attached, and which was given to the public, struck that out and started out by saying, "Agriculture will benefit greatly by the new tariff bill."

Mr. DENNIS. There is a vast difference there, Senator, as you will see. The first refers to the differential in rates. The second refers to our national agriculture.

Senator HARRISON. In fact, if you had had the information to the effect it said, "Agriculture will benefit greatly by the new tariff bill," you would not have signed it?

Mr. DENNIS. Certainly not.

Senator HARRISON. And you do not know who made the change?

Mr. DENNIS. I do not know, but I suspect. I do not like to bring in suspicions here. I have asked Mr. Conrad, who is in charge of this, to come over, and probably he knows better than I do.

Senator HARRISON. Was the striking out of what was in the original draft and the insertion of this discussed?

Mr. DENNIS. There was no discussion whatever. That was brought into my office. This is about what happened, Senator. Mr. Conrad brought this in and laid it down on my desk.

Senator LA FOLLETTE. When you say "this," you mean the original draft?

Mr. DENNIS. The original. I said:

Mr. Conrad, what is all this about?

He said:

Well, it is a comparison which has been set up, a summary, really, of a very voluminous report which the commission itself sent over to Congress at their request. This is a summary. It is arithmetic. We go down through the schedules, and we show, item by item, what this item got in the way of an increase, and what this industrial item got by way of an increase, and we reduce it to a comparison of the ad valorem rates between agricultural and industrial items.

I asked him the further question, "Has our advisory board checked this?" This morning I stated the advisory board was composed of three men, Mr. Fox, Mr. Comer, and our legal adviser. I had forgotten that Doctor Coulter, who is now one of the commissioners, was on the advisory board. I asked him if this report had been checked by the advisory board. He said it had. I said:

Well, if the figures are correct and authentic, I see no objection to putting it out. Goodness knows it is dull stuff, and I don't know what paper would want to print it.

This was a tentative draft. I think it had pencil marks on it, just as this has. The next day the complete draft came in to me, and as a matter of form I O. K.'d it.

Senator HARRISON. There are no pencil marks, though, on the first part of it, which I have quoted.

Mr. DENNIS. I am willing to stand by the first part. I have come in here and I have set up the lawyer's plea of confession in avoidance. I confess I did O. K. that. I am responsible for it, but there is a plea of avoidanace there. Where a great many papers cross your desk every day, you have to depend on underlings or on experts to authenticate the facts in those papers. That is what I did.

Senator HARRISON. What happened was that the first part was written, and you looked it over.

Mr. DENNIS. I did.

Senator HARRISON. And you saw no reason for it, because you did not think anybody would read it, but it was all right, in your opinion, having been prepared by these experts. Then there was given to you to sign, not that particular draft, but one which had been changed very materially, which stated that agriculture would benefit greatly by the new tariff bill.

Mr. DENNIS. As it turned out it was not changed materially, except in the prefatory note to it.

Senator HARRISON. Do you now state to the committee that you do not think there is any material change, when it reads this way in the original:

Agriculture will benefit to the extent of approximately 68 per cent of the tariff advances under the bill of 1930 on imports of agricultural raw materials, industrial products made from such materials, and for other industrial products.

And in the revised version:

Agriculture will benefit greatly by the new tariff bill.

Mr. DENNIS. There is all the difference in the world between those two statements.

Senator HARRISON. I thought you did.

Mr. DENNIS. Of course I do.

Senator HARRISON. I wanted to get you clear on that. The purpose of giving this out was that papers would carry it and people would read it.

Mr. DENNIS. I doubt whether they would carry it.

Senator HARRISON. That was the object, however. The publicity man of the Tariff Commission was giving this out for the public to read.

Mr. DENNIS. Yes.

Senator HARRISON. But it was given out at the time when there were very heated discussions of the bill on the floor of the Senate.

Mr. DENNIS. That is true.

Senator HARRISON. And it was published in the press?

Mr. DENNIS. Yes.

Senator HARRISON. And when it was published in the papers, the very day it was published some of us on the floor of the Senate criticized it very severely, and it was at that time that it was brought to your attention. Was that the first time, when you heard of the debates in the Senate?

Mr. DENNIS. I O. K.'d that paper and I think either late that afternoon or early in the next morning, I drove with my wife down to the Eastern Shore of Maryland to see her mother who was extremely ill and was gone the better part of three days. When I returned, I found a great tempest going on in a teapot. That is what I thought it amounted to at first. I at once tried to come to the rescue of my associates on the Tariff Commission. I accepted technical responsibility for it.

Senator HARRISON. But you did not realize the force of the proposition until the debate had the next day on the floor of the Senate?

Mr. DENNIS. Yes, I did, Senator. The moment my attention was called to that in print I saw that it was a fatal mistake.

Senator HARRISON. That was in the papers?

Mr. DENNIS. That was in the press; yes.

Senator HARRISON. That was the same day that the discussion took place on the floor of the Senate?

Mr. DENNIS. I can not say about that, but I was out of the city. I was down in the wilderness, you might say, and when I came back my attention was called to this distressing news.

Senator HARRISON. I will say to you that I think it was the same day. I was one of those who brought it up on the floor immediately when I saw it, and this colloquy took place.

Mr. DENNIS. Didn't I come to see you about it?

Senator HARRISON. No. Mr. Dixon came to see me about it, and told me that you had told him. He came to me and told me the situation as you have stated it here, and perhaps afterwards you discussed it with me, but the first intimation was when Mr. Dixon came to see me. The following colloquy took place on the floor of the Senate:

Mr. SMOOT. The Senator does not deny the fact that that report was signed by the vice chairman of the commission, does he?

Asking me that question.

Mr. HARRISON. The report that I have is the publicity report, a copy that was given to the press. I have not seen the report itself.

So, the chairman of the committee pressed me to know whether or not I knew that the vice chairman had signed it, and I told him it made no difference to me whether the vice chairman had signed it or not; that in my opinion it was all wrong to give out such a report.

Mr. SMOOT. Mr. President, I have already stated that both the chairman and the vice chairman have stated that there is one word left out of the very words the Senator has just spoken—not intentionally, but it was overlooked, and with that one word in the whole thing would be changed. I shall send to my office and get the language as it should be, and let the Senate know the facts.

What word is it that Senator Smoot was talking about there?

Mr. DENNIS. I do not know, sir.

Senator HARRISON. There is not any one word left out of the proposition, is there? It is a whole change of phraseology in the first sentence.

Mr. DENNIS. Unless you put the word "not" in there.

Senator HARRISON. But that was not the word that the chairman of the committee was talking about, was it? You do not know?

Mr. DENNIS. I have not conferred with him.

Senator HARRISON. I think that is all.

Mr. DENNIS. This whole thing, to me——

Senator SIMMONS. Just a moment. What was the word, Senator Smoot? Do you have any recollection of it?

The CHAIRMAN. The one word that is changed there is "greatly." In my opinion—of course, I do not know what the witness thinks—if 80 per cent of all the increases in the tariff applied to agricultural products, I think that is greatly to the benefit of agriculture, if that is what the truth of the matter shows.

Senator SIMMONS. You are just putting up your opinion about that.

Senator HARRISON. The chairman's construction of it, his interpretation.

The CHAIRMAN. Yes.

Senator SIMMONS. I thought you meant it was left out deliberately.

Senator HARRISON. The chairman does not agree that the word "not" is the word that was left out?

The CHAIRMAN. I do not remember.

Senator GEORGE. When the matter first came up on the floor—I think it was the day previous to that discussion referred to there—I called attention to it, and the Senator from Utah then said there was a word omitted. I do not know just how it was used, but he said it should have included the rate of increase. At the rate of increase, agriculture had gotten 68 per cent.

The CHAIRMAN. I knew there was one word. I had it before me, whatever it was. I read it.

Senator HARRISON. As a matter of fact, they have stricken out some 20 words, and inserted 7 words.

The CHAIRMAN. I was told by the Tariff Commission expert who was there with me, and I answered you at the time on the basis of that.

Mr. DENNIS. Senator Harrison, I have been trying to function as best I could on this Tariff Commission for the better part of six years. It would manifestly have been to my interest, when I went on that commission and was appointed for 12 years, and got through the Senate, to have gone along with what I call the majority members of the commission. After Mr. Glassie's defection, there were only four high-tariff Republicans on that commission, and two moderate Democrats. I did not do it. I did not take the easier way. I took the hard way. My position was secure. My health was none too good.

I have never been much of a man for controversies and contentions, but it came to a point where I either had to fight or swallow my principles, and I could not sit there and see cases handled to a point where, if they showed a maximum increase in duty, the way was cleared for their transmittal to the White House. If, however, the case was important and it showed a maximum decrease in duty, or even a small decrease in duty, something would always intervene to prolong that case, and it never failed to be killed in some way or other, by methods which are devious and indefensible, before it went to the President, and in the course of four and a half or five years not one case involving an important decrease in duty was enacted into law through the presidential proclamation.

The CHAIRMAN. How many cases were considered?

Mr. DENNIS. We had five cases, Senator, of decreases in duty; one on paint-brush handles; another on live bobwhite quail; another on mill feeds; and two on commercial chemicals, phenol and cresylic acid.

Senator KING. In some of those instances persons who were the beneficiaries under the tariff asked for the reduction?

Mr. DENNIS. Yes. The wheat people were perfectly well satisfied to see a reduction on the hull of the wheat, which constitutes one-tenth of the value, when the commission, dealing with the duty on the grain of the wheat, made it 42 cents a bushel.

Senator HARRISON. What percentage of the people do you think got any benefit out of that reduction on bobwhite quail?

Mr. DENNIS. There were some people interested in it, Senator; some of the game wardens in the various States who wanted to see that duty reduced.

Senator HARRISON. Were you on the commission at that time?

Mr. DENNIS. Yes.

Senator HARRISON. Was not that reduction made after some collaboration with the President, on the theory that it might offer those who had been fighting for increased rates the opportunity to say that they had gotten at least one reduction?

Mr. DENNIS. Not through my collaboration, Senator. I never discussed the matter with the President. It seems a little hard to me—I am not protesting it at all—to have the suggestion made, although it is only a hint, that I have been influenced by selfish or personal motives in the fight I have made on the tariff. Quite the contrary. I have earned the reputation, perhaps, of being a disturber of the peace and a pestilential fellow, but if I had to go through it again I could not do anything else. As to this, after six years on the Tariff Commission, I am confronted with this grievous error of having O. K'd, inadvertently, a press release which put me very much in the position of Erasmus, in the middle ages. He shook hands with a Jew, and he went to his confessor and wanted to know whether he was guilty of a venial or mortal sin, and it turned out that he did not know he was shaking hands with a Jew at the time, and he was guilty of no sin. I did not know I was approving a press release which might be construed as propaganda on the part of the Tariff Commission.

Senator HARRISON. That is all.

Senator LA FOLLETTE. When you finally approved this statement, Mr. Dennis, you were under the impression, were you not, that it had not been changed since it was first submitted to you?

Mr. DENNIS. I thought it was one of those innocuous mathematical statements that only technicians and experts were interested in, and that probably it might get a run in the New York Journal of Commerce, but was a matter of no great popular interest.

Senator LA FOLLETTE. I do not believe you understood my question. I say, when you finally approved the statement so issued, you assumed that it had not been changed materially since it was first submitted to you in the original draft?

Mr. DENNIS. Senator, I approved it as a matter of routine. I had looked through it the day before. The man had gone back with it. It was a rough draft. The finished draft came in the next day. I may have glanced at it casually. I don't know whether I did or not.

Senator GEORGE. The question is, you assumed that there had been no material alteration?

Mr. DENNIS. I certainly did, yes; and I certainly was not aware that this first sentence had been interpolated in the original report.

The CHAIRMAN. If there are no other questions, you will be excused, Mr. Dennis.

The CHAIRMAN. The next witness is Edgar Bernard Brossard, of Utah, term expiring June 16, 1932.

STATEMENT OF HON. EDGAR BERNARD BROSSARD, OF UTAH, COMMISSIONER, UNITED STATES TARIFF COMMISSION

Senator HARRISON. Mr. Brossard, will you state when you came on the commission, and in what capacity? What was your background?

Mr. BROSSARD. My experience was that when I came on the commission first in 1923 I came as an agricultural economist on the staff of the commission. I was qualified under civil-service examination as an agricultural economist. I do not know whether the Tariff Commission got my name originally from the civil-service roll or not.

Senator THOMAS of Oklahoma. What are the qualifications of an agricultural economist?

Mr. BROSSARD. Well, I had my bachelor's degree in economics; my master's degree in agricultural economics and farm management; and my doctor's degree from the University of Minnesota in economics and agricultural economics; and I had had something like seven years' experience in research work, and teaching in college on the subject of economics, agricultural economics, cost accounting, and statistics, and particularly as they applied to agricultural subjects.

The Tariff Commission in 1923 was in the midst of the investigation of the cost of production of sugar in the United States and in the principal competing countries. They had undertaken independently, so they told me afterwards, and so the records of the commission show, an investigation of the costs of production of sugar beets in the United States.

This investigation of the cost of production of sugar beets was ordered under the general powers of the commission, and not under section 315, as was the investigation of the costs of production of sugar.

The Tariff Commission wired the president of the Agricultural College of Utah, where I was a professor, the head of the department there, and in charge of their agricultural-economics investigations, and the experiment-station staff, and asked for some one to come to Washington and join the force of the Tariff Commission in its study of the costs of the production of sugar beets.

Senator HARRISON. Who sent that wire?

Mr. BROSSARD. The Tariff Commission. I think it was the secretary of the Tariff Commission, by order of the commission.

The CHAIRMAN. You were here before that?

Mr. BROSSARD. I was not here then at all. I was at the Agricultural College of Utah.

Senator HARRISON. Did I understand you to say that the secretary sent this request to the head of the University of Utah?

Mr. BROSSARD. To the president of the college.

Senator HARRISON. And requested that they send some one?

Mr. BROSSARD. They asked if there was some one there whom they might employ—the best qualified man they had, or something to that effect. I forget the telegram now. The president called me in and showed me this telegram. I had previously obtained leave of absence for the year, to leave the 1st of September.

The CHAIRMAN. You were entitled to that, were you?

Mr. BROSSARD. I was entitled to it, and the president granted me leave of absence.

Senator HARRISON. Did the president of the university call you in, then, when he received this wire?

Mr. BROSSARD. When he received the wire, he called me in.

Senator HARRISON. Who signed the wire, do you know?

Mr. BROSSARD. I can not tell you. I don't remember now. I can get the record if you would like to have it. I believe it was just signed by the Tariff Commission.

Senator HARRISON. Did they send to any other States except Utah? Did they send to Massachusetts?

Mr. BROSSARD. I have never examined the record at all.

Senator HARRISON. Were you the only one who was brought here from the West at that particular time to take over this work?

Mr. BROSSARD. They had experts from all over the country.

Senator HARRISON. No; but at this particular time.

Mr. BROSSARD. No; as I remember it, they had 12 additional men employed. There were 12 of us in this field party.

Senator HARRISON. At this particular time they put on 12 new men?

Mr. BROSSARD. I do not remember how many of the party were new men, but a great number in the party were new men.

Senator HARRISON. So, you came in with some other new men?

Mr. BROSSARD. There were some other new men.

Senator HARRISON. You presumed, then, that the commission here did not pick out just Utah, or the University of Utah, to send this message to, to the effect that they wanted a good man, but they sent it to Colorado and other States, you presume?

Mr. BROSSARD. I should think so. I will tell you what I think they did. I think they went over the list to get the colleges where they had departments of agricultural economics, perhaps, or wherever they thought they would have trained men along this line, and sent the telegrams to these various places.

Senator HARRISON. Would the records show?

Mr. BROSSARD. Yes; I think so.

Senator HARRISON. Will you investigate the records to ascertain if, at this particular time, the commission, or the chairman of the commission, ordered like telegrams to be sent to other States, and to what States, what colleges, and so forth?

Mr. BROSSARD. Yes; I shall be glad to do so.

Senator HARRISON. Or whether a telegram was just sent to the University of Utah.

The CHAIRMAN. It was the Agricultural College of Utah.

Mr. BROSSARD. The Agricultural College of Utah.

Senator HARRISON. The Agricultural College of Utah?

Mr. BROSSARD. I might say that previous to this time, six months earlier, the Tariff Commission had offered me employment direct, wiring me directly at the college, and asking me if I would join a force of men which they were going to send to Australia and elsewhere to investigate the costs of production of wool. At that time I was unable to go and declined the position.

Senator HARRISON. Who sent you that wire?

Mr. BROSSARD. The Tariff Commission.

Senator HARRISON. Had you applied to them before that for a job?

Mr. BROSSARD. No.

Senator HARRISON. Where did they get your name?

Mr. BROSSARD. I do not know.

Senator HARRISON. Have you any idea who suggested it to them?

Mr. BROSSARD. I think they got it off the civil-service rolls at the time.

Senator HARRISON. You had taken a civil-service examination?

Mr. BROSSARD. I had taken a civil-service examination and was eligible for appointment as agricultural economist, on the civil-service rolls. They may have examined the civil-service list to see what men were available, and finding my name, sent me the telegram. I do not know. I never have learned just how they got my name in the first instance. I have not been interested in it.

Senator HARRISON. Did you ask for any indorsements at that time?

Mr. BROSSARD. None at all, because I declined the proposition.

Senator HARRISON. And you had not asked for any indorsements?

Mr. BROSSARD. No, sir.

Senator HARRISON. Did you ever ask for any indorsements?

Mr. BROSSARD. No, sir. The President sent my name, and they wired at once and asked me to report.

Senator HARRISON. That was when you were appointed as an examiner or an expert?

Mr. BROSSARD. Yes.

Senator HARRISON. So you received no indorsement of anyone at that time?

Mr. BROSSARD. Nobody at all.

Senator THOMAS of Oklahoma. Are these positions all civil-service positions?

Mr. BROSSARD. None of them are necessarily civil-service positions on the Tariff Commission, because the law specifically states that such technical or special experts, as the law calls them, as may be required may be employed by the Tariff Commission outside the civil service.

Senator THOMAS of Oklahoma. If it is proper, I will ask this question. Why did you take a civil-service examination?

Mr. BROSSARD. I was interested in getting into research work, and I was handicapped at the Utah Agricultural College because of lack of funds to do research work.

Senator THOMAS of Oklahoma. In other words, you wanted to come to Washington?

Mr. BROSSARD. I did not care particularly whether it was Washington or not.

Senator THOMAS of Oklahoma. You wanted to get into the Federal service?

Mr. BROSSARD. Yes. I took the civil-service examination, of course, because I was looking forward to a Federal position. I did not know where it might be or where the field was. I took it more or less for fun in the first place.

Senator SIMMONS. Previous to the receipt of this telegram by the president of the college and your conversation with him, had you been in communication with anybody?

Mr. BROSSARD. Nobody. I had no idea that anything of the kind was brewing.

Senator SIMMONS. Had you received any suggestions that your name might be presented?

Mr. BROSSARD. No, sir. As a matter of fact, Senator Simmons, I had planned to leave two days before I got the telegram, and had my goods all packed and stored away, and was leaving, on my leave of absence, two days following. I had my grips and everything all ready to go when the president called me in. I said, "I do not know whether I am interested or not. I will have to talk the matter over with my wife." So I went down and talked it over with my wife, and she said, "Let's go."

Senator SIMMONS. Had you spent much time in Washington prior to that?

Mr. BROSSARD. No, sir; no time. I had been here on two visits, I think, for a few days each. That was years before—in 1914, I think.

Senator SIMMONS. How long had you been living in Utah at that time?

Mr. BROSSARD. Of course, I attended college there. I was born and raised on a cattle ranch in Idaho, and my father's family moved to Utah.

Senator SIMMONS. After you became a man and began to work, how long did you live in Utah after that?

Mr. BROSSARD. After graduating from college and finishing my graduate work and going back there, I had been there about five years, I think it was, at the college. I had been there seven years, and three years doing graduate work.

Senator HARRISON. Did you know the Senators from Utah?

Mr. BROSSARD. No, sir; neither one of them.

Senator HARRISON. You never had met them?

Mr. BROSSARD. I never had met them. I do not think either one of them knew I was in existence until I had been down here.

Senator SIMMONS. You came at once and accepted the position?

Mr. BROSSARD. Yes; and went to work.

The CHAIRMAN. The first time I ever saw him in my life was in Washington, and I never got a letter from him up to that time.

Senator HARRISON. It was your loss that you had not met the Senators from Utah.

Mr. BROSSARD. I think so.

Senator HARRISON. How long did you serve as examiner up there?

Mr. BROSSARD. Two years.

Senator HARRISON. What was the character of work you were doing at that time?

Mr. BROSSARD. Well, I did principally the work of an agricultural economist. I was assigned, of course, on this agricultural cost of production of sugar-beet study. In the first place, I worked two months in the field with these crews. We started in Michigan, and went from Michigan to Nebraska, and from Nebraska to Colorado, and then, while we were in Colorado, and just before we went to Utah to get the cost data there from the farmers, I was asked if I would not come to Washington and assist in the preparation of the report, the final report on the cost of production of sugar beets. I made some stipulations about salary increase, and so forth, if I

had to come and live in Washington and be under the necessity of staying here without per diem, and if they agreed to meet the situation, I would come. Satisfactory arrangements were made, and I came to Washington.

Senator HARRISON. Meanwhile, had you met the Senators from Utah?

Mr. BROSSARD. Neither one of them yet. I did not meet them until I got down here in Washington, and saw them months after I had been here. So, then, I came down to Washington to write this report on the cost of the production of sugar beets. That was November 1, 1923, I think. I began September 1, 1923, and put in two months in the field. I came to Washington November 1, 1923, and I had a temporary appointment in the first place, and after I got down here they extended it from three to six months, and from six months to a year, and then made it permanent, so that I could complete the work.

Senator HARRISON. Then you were tied right in in the consideration of the rates that were to be suggested on sugar?

Mr. BROSSARD. No. This was a separate investigation. The study of the costs of production of sugar beets was only joined to the sugar report in the very final analysis of the sugar investigation.

Senator HARRISON. In the final report on sugar that went to the President—two or three reports went to the President, I believe.

Mr. BROSSARD. Yes.

Senator HARRISON. One was a majority report, signed by what gentlemen?

Mr. BROSSARD. Commissioners Culbertson, Lewis, and Costigan.

Senator HARRISON. That was the one against the increase.

Mr. BROSSARD. Yes.

Senator HARRISON. Then there was a minority report signed by Mr. Marvin and Mr. —

Mr. BROSSARD. Mr. Burgess.

Senator HARRISON. But you were in the employ of the commission at that time, when those reports were made?

Mr. BROSSARD. Yes, sir.

Senator HARRISON. And all that discussion?

Mr. BROSSARD. Yes.

Senator HARRISON. You were consulted, of course, by certain members of the commission from time to time, giving them additional data and facts?

Mr. BROSSARD. Yes.

Senator HARRISON. Before you came to the commission, did you have any conviction as to the rates on sugar?

Mr. BROSSARD. I did not even know what the rate on sugar was.

Senator HARRISON. Of course, you had no interest in the matter.

Mr. BROSSARD. No, sir.

Senator HARRISON. You were not a sugar-beet raiser?

Mr. BROSSARD. No, sir.

Senator HARRISON. And you had no stock in any sugar concern?

Mr. BROSSARD. No, sir. I never have had. I did not even know who the sugar people were.

Senator HARRISON. You were not interested, either directly or indirectly?

Mr. BROSSARD. No, sir.

Senator HARRISON. Even though you may have had some friends engaged in the production of sugar beets, or in the manufacture of the sugar?

Mr. BROSSARD. That is right.

Senator HARRISON. Now, did you assist in the preparation of data for one of these reports?

Mr. BROSSARD. I prepared whatever data I was asked to prepare by the commissioners.

Senator HARRISON. But you helped in rounding into final shape the minority report on sugar, did you not?

Mr. BROSSARD. I will tell you. The testimony as it is given before the special committee investigating the tariff commission, I think, contains all this in full, but I will try to be brief and repeat as much as I can of the situation.

Senator HARRISON. Before we get to that, so that you can make explanations, your testimony was given at that time?

Mr. BROSSARD. Yes.

Senator HARRISON. May I call your attention to certain parts of the testimony, and see whether or not you have changed any of your views with reference to it, so that the committee can be informed with reference to the proposition?

Mr. BROSSARD. Yes.

Senator HARRISON. I believe you stated to that committee that you had little or nothing to do with the preparation of the minority report.

Mr. BROSSARD. As such, Senator—the minority report as such. I prepared some data as a member of the staff, and submitted them to the commission. Of course, they were responsible for their report.

Senator HARRISON. Chairman Robinson asked the question:

Did you participate in the sugar report?

Your answer was "No."

Mr. BROSSARD. That was qualified subsequently by the question which Senator Reed asked, which said, "as a commissioner." Of course, I was not a commissioner.

Senator HARRISON. I will read part of this, and you can explain:

Chairman ROBINSON. Did you participate in the sugar report?

Mr. BROSSARD. No.

Chairman ROBINSON. I do not mean the sugar-beet report. I mean the sugar report proper.

Mr. BROSSARD. Did I participate in the sugar report?

Chairman ROBINSON. Yes.

Mr. BROSSARD. I considered some of the data: yes, sir; with respect to the cost of production of sugar beets.

Senator REED. Were you a commissioner at that time?

Mr. BROSSARD. No, sir.

Senator REED. Did you join in the report that went to the President, as a commissioner?

Mr. BROSSARD. No, sir. No, sir. I had nothing to do with that.

Senator REED. That is what Senator Robinson meant.

Mr. BROSSARD. I did not know what the Senator meant.

Chairman ROBINSON. Which report did you concur in, the majority or the minority report, in your opinion or conclusion? You were associated with the preparation of the report, were you not, or at least with the summarization of the data?

Mr. BROSSARD. No, sir. I did not have anything to do with it.

Chairman ROBINSON. What was your relationship to the sugar report?

Mr. BROSSARD. I was connected with the staff at the time the sugar report was under consideration as agricultural economist and had charge of the sugar-beet investigation. At numerous times the commissioners severally and jointly requested data on the cost of production of sugar beets. I think there are something like 21 or 22 memoranda that I submitted to the commission on the cost of production of sugar beets, most of which were submitted to them during the time that they were considering the sugar investigation.

In addition to that, I prepared some tabular material at the request of the different members of the commission. I prepared a table on investments for Mr. Lewis. I prepared a table showing the relationship of the price per ton of sugar beets to the acreage planted the following year in sugar beets. That was for Commissioner Lewis. I prepared for Chairman Marvin and Commissioner Burgess a summary of the 2-year average costs and a summary of the 3-year average costs, and submitted a large table showing for the different States the average costs of production of sugar beets in each State and in the United States per pound of sugar extracted from beets. Then there has been other material. If you want these, they might go in the record.

Chairman ROBINSON. I do not know of any occasion for putting them in the record.

Did you form or express any opinion as to which of the reports in the sugar case was correct—the majority or minority report?

Mr. BROSSARD. I may say now that I have never read the report of Commissioners Culbertson, Lewis, and Costigan. I have not to this day read it. I do not know the exact points of view that were taken there. I have not had a copy made available to me.

Chairman ROBINSON. Did you read the other report?

Mr. BROSSARD. I have not read the other report; no, sir. I have not had it. I have never read it, but I know something about the problems, because I talked to the experts on the staff of the commission.

Chairman ROBINSON. Well, did you have any opinion as to which was the better report, the more reliable?

Mr. BROSSARD. Well, I may say, Senator, that I think the study of the recent period was more in agreement with the purposes of the act than to go back to the years 1916 and 1917 and the war years and the after-war years, for purposes of comparison, under the act. There were two reasons for that, from my point of view as an economist, and I expressed them at the time to Doctor Bernhard, who was in charge of the sugar division.

Then you state the reasons.

Chairman ROBINSON. Do I understand you to say you prefer Marvin's report, as distinguished from the other?

Mr. BROSSARD. I did not say which I preferred, for I have not read them.

That was your testimony at that time?

Mr. BROSSARD. Yes, sir.

Senator HARRISON. On page 1021:

Senator LA FOLLETTE. Mr. Brossard, did you see any of the drafts of the minority opinion in the sugar report made under section 315 at any time before it was transmitted to the President?

Mr. BROSSARD. The drafts of the completed report?

Senator LA FOLLETTE. The drafts of the minority opinion.

Mr. BROSSARD. I saw parts of it; yes, sir.

Senator LA FOLLETTE. What parts did you see?

Mr. BROSSARD. Well, I do not remember just now. I submitted some statements to the chairman and to Commissioner Burgess, which I offered for the record the other day, Senator La Follette.

Senator LA FOLLETTE. Will you read my question?

(The reporter read as follows:)

"Senator LA FOLLETTE. Mr. Brossard, did you see any of the drafts of the minority opinion in the sugar report made under section 315 at any time before it was transmitted to the President?"

Mr. BROSSARD. I saw the drafts and knew what they were, Senator La Follette, but I did not read the completed final report. I saw it lying on the chairman's desk, and I do not know but what I saw it—I think that is the only place I ever saw the completed draft of the report.

Senator LA FOLLETTE. Did you see any sections or paragraphs of the minority opinion of the sugar report referred to in my preceding question?

Mr. BROSSARD. Identically, I am not sure that I did; no, sir—the identical paragraphs. I can not say.

Senator LA FOLLETTE. Well, did you see any of the tentative drafts of sections or paragraphs before they were incorporated in the minority opinion which was transmitted to the President?

Mr. BROSSARD. I saw, Senator La Follette, material which had been submitted as tentative to go in the report which was submitted, but I am not sure whether it was submitted and whether it was included in the final report of the minority.

Senator LA FOLLETTE. Were you consulted, either directly or indirectly, by the commissioners who signed the minority opinion with regard to its content?

Mr. BROSSARD. I was asked to submit certain specific tables with respect to it; yes, Senator. I had instructions, as a member of the staff, to prepare for Chairman Marvin and for Commissioner Burgess certain tables which I offered in evidence the other day.

Senator LA FOLLETTE. I am not talking about those tables. I am talking about the content of the minority opinion.

Mr. BROSSARD. Will you read the question again, please? I did not get it. (The reporter read as follows:)

“ Senator LA FOLLETTE. Were you consulted either directly or indirectly by the commissioners who signed the minority opinion with regard to its content?”

Mr. BROSSARD. Is my answer responsive?

Senator LA FOLLETTE. I do not think it is.

Mr. BROSSARD. Well, I did not discuss the question of what should go in either report, if that is what you are asking about. I never did go before those people and tell them what I thought ought to be in that report; no, sir.

Senator LA FOLLETTE. I did not ask you if you went before them. I asked you if you were consulted either directly or indirectly by either one or all of the commissioners who signed the minority opinion, with regard to its contents.

Mr. BROSSARD. No, sir. I was not consulted about the content of the minority opinion by either of the commissioners.

Senator LA FOLLETTE. You were not?

Mr. BROSSARD. Not that I remember of.

Senator LA FOLLETTE. Were you consulted, either directly or indirectly by the commissioners who signed the minority opinion in the sugar report, in regard to the phraseology of any part or parts of the draft before it was submitted to the President?

Mr. BROSSARD. No, sir.

Now, that stated the true facts, did it not?

Mr. BROSSARD. I think so; yes, Senator. I want to say that I have read that over since, after I got out of the hearing, and it seemed that Senator La Follette and I were talking about different things. He was talking about the report. What I had in mind in answering his questions was the report of the commissioners, as such. Naturally I was thinking of the material that I submitted to them, which was submitted, usually, to the chief economist, as a member of the staff, who may or may not have taken it into the commissioners. Some times I submitted it direct to the commissioners themselves, or they may have junked any part of it and included some parts of it and not the rest of it. I thought he was talking about this report of the commission.

Senator HARRISON. Let me read to you, to refresh your memory about Mr. Fox. Mr. Fox was one of your coworkers at the time of the sugar report?

Mr. BROSSARD. He was one of the workers on the sugar report.

Senator LA FOLLETTE. May I suggest that there is a question and answer on page 1022 that ought to go in the record, to make it complete.

Senator HARRISON. Will you read that?

Senator LA FOLLETTE (reading):

Chairman ROBINSON. Did you, yourself, dictate any portion of the minority sugar report?

Mr. BROSSARD. I did not.

Senator LA FOLLETTE. Then you wish to leave this committee with the impression that the only part which you had with regard to the minority opinion in the sugar report was the submission of the tables to which you referred in your testimony yesterday?

Mr. BROSSARD. As an agricultural expert on the staff of the commission: yes, sir, Senator.

Senator HARRISON. That is on page 1022, following the other. Mr. Fox then took the stand, after you had finished, and the question was asked by Chairman Robinson:

Chairman ROBINSON. Have you any suggestions as to amendments which should be made to the law? Do you feel qualified to speak of them, or do you desire to speak of them?

Mr. Fox. I do not.

Chairman ROBINSON. Were you present before the committee when Mr. Brossard testified with respect to his connection with the sugar report?

Mr. Fox. I was.

Chairman ROBINSON. Did you hear his testimony?

Mr. Fox. I did.

Chairman ROBINSON. How many times have you discussed his testimony or any phase of it, particularly his statement that he had nothing to do with the preparation of the Marvin-Burgess sugar report, since his testimony?

Mr. Fox. With whom?

Chairman ROBINSON. Mr. Brossard.

Mr. Fox. On a few occasions.

Chairman ROBINSON. How many?

Mr. Fox. Three or four, or half a dozen.

Chairman ROBINSON. When was the first time, if you recall?

Mr. Fox. I believe it was some time in September, 1926. It was after my return from the field. I was in the field in connection with the milk and cream investigation.

Chairman ROBINSON. When did you get away from Washington prior to that conversation?

Mr. Fox. I left Washington, I believe, July 3 or 4—July 4, I believe.

Chairman ROBINSON. Do you remember when the hearings here were suspended—the hearings before this special committee? That was about the 1st of July, I will state that.

Mr. Fox. Yes.

Chairman ROBINSON. I do not remember myself, exactly. You went, then, about the 3d or 4th, and came back when?

Mr. Fox. I was back a few days, but I was away a good part of the time between then and September.

Chairman ROBINSON. The first time that Mr. Brossard talked to you about his testimony before this committee was in September, when you returned from the field?

Mr. Fox. As I recall it.

Chairman ROBINSON. What did he say to you then?

Mr. Fox. He asked me if I heard his testimony and what were my reactions toward it.

Chairman ROBINSON. All right. What did you tell him?

Mr. Fox. I was rather reluctant to discuss it.

Chairman ROBINSON. Why? [After a pause.] Why are you so long in answering? Why don't you go ahead and answer my question?

Mr. Fox. It was not a subject matter that I felt free to discuss.

Chairman ROBINSON. Why?

Mr. Fox. Well, as I told you that first time, it was a matter—it involved a matter of opinion. He probably had certain things in mind. In other words, when he answered those questions, he answered with certain interpretations.

Chairman ROBINSON. Notwithstanding your reluctance, did you talk to him about it?

Mr. Fox. I did. He stated that he had no purpose but to tell the truth; that if he had the opportunity he would have told everything about his sugar story.

Chairman ROBINSON. Did he indicate or did you infer from what he said that he was denied the opportunity to tell all about what he had to do with the writing of the draft of the sugar report? You knew, as a matter of fact, when you heard him testify, that he had assisted in the preparation of draft, didn't you?

Mr. Fox. In—that is a relative thing.

Chairman ROBINSON. No; it is not a relative thing. It is a direct question, and you can answer it yes or no.

Mr. Fox. In a measure; yes.

Chairman ROBINSON. Now, you can explain what you mean by "in a measure."

You heard Mr. Fox's testimony?

Mr. BROSSARD. Yes.

Senator HARRISON:

Mr. Fox. Well, I attempted to set forth as fully as I knew how just what was done. We started work on the 22d. We organized.

Chairman ROBINSON. Whom do you mean by 'we'?

Mr. Fox. Dean Turner was to do all of the dictating. I examined all the material which was available, the memoranda, sorted out the ideas, arranged it in logical order, saw that things were running smoothly, and acted as handy man, and at most of these meetings, except those on certain evenings and on Sunday, Doctor Brossard was present. Sometimes, when we came to a difficult part, we all, in spite of the fact that Dean Turner did the dictating, we all took a hand in it, and, of course, the official version of it was handled by Dean Turner, because he was the chief of the division.

Chairman ROBINSON. Can you state approximately how many meetings you held in the preparation of that first draft of the Marvin-Burgess report?

Mr. Fox. We started, as I recall it, Tuesday afternoon. That evening Dean Turner and Mrs. Garland and myself worked. Tuesday we were at it morning and afternoon. No one worked in the evening.

Senator WADSWORTH. You do not mean Tuesday. Don't you mean Wednesday?

Mr. Fox. Wednesday, the next day.

Chairman ROBINSON. Who were associated with the work that day?

Mr. Fox. Wednesday Dean Turner was present, Doctor Brossard and I.

Chairman ROBINSON. How many hours did you put in that day, approximately?

Mr. Fox. We worked in the morning and in the afternoon.

Chairman ROBINSON. But not at night?

Mr. Fox. Not at night.

Chairman ROBINSON. Go ahead.

Mr. Fox. Thursday we worked, morning, afternoon, and evening—Dean Turner, Doctor Brossard, I—and I believe we used another stenographer, Miss Braswell. On Friday—

Senator LA FOLLETTE (interposing). To whom was Miss Braswell usually assigned?

Mr. Fox. At that time I think she was assigned to the pool, the stenographic division. She is now assigned, I believe, to the chairman's office.

Friday we worked morning, afternoon, and evening—Dean Turner, Doctor Brossard, I, and Mrs. Garland.

Saturday we worked morning, afternoon, and evening—Dean Turner, Doctor Brossard, I, and Mrs. Garland.

Sunday, Dean Turner and I alone.

Monday, Dean Turner, Doctor Brossard—no—yes—Dean Turner, Doctor Brossard, and I, morning and afternoon; Dean Turner, Mrs. Garland, and I in the evening.

Tuesday, Dean Turner, Doctor Brossard, and I, and two stenographers—Miss Braswell and Mrs. Garland. Miss Braswell left, I believe, a little after midnight. Dean Turner, Doctor Brossard, and Mrs. Garland left a little after 3. I stayed there all night, with the exception of a short walk on Pennsylvania Avenue.

Chairman ROBINSON. Now, with respect to the second draft, did you have a number of meeting, the three of you who had been collaborating in the preparation of the first draft?

Mr. Fox. Well, this was really both drafts—the 26th draft and the 30th draft. Chairman ROBINSON. That covered the meetings that the three of you had, and sometimes two of you, which have been specified according to your recollection?

Mr. Fox. Yes.

Chairman ROBINSON. Now, after your return in September and Doctor Brossard talking to you about his testimony before the committee with respect to this subject—when did you next talk to him, as you recall it?

Mr. Fox. It would be very difficult for me to say exactly. I should say some time after—I believe it was in connection with another investigation, the maple-sugar investigation which we were conducting, and some question came up of the delay which I was causing in having the men go out into the field; not being satisfied that we were quite ready to go I delayed the work somewhat, and I was called on for an explanation.

Chairman ROBINSON. Were you willing or reluctant to discuss it with him the second time? [After a pause.] I expect you to just answer promptly; yes or no.

Mr. Fox. Frankly, I was not very keen to discuss it.

Chairman ROBINSON. You preferred not to discuss it. Did you indicate that to him?

Mr. Fox. I did not.

Chairman ROBINSON. What?

Mr. Fox. I did not.

Chairman ROBINSON. What did you say to him?

Mr. Fox. I just——

Chairman ROBINSON. You will have to come through here. You had just as well go ahead and tell all about it now.

You heard that at that time?

Mr. BROSSARD. Yes.

Senator HARRISON (continuing reading):

Mr. Fox. Senator, for the first time this year I have jotted down certain notes, not only in connection with my interviews with Doctor Brossard, but with Doctor Dennis and Mr. Costigan, those few times I have seen Mr. Costigan.

Chairman ROBINSON. You have got the memorandum-keeping habit at last, have you? All right; state how many times you have talked with Doctor Brossard about his testimony before this committee with respect to whether he had anything to do in connection with the sugar report.

Mr. Fox. About six.

Chairman ROBINSON. About six times?

Mr. Fox. Yes.

Chairman ROBINSON. Did he approach you each time, or did you go to him some of the times?

Mr. Fox. He approached me.

Chairman ROBINSON. Each time?

Mr. Fox. Each time, as I recall it.

Chairman ROBINSON. What was the burden of those conversations? What was the object of them?

Mr. Fox. Mr. Senator, I do not know what the object was. I could not tell you.

Chairman ROBINSON. Well, what did you imply to be the object of them? What was your understanding of the object of them?

Mr. Fox. He seemed very anxious to make very clear what he had in mind and what he proposed to do.

Chairman ROBINSON. Do you know why he was doing that? Did he tell you why he was running to you about his testimony before this committee and explaining to you and making clear to you what he meant?

Mr. Fox. Why, that did not seem unusual, because we had been associated together on the thing, and it is very natural——

Chairman ROBINSON (interposing). Then tell the committee why you are reluctant to talk with him about it, if there was nothing unusual about it.

Mr. Fox. Well, because the statement as made was rather a sweeping statement.

Chairman ROBINSON. What statement are you referring to now?

Mr. Fox. The statement Doctor Brossard made when he was testifying.

Chairman ROBINSON. I will ask you a leading question. Did you imply that he knew that you took a different view of the facts with respect to his connection with the preparation of that sugar report from what he had stated before the committee?

Mr. Fox. Perhaps so.

Chairman ROBINSON. Now, you have hesitated for perhaps half a minute in answering that question. That does not appear in the record. Why do you hesitate? Why didn't you answer it?

Mr. Fox. Because, Mr. Senator, Doctor Brossard testifying here testifies as a commissioner. He is in a position, therefore, to express opinions and conclusions. I am testifying as a member of the staff, and my testimony, therefore, it appears to me, ought to be limited to the statement of facts, which I have tried to do, with the single exceptions when I have been asked—

Chairman ROBINSON. Very well. I think that is exactly correct, but I have asked you a question of fact, and that is why you are reluctant to answer the questions I have asked you.

Mr. Fox. Because, Mr. Senator—

Chairman ROBINSON (interposing). It is because of your subordinate position on the commission?

Mr. Fox. Yes.

Chairman ROBINSON. Very well. I think that is a fair and a true answer. Now, then, how many more times did you talk to Doctor Brossard and what was the substance of those conversations? You have said there were six times and you have detailed two. He came to you each time. What did he say to you?

Mr. Fox. May I correct that?

Chairman ROBINSON. Yes.

Mr. Fox. He did not come to me. He called me to his office.

Chairman ROBINSON. Oh!

Mr. Fox. And usually it was, perhaps, in connection with some other matter, and then casually this subject was referred to.

Chairman ROBINSON. He called you to his office in connection with some other matter, but casually each time the subject matter of his testimony before this committee was mentioned to you by him?

Mr. Fox. Yes.

Chairman ROBINSON. Can you recall what was said on those other occasions? Did you make some memoranda, Mr. Fox?

Mr. Fox. I said I kept them.

Chairman ROBINSON. Yes. Now, you may refer to your memoranda for the purpose of refreshing your memory. State what your memorandum shows, if you are prepared to say that it was made approximately or at the time of the incidents to which they relate?

Mr. Fox. Now, these memoranda, I say, were prepared with reference to many subjects, and here is one when I went to see Mr. Costigan complaining about the work of Doctor Simpson and also in connection with the work of some others.

Chairman ROBINSON. Those memoranda may be pertinent to some phase of this inquiry, but for the present and in answering the questions I am now asking you, confine yourself to the memoranda you made with respect to your conversations with Mr. Brossard about his testimony before this committee.

Mr. Fox. These others are on other subject matters. I have here one Monday afternoon, April 12.

Chairman ROBINSON. Of what year?

Mr. Fox. 1926.

Chairman ROBINSON. All right. Go ahead.

Mr. Fox (reading):

"While in Doctor Brossard's office on other matters he remarked that he was trying to get the facts straight in regard to his connection with sugar, and as he could see it he had nothing to do with it except advise upon agricultural costs; that I had furnished all the ideas and that Dean Turner had dictated them, and that he had been consulted in regard to agricultural costs and had advised thereon. That as to the preparation of the report which was revised by Commissioners Marvin and Burgess, he thought it advisable that he and I should both have the same facts, that we had the fact straight in regard to sugar."

Senator ROBINSON. That probably should be "that we have the facts straight." I do not know.

Mr. Fox. Then I have in parentheses:

"An editorial appeared in the Saturday edition of the Washington Post on agricultural costs based upon the sugar report."

Chairman ROBINSON. At the time of that memorandum and that statement, the time that that memorandum relates, did you make any statements to Doctor Brossard, which you recall? When he said that you two ought to agree upon the facts as to your connection with the matter, did you make a statement to him?

Mr. Fox. I do not recall.

Chairman ROBINSON. Your memorandum does not show what you said in reply?

Mr. Fox. No.

Chairman ROBINSON. And you do not recall?

Mr. Fox. No.

Chairman ROBINSON. All right. Go to the next memorandum.

Mr. Fox. July 23, 1926 [reading]:

"Doctor Brossard phoned while we were meeting on the final report on methanol and asked to see me as soon as it was over."

The advisory board were meeting.

Senator WADSWORTH. July 23, 1926?

Mr. Fox. Yes.

Senator WADSWORTH. I thought you left this country on the 3d or 4th?

Mr. Fox. I did not leave the country. I left and then I came back, I said, occasionally, but for the most part I was gone between July and September, and it appeared to me that the conference took place in September. I was back at this time, I think, only two or three days.

Senator WADSWORTH. All right; go ahead.

Mr. Fox (reading):

"As the commission held a meeting at 10.30, I did not get an opportunity to see him until the afternoon. When I returned from lunch about 2.15 I was told that he had phoned twice. Finally got to see him at 2.30.

"As soon as I sat down Doctor Brossard asked whether I had heard his testimony before the Senate committee on sugar and whether the testimony did not correctly represent the situation. I hesitated for a moment and then replied that we were all present during the preparation of the report. Doctor Brossard then proceeded to explain that he had not proposed to withhold any information; in fact, that he was ready to explain it all if he had been given the opportunity by Senator Robinson and Senator La Follette, but that he did not propose to have"—

I have here just La Follette—

"compel him to state he had dictated the policy of the minority report. He said that he had not dictated the report; that the report had been dictated by Dean Turner; whereupon I told him in a sense we were all present and had all dictated parts, but that the final dictation and smoothing out was done by Dean Turner. Doctor Brossard also stated that we did not write the minority report, that 'we wrote the expert's report,' whereupon I told him that we wrote the report for Mr. Marvin and Mr. Burgess, and that no 'expert's report' was prepared in either case."

Of course, with this qualification, that we did the very same thing that is being done right along with the reports. The draft originates with the staff and it goes to the commission for their final revision.

Chairman ROBINSON. Go ahead with the next one.

Mr. Fox (reading):

"Doctor Brossard also stated that he had not read the final report; that while Dean Turner and I were busy going over the report with Messrs. Marvin and Burgess he had been occupied attending to other details.

"Doctor Brossard asked if there was anything in our files on sugar that showed his connection with the report, whereupon I told him that he could look over the files. He wanted me to go over the files and Brossard's testimony before the Senate committee and see if there had been any misstatements, and if there had he would be only too glad to go before the committee and ask for the opportunity to correct such misstatements."

Chairman ROBINSON. All right. Go ahead with the next one.

Mr. Fox. The next one is January 3, 1927:

"In response to a call from Doctor Brossard, went to see him about 10.15. When I entered his office he said that he would like to see the sugar files, especially the documents which he had submitted in connection with the preparation of the report. He said that he had obtained an inkling from the newspapers that the hearings may start again; that he did not want to take any credit in the preparation of the report or any part of it to which he was not entitled, but that he was fully ready to take the responsibility. Doctor Brossard emphasized the fact that he did not want to take credit for the report.

"Doctor Brossard claims that he has reviewed the situation and can not recall having much to do with the report. He claimed that when the report went to Mr. Marvin and Mr. Burgess there was no summary. I pointed out that the summary was prepared before it went to them, and that the only change was the addition of two pages describing the history of sugar beets and a few minor changes here and there, changes of emphasis or conclusion. He stated that Dean Turner and I spent two days going over the report with Mr. Marvin and Mr. Burgess, but that he did not go over it. I thereupon pointed out to him that as I recalled it he went over the report with Mr. Marvin and Mr. Burgess before Dean Turner and I were called in. He denied that, stating that Mr. Marvin asked him about the tests and that as they were not clear to him either he suggested that especially Dean Turner and I be called in."

There is much more of this testimony along that line. Your testimony, following that of Mr. Fox before the committee, on page 1079, reads:

There was some difficulty also with a question which you asked me, Senator La Follette, which is given on page 1020. You asked me:

"Mr. Brossard, did you see any of the drafts of the minority opinion in the sugar report made under section 315 at any time before it was transmitted to the President?"

My idea of what this minority opinion is, is very plain, and I want to have it definitely understood, because there turns my answer. You will remember I made several replies to your question and then you insisted that I answer it just as it was, "minority opinion." I was trying to ascertain what you wanted in the question by that "minority opinion." Now, "minority opinion" to me, after having been both a member of the staff and a commissioner, is this, that the minority opinion is never the minority opinion until the minority have approved it, for I have seen reports that came from the advisory board to the commission so demolished and rewritten and made over by the commissioners that you would never know it was the same thing at all, and so the staff members can not take credit for having written the minority opinion at any time.

Commissioners Marvin and Burgess were solely responsible for that minority opinion, and how could a man tell what they had done with it after it was submitted to them? That was their affair. That is why I answered your question two or three different ways. I was trying to get you to explain in some way what you meant by that "minority opinion."

Further, you stated:

Mr. BROSSARD. Well, I do not remember the exact situation. Mr. Fox seemed to think that my contribution had been more elaborate than I had thought it was. Out of modesty I did not want to overstate my case. That is another point. As far as I am concerned, I am proud of my contribution to that report. I haven't anything in there that will discredit me in any way or that I am ashamed of. I am glad I was able to be useful to the commission in that way. They called upon me to do the work and I went ahead and did it. It was a duty of mine and I was under obligation to the commission to do it. There was no way out of it, except to quit the job.

Do you find any conflict between the testimony there, as you first stated it to the committee, where you said you had no part in the preparation of the minority report, and the testimony of Mr. Fox, and then your last statement?

Mr. BROSSARD. I think, Senator, that it depends upon the interpretation that is placed upon the statements there. If you keep in mind what I thought was the minority opinion, the opinion of Commissioners Marvin and Burgess, then I think my statements are responsive and correct. But if, as Senator La Follette seems to have in mind, these drafts which the staff submitted to the commissioners were drafts of the minority opinion, then the question and answer were at cross purposes, and I should have answered that I had sat in this body of staff members when this work was being done. I did not attempt to conceal, and did not ever want to conceal, any participation of that kind from the committee—neither then, nor now.

Senator HARRISON. Did you not know, when you were working with Dean Turner and Mr. Fox, night and day there, that you were preparing the draft for them, the minority members?

Mr. BROSSARD. We were preparing the draft to submit to them.

Senator HARRISON. Yes.

Mr. BROSSARD. But after that, they had the responsibility, Senator, of doing whatever they wanted to do with it. They oftentimes have revised those severely. Sometimes they accept them almost completely. Sometimes they add to or subtract from them. My notion was that we were preparing a draft for the experts of the staff to submit to those commissioners. When we got through with it, they might revise it, or tell us to do it over again, or something else.

Senator HARRISON. But you appreciated the fact that the drafts you were preparing with such care there—

Mr. BROSSARD. Would go to the commission.

Senator HARRISON. And that much of it would be used in the opinion of the minority members?

Mr. BROSSARD. We hoped it would be.

Senator HARRISON. And you expected it would be.

Mr. BROSSARD. Yes. We expected part of it would be. We expected most of it would be.

Senator HARRISON. Have you read it?

Mr. BROSSARD. I have read it now.

Senator HARRISON. And you recognize that a good deal of that you prepared?

Mr. BROSSARD. Yes. There is a good bit of it—most of it.

Senator HARRISON. After you gave your testimony to the select committee, did you read it?

Mr. BROSSARD. I think I testified there that I had not.

Senator HARRISON. Then you must have read it afterwards.

Mr. BROSSARD. Yes. At that time, you see, the report had not yet been printed, and they had had copies of it for the commissioners themselves and a copy in the secretary's office, but copies of it were not available at that time to the members of the staff.

Senator HARRISON. So, when these many questions were put to you so directly, and which called for brief answers, and when you answered, briefly and to the point, that you had taken no part in the preparation of any part of the minority report of these two commissioners, you really intended to say that you had not taken any part. You wanted to convey that meaning, did you not?

Mr. BROSSARD. As to the minority opinion itself, I did not want to be responsible for saying that I had influenced Marvin and Burgess in their position on that report. That was their responsibility. As

a member of the staff, I submitted all the data that I had, or anything they asked for.

Senator HARRISON. You realize now that you did prepare part of that opinion, do you not?

Mr. BROSSARD. Part of that opinion—the part that is in there. I was in this body, and Dean Turner dictated it and we discussed it back and forth, and I had some part in it; yes.

Senator HARRISON. But you did not realize that when you testified before the committee?

Mr. BROSSARD. I did not realize that I had any such part.

Senator HARRISON. When did you first come to the information—after Mr. Fox testified and had refreshed your memory about this, or after you had read the opinion?

Mr. BROSSARD. After I had read the report.

Senator HARRISON. Did Mr. Fox's testimony, where he took issue with you, have any influence in forming your opinion otherwise?

Mr. BROSSARD. I do not think so.

Senator HARRISON. I think, for the present, that is all I desire to ask him about that. Did you want to make any further explanation?

Senator GEORGE. Doctor Brossard, when the minority data or opinion was furnished, had the majority already prepared its opinion and reached its conclusions?

Mr. BROSSARD. I do not know whether it had been completed or not. It was not available to me. I am a little bit hazy about that, however. I can not remember. I don't think it was.

Senator GEORGE. Did you, at the time, know that the majority of the commission had reached some contrary views?

Mr. BROSSARD. Yes. I think I was aware of their different position on a number of questions which naturally would result in a different report. I do not remember whether or not I knew at the time what they were going to recommend. I do not believe I did. We knew some of the principles which they were going to act upon, and some of the positions they were going to take, because they had been discussed among the members of the staff.

Senator GEORGE. You and the other members of the staff, Dean Turner and others, were aware of the fact that there was a divergence of view?

Mr. BROSSARD. Yes.

Senator GEORGE. In the commission?

Mr. BROSSARD. Yes.

Senator GEORGE. And you knew you were working for the minority, that is, for the two commissioners as against the majority?

Mr. BROSSARD. Yes, that is true.

Senator GEORGE. In submitting what you were preparing, and dictating to submit to the minority.

Mr. BROSSARD. Yes. There is no question about that. We were well aware of the situation there. As I remember it, the commissioners had not yet submitted their reports, and did not until they were all ready to submit their reports. Then I think they had a commission meeting afterwards, and each brought in his report, and they were consolidated and sent to the President. I do not know that even the two commissioners had a copy of the report of the Commissioners until the day they met in the commission meeting.

Senator GEORGE. Did the majority and minority reports go to the President together, or did they go on separate occasions, if you know?

Mr. BROSSARD. From your suggestion to me, I believe it is true that they did go on separate occasions, but I do not remember definitely about that. That is a matter of record, however, and can easily be ascertained.

Senator SIMMONS. Doctor Brossard, as I understand you, you experts got together with your data?

Mr. BROSSARD. Yes.

Senator SIMMONS. And used those data in making a rough draft of what you thought was the proper thing for the commission to report?

Mr. BROSSARD. That is not the way it was done. The chairman of the Tariff Commission——

Senator SIMMONS. Was not that the way you were asked to do it?

Mr. BROSSARD. No; that is not the way we were asked to do it.

Senator SIMMONS. To get together and prepare your data, and prepare a rough draft of the report?

Mr. BROSSARD. No; that is not the way we were asked to do it. The chairman of the Tariff Commission, Mr. Burgess, as I remember it, had the chief economist, who was Dr. Turner, and Mr. Fox, in the room. I do not remember whether I was in the room at that time, or not. They outlined roughly what they thought ought to go in the report, and then they asked them to get together and prepare the report and use the data which had been collected from time to time, and asked me to join that group as the agricultural economist, and I joined the group.

Senator SIMMONS. The other economist was there, and Doctor Turner was taking your data and discussing with you what he had to say about that particular subject in the report. Is that not true?

Mr. BROSSARD. Yes; and then he would dictate the statement.

Senator SIMMONS. You reported with respect to a certain matter?

Mr. BROSSARD. Yes.

Senator SIMMONS. Mr. Fox reported with respect to another matter?

Mr. BROSSARD. Yes.

Senator SIMMONS. Then you understood that Doctor Turner was there writing the report?

Mr. BROSSARD. Yes.

Senator SIMMONS. With these data before him?

Mr. BROSSARD. Yes.

Senator SIMMONS. As his guiding star?

Mr. BROSSARD. Yes.

Senator SIMMONS. You did participate in that way?

Mr. BROSSARD. Yes.

Senator SIMMONS. And you knew what Doctor Turner was writing?

Mr. BROSSARD. I knew some of it, yes. There are parts of it I do not think I ever saw until I saw the report.

Senator SIMMONS. Was that written in the form of a report, or was it just written in the form of separate data?

Mr. BROSSARD. No; it was written in the form of a report, in the usual way.

Senator SIMMONS. Then you understood that this rough draft would be turned over, then, as your suggestion as to what the report should be?

Mr. BROSSARD. With respect to the sugar business and these other things I had prepared, yes, sir. That is right.

Senator SIMMONS. They took them, and made some little amendment.

Mr. BROSSARD. Yes. They worked it entirely over. I submitted the material I had turned in.

Senator SIMMONS. Was there any substantial difference between that draft you prepared and the report?

Mr. BROSSARD. Oh, my; you would never know it was the same thing. I submitted those data, Senator Simmons, and asked that they might be compared, because while some of the facts which were included in my memorandum were incorporated in the report, of course, the wording was all broken up.

A memorandum which covered a whole subject might be included in one paragraph in this report.

Senator SIMMONS. I understand that. The wording was changed.

Mr. BROSSARD. Yes.

Senator SIMMONS. Part of it was put in your language, and part of it in Dean Turner's language, and part of it in Mr. Marvin's language?

Mr. BROSSARD. Mr. Fox's. As it is now, I have read that over since, and there is not much of it in my language there.

Senator SIMMONS. Did they incorporate in their final report practically the substance, so far as the facts were concerned, and the findings that you had agreed to?

Mr. BROSSARD. Will you repeat the question?

(The reporter read the question.)

Mr. BROSSARD. I think there was not unanimity of opinion among the three of us with regard to several matters, and therefore my full opinion was probably not incorporated in the report.

Senator SIMMONS. Why was there not unanimity? Did you not leave the drafting of the report on that particular item to Dean Turner?

Mr. BROSSARD. Yes; he drafted it.

Senator SIMMONS. Then he read it over to you?

Mr. BROSSARD. Yes; sometimes he did.

Senator SIMMONS. You all agreed to it?

Mr. BROSSARD. No; I did not agree to some of it. I was outvoted oftentimes on the proposition. He and Fox would agree to it.

Senator SIMMONS. You were participating in a pretty lively way, were you not, in the preparation of that report?

Mr. BROSSARD. Yes; in some sections of it that involved memoranda which I had prepared.

Senator SIMMONS. You did not regard that as Dean Turner's report. You regarded it as the combined work of the experts that were there, did you not?

Mr. BROSSARD. You might say that. It is quite immaterial to me whether it is taken that way or not; whether I am included as one of the members who dictated or made the report, or whether it is the three of us. My answers to previous questions put by interpreta-

tion of it to the effect that I had not participated greatly in the preparation of the actual report itself. I am not trying to deny it. I would just as soon take the responsibility for it if I could honestly and conscientiously take credit for having dictated the report; and if the members want me to take the credit for it, after telling what the situation actually was, I will be glad to take the credit for it.

Senator SIMMONS. It is not a question of credit. It is a question of whether you gentlemen did draft that report or whether you participated with them in drafting that report, and whether your draft was substantially accepted by the commission.

Mr. BROSSARD. Yes. The facts are as I have stated them.

The CHAIRMAN. The commission could have changed the whole thing if they had wanted to?

Mr. BROSSARD. The commission could have changed the whole thing, and it so happens that they did not change it very greatly.

Senator SIMMONS. The commission asked you to do that, did they not?

Mr. BROSSARD. Yes.

Senator SIMMONS. They asked you to prepare a rough draft?

Mr. BROSSARD. Yes.

Senator SIMMONS. And you participated in the preparation of that rough draft?

Mr. BROSSARD. You call it a rough draft of this commission report. I say it is a draft of the staff report to the commission.

Senator HARRISON. Who was preparing the majority report that put the cost of production of \$1.23?

Mr. BROSSARD. The chief of the sugar division, practically alone.

Senator HARRISON. Do you know why you were not asked to help collaborate in that report?

Mr. BROSSARD. I do not know. I do not think these people considered me until after the report was made. I do not think anybody considered me an expert on the subject.

Senator HARRISON. Don't you think they took your views, which you had prepared, of the cost of production of sugar?

Mr. BROSSARD. Yes, sir. That was what they did take, and they considered me an agricultural economist in that investigation.

Senator HARRISON. You say there was some division among you three there?

Mr. BROSSARD. Yes.

Senator HARRISON. Was there any division on the question of finding the difference in cost of production here and abroad at \$1.53? That was what you found, was it not?

Mr. BROSSARD. No; it was \$1.89, or something like that.

Senator HARRISON. Was there a difference of opinion as to that?

Mr. BROSSARD. There was a difference of opinion as I recall it; yes.

Senator HARRISON. Did you agree on the \$1.89?

Mr. BROSSARD. I do not know what the result would have been if they had done some of the things I suggested.

Senator HARRISON. Do you suspect it would have gone higher?

Mr. BROSSARD. I do not know. It never has been worked out.

Senator HARRISON. But you all agreed on the \$1.89?

Mr. BROSSARD. I did not agree on it; no, sir. It was done without my agreement.

Senator SIMMONS. You wanted more?

Mr. BROSSARD. I do not know what the result would have been if they had taken what I wanted. It was not a question of where the result would lead to. That has never been my point of view of the Tariff Commission. But I did think the members of the commission ought to have the report on sound, technical, scientific grounds, and it was for that reason that I gave these men the benefit of my opinion and of my judgment on that subject.

Senator HARRISON. If they had followed your suggestion in arriving at the rate, it would have been much higher than \$1.89?

Mr. BROSSARD. I do not know. It has never been worked out.

Senator HARRISON. As an economist, do you not believe that would be true?

Mr. BROSSARD. No; I do not know.

Senator HARRISON. Is it your opinion that the sugar tariff should be raised from that which was carried in the act of 1922?

Mr. BROSSARD. That is a question of policy that I have never entered into.

Senator HARRISON. You have not any conviction about the subject?

Mr. BROSSARD. I think, if you are going to protect the sugar industry, so that it can survive in this country and prosper, it would have to be higher.

Senator HARRISON. It would have to be higher?

Mr. BROSSARD. Yes.

Senator SIMMONS. What happened when you gentlemen were all there around the table, when there was a disagreement? Did you discuss it, and after you discussed it, did you take the majority opinion, or did you just leave that untouched?

Mr. BROSSARD. As a matter of fact, they took my cost data and my recommendations, as a rule, with respect to agricultural costs; that is, farm costs, in the production of sugar beets, and when it came to the other questions, Mr. Fox had worked up nearly all the technical data on the other questions, and whatever he said they accepted.

Senator SIMMONS. From the work that was assigned to each man, you put it all together and made the report?

Mr. BROSSARD. Yes, sir; and the work they had assigned to me was largely and principally these agricultural cost data. When it came to a question on my part of that material, naturally they would ask me about it, and I gave the information I had. Of course, that forms only a small fraction of the report.

Senator HARRISON. Have you any opinion now that the tariff rate on sugar, as put in this recent bill, is not high enough?

Mr. BROSSARD. For what purpose?

Senator HARRISON. For any purpose. Suppose the matter were to come before you. Have you now formed an opinion as to what you would do about it, in the way of an increased tariff rate?

Mr. BROSSARD. On the question of the cost of production, or equalization under the act, I would try to find the facts.

Senator HARRISON. Have you already formed an opinion as to what the facts would justify, whether they would justify an increase?

Mr. BROSSARD. No. I think, if you took the straight cost of production, as it was calculated in the Culbertson-Lewis-Costigan report, and made a new calculation on that same basis, using the price paid for sugarcane in Cuba as the cost of production of the sugarcane in Cuba, there would be a wider spread than the present duty.

Senator HARRISON. It would be increased?

Mr. BROSSARD. Yes; I don't think there is any doubt about that. I think anybody would concede that.

Senator HARRISON. If you were to follow the same policy pursued in writing the minority report, it would be still higher.

Mr. BROSSARD. It would not be quite so high at the present time.

Senator HARRISON. In other words—

Mr. BROSSARD. I mean, it would not be quite so high as it would be if you followed the report of Commissioners Culbertson, Lewis, and Costigan.

Senator HARRISON. If you take the Culbertson-Costigan formula, and apply it to present conditions, in your opinion you think it would be much higher than it would be if you applied the same formula that was worked out through the adoption of the minority members' report?

Mr. BROSSARD. That is true. Take the cost of production of beets—

Senator HARRISON. Which one do you think is the wiser formula?

Mr. BROSSARD. I think the sounder formula is to take the cost of production of the raw material, because if you include the price paid for the sugar cane in Cuba, when sugar was very high in 1920, naturally the cost of the cane alone was up sky high, and when it was high in 1923, the cost of the cane was very high, showing a very high cost of production of sugar cane in Cuba when, as a matter of fact, it may not have been that at all. My notion was that if we took the fundamental farm costs of production of the cane and beets in both countries, then we are on perfectly safe ground, because you have the agricultural costs there, and it is a thing which does not vary with the price. It does not run up and down with respect to the price of the sugar, which is the final product, and it would be much sounder. That also was the opinion expressed by the chief economist and the chief of the agricultural division before the sugar investigation ever was ordered, but the chief of the sugar division said that agricultural costs did not need to be ascertained. There was a division on the staff at the very beginning, before either of the investigations was ordered. The chief economist and the chief of the agricultural division insisted that farm costs should be ascertained.

Senator SHORTRIDGE. What was the word?

Mr. BROSSARD. Farm costs.

Senator SHORTRIDGE. That is, the cost of beets or cane in Louisiana or in Michigan?

Mr. BROSSARD. Yes; on the farm.

Senator SHORTRIDGE. Precisely.

Mr. BROSSARD. That was the beginning, and that is what these men recommended, but the chief of the sugar division was of a different opinion, and the commission ordered the sugar investigation, and then subsequently, because of the opinion of these two other members, ordered the investigation of the cost of production of the sugar beets, under the general powers of the commission, expecting, I suppose, to incorporate it in the sugar report before it was finally done. But they made it as a separate investigation.

Senator SIMMONS. I understand it is the purpose to finish these hearings to-night?

The CHAIRMAN. Yes.

Senator SIMMONS. But that there is to be no vote?

The CHAIRMAN. If the Senators do not vote, I will call a meeting for to-morrow morning.

Senator HARRISON. I hope the chairman will get all the members here so that we can discuss the proposition before we vote.

The CHAIRMAN. I will notify every one of them to meet at 10 o'clock.

Senator SIMMONS. Let us meet at half-past 10.

The CHAIRMAN. That will be all right.

Senator HARRISON. You were an applicant for a commissionership, were you not?

Mr. BROSSARD. I came to Senator Smoot, and laid my qualifications before him, and asked him if he would recommend me to the President. He went over my qualifications, and he said, "Yes; I will be glad to. You are qualified for the job."

Senator HARRISON. So, the Senator presented your name as one of the commissioners?

Mr. BROSSARD. I suppose he did.

Senator HARRISON. Did anyone else indorse you?

Mr. BROSSARD. I think so; yes. I think Senator Warren, of Wyoming, did.

Senator HARRISON. Did Secretary of Commerce Hoover at that time indorse you?

Mr. BROSSARD. I do not know about that, but Secretary Jardine, of Agriculture, did.

Senator HARRISON. Did you not state before the committee that Secretary Hoover had indorsed you?

Mr. BROSSARD. I do not think so.

Senator HARRISON. Have you ever discussed sugar with him?

Mr. BROSSARD. No, sir; I never saw him.

Senator HARRISON. Had you discussed your views on sugar and the report on sugar with anyone up to that time?

Mr. BROSSARD. No, sir; I never made any recommendation one way or the other.

Senator HARRISON. Have you made any speeches as a commissioner indorsing this present bill?

Mr. BROSSARD. No, sir; I do not think that would be justified at any time.

Senator HARRISON. Have you made some speeches on the tariff?

Mr. BROSSARD. Yes, sir.

Senator HARRISON. Where?

Mr. BROSSARD. I made one in Absecon, N. J., and one before the National Academy of Political and Social Sciences, in Philadelphia, and I think there was one over here before the National City Woman's Club, or something like that, in Washington.

Senator HARRISON. Have you copies of those speeches?

Mr. BROSSARD. I have copies of the first two, but have not copies of the last one. It was not written out; but I have a press release summarizing it.

Senator HARRISON. Would you object to giving to the committee copies of those?

Mr. BROSSARD. I will be glad to furnish them.

The CHAIRMAN. Do you want them incorporated in the record?

Mr. BROSSARD. I would just as soon have them incorporated in the testimony.

Senator HARRISON. I would like to read them. They may not be worth the paper to print them.

The CHAIRMAN. I do not care what they are. If we want the truth, let us put it in the record.

(The speeches referred to are as follows:)

THE UNITED STATES TARIFF COMMISSION¹

(By Dr. Edgar B. Brossard, Chairman, United States Tariff Commission)

The United States Tariff Commission is under the spotlight at present. The Congress is still struggling with the tariff problem. They have recently been discussing in conference and on the floor of the Senate the make-up and powers of the commission. The conference committee proposed to extend its authority. Changes that have been suggested in the new tariff bill show the necessity for such a scientific fact-finding body to supply accurate information with respect to the many phases of the intricate tariff problems. I shall discuss briefly the history, personnel, and duties of the commission.

HISTORY

The necessity for a permanent Government agency, such as the Tariff Commission, to collect accurate information about the tariff and the operation of our customs laws and to recommend to Congress desirable changes in such laws, has long been recognized. One of the great classics of American economics is the report on manufactures made by the first Secretary of the Treasury, the great Alexander Hamilton. That great document during the 140 years since it was written has had a tremendous influence upon the tariff policy of this country. That information has been useful to more than one Congress. From that time the desire for facts and more facts about the thousands of details involved in tariff legislation has continued to grow.

Sixty-five years ago the Congress authorized a revenue commissioner to make investigations and to suggest to Congress desirable changes in the revenue laws, and he did so.

During the next half century strong sentiment in favor of the creation of a permanent body for the furnishing of information about the tariff began to take definite form throughout the country. For a time a number of different Government agencies gathered tariff information for the President and the Congress. President Theodore Roosevelt was in favor of establishing a scientific body for gathering factual information about the tariff. Finally, in September, 1909, President William Howard Taft, under authorization provided in the Payne-Aldrich Tariff Act, appointed five members to the Tariff Board, often referred to as the "Taft Tariff Board." This board functioned until 1912, when Congress failed to make further appropriations for it and it was dissolved.

By 1916 public sentiment had crystallized in favor of a permanent scientific fact-finding body and the creation of the United States Tariff Commission was authorized by Title 7 of the revenue act of September 8, 1916. The commission has functioned under that law for the past 14 years.

PERSONNEL

The personnel of the Tariff Board, organized under the Payne-Aldrich bill and appointed by President Taft, consisted of five members, three Republicans and two Democrats—Henry C. Emery, of Connecticut, chairman; Alvin H. Sanders, of Illinois; James B. Reynolds, of Massachusetts, Republicans; and William M. Howard, of Georgia, and Dr. Thomas Walker Page, of Virginia, Democrats.

¹ An address delivered at the annual union dinner of the Synthetic Organic Chemical Manufacturers Association of the United States and the Manufacturing Chemists Association, at the Seaview Golf Club, Absecon, N. J., June 5, 1930.

President Woodrow Wilson appointed the first six members of the United States Tariff Commission—Dr. Frank W. Taussig, of Massachusetts, chairman; Daniel C. Roper, of South Carolina, vice chairman; and David J. Lewis, of Maryland, Democrats; and William Kent, of California; William S. Culbertson, of Kansas; and Edward P. Costigan, of Colorado, Republicans. The commission was formally organized as of April 11, 1917.

Congress clearly intended, in making the membership bipartisan, that the views of both major political parties should be represented on the commission. The three Republicans now on the commission are Dr. Edgar B. Brossard, of Utah, chairman; Thomas O. Marvin, of Massachusetts; and Sherman J. Lowell, of New York; and the three Democrats are Dr. Alfred P. Dennis, of Maryland, vice chairman; Lincoln Dixon, of Indiana; and Frank Clark, of Florida.

Others who have served as members of the commission, together with the period of their services, are: Dr. Thomas Walker Page, of Virginia, Democrat, from February 19, 1918, to February 28, 1923; William Burgess, of New Jersey, Republican, from June 27, 1921, to June 1, 1925; Henry H. Glassie, of the District of Columbia, Democrat, from March 1, 1923, to March 4, 1927, and A. H. Baldwin, of New York, Republican, from June 22, 1925, to July 3, 1926.

The pending tariff bill provides for the continuation of the Tariff Commission. The bill as it passed the House of Representatives provided for the reorganization of the commission with seven members for terms of seven years, to be appointed by the President without consideration of the political party to which appointees belonged. The Senate bill provided for the continuation of the bipartisan commission of six members with terms of 6 years, instead of 12 years, as at present. The conferees accepted the Senate proposal. Under the new tariff bill, if passed as now written, the commission will continue to be composed of six members, three Republicans and three Democrats, to be appointed by the President with the advice and consent of the Senate.

The President is required under the new bill as reported by the conferees to reorganize the commission within 90 days from the date he signs the bill. He may appoint six new commissioners or reappoint any of the present members that he may desire to have on the commission.

The commission is an important body. If its powers are properly exercised it may do a great public service. Members of the commission have opportunity, by furnishing factual information, to assist the President, the Congress, and the general public, both in the United States and abroad, to a more thorough understanding of the tariff problems. The work of the commission is vital and interesting.

DUTIES

Until 1909, there was no permanent governmental body expressly organized for the sole purpose of assembling tariff information for Congress during tariff revision and devoting itself at other times to research on tariff problems. The Tariff Board, at the request of President Taft, made a number of careful investigations and reports. Among them were reports on the woolen and cotton industries, with respect to both the raw agricultural products and the manufactures. Much of the data in these reports is still used by Congress during tariff revision. This is especially true with respect to certain statistics necessary to calculate compensatory duties on wool and cotton textiles. The Tariff Board also assembled much information that was useful to Congress during the consideration and preparation of the Underwood-Simmons Act of 1913.

The duties of the Tariff Commission since its organization in 1917 may be divided into two parts, (1) the general duties of the commissioner provided for in the tariff act of 1916, and (2) the special duties under the tariff act of 1922. Since the pending tariff bill reenacts the provisions of the acts of 1916 and 1922, pertaining to the general powers of the commission and also in a modified form those having to do with the commission's special duties and responsibilities, such as making investigations to assist the President to adjust the rates of duty, these phases of the commission's work shall be discussed in connection with the provisions in the new tariff bill.

General investigations.—Section 332 of part 2 of Title III of the new bill sets forth the duties of the commission under its general powers in the following language:

SEC. 332. *Investigations.*—(a) Investigations and reports: It shall be the duty of the commission to investigate the administration and fiscal and industrial effects of the customs laws of this country now in force or which may be

hereafter enacted, the relations between the rates of duty on raw materials and finished or partly finished products, the effects of ad valorem and specific duties and of compound specific and ad valorem duties, all questions relative to the arrangement of schedules and classification of articles in the several schedules of the customs law, and, in general, to investigate the operation of customs laws, including their relation to the Federal revenues, their effect upon the industries and labor of the country, and to submit reports of its investigations as hereafter provided.

(b) Investigations of tariff relations: The commission shall have power to investigate the tariff relations between the United States and foreign countries, commercial treaties, preferential provisions, economic alliances, the effect of export bounties and preferential transportation rates, the volume of importations compared with domestic production and consumption, and conditions, causes, and effects relating to competition of foreign industrials with those of the United States, including dumping and cost of production.

(c) Investigation of Paris economy pact: The commission shall have power to investigate the Paris economy pact and similar organizations and arrangements in Europe.

(d) Information for President and Congress: In order that the President and the Congress may secure information and assistance, it shall be the duty of the commission to—

(1) Ascertain conversion costs and costs of production in the principal growing, producing, or manufacturing centers of the United States of articles of the United States, whenever in the opinion of the commission it is practicable;

(2) Ascertain conversion costs and costs of production in the principal growing, producing, or manufacturing centers of foreign countries of articles imported into the United States, whenever in the opinion of the commission such conversion costs or costs of production are necessary for comparison with conversion costs or costs of production in the United States and can be reasonably ascertained;

(3) Select and describe articles which are representative of the classes or kinds of articles imported into the United States and which are similar to or comparable with articles of the United States; select and describe articles of the United States similar to or comparable with such imported articles; and obtain and file samples of articles so selected; whenever the commission deems it advisable;

(4) Ascertain import costs or such representative articles so selected;

(5) Ascertain the grower's, producer's, or manufacturer's selling prices in the principal growing, producing, or manufacturing centers of the United States of the articles of the United States so selected;

(6) Ascertain all other facts which will show the differences in or which affect competition between articles of the United States and imported articles in the principal markets of the United States.

Flexible tariff provision.—Section 336 is the so-called flexible tariff provision. Under this section as reported from the conference on the disagreeing votes of the two Houses, the commission is authorized to make investigations of the costs of production in the United States and in the principal competing foreign countries for the purpose of assisting the President to adjust the rates of duty to equalize the difference in such costs of production.

Under existing law the President is authorized to find the rate necessary to equalize the difference in costs of production and may or may not agree with the findings of the Tariff Commission. As originally reported back to the Senate by the conferees, the pending bill would have authorized the Tariff Commission to proclaim its own adjusted rate if the President failed to approve or disapprove the commission's recommendations after 60 days. By the new language, however, the President is "authorized by proclamation to approve the rates of duty and changes in classification and in basis of value recommended in any report of the commission under this section, if in his judgment such rates of duty and changes are shown by such investigation of the commission to be necessary to equalize such differences in costs of production." The new provision apparently intends that the President shall either approve or disapprove the rates reported by the Tariff Commission as necessary to equalize costs, or he may do nothing about it if that course is in the public interest.

In ascertaining differences in costs of production the new bill provides that the commission shall take into consideration, in so far as it finds it practicable:

(1) In the case of a domestic article—(A) the cost of production as hereinafter in this section defined; (B) transportation costs and other costs incident to delivery to the principal market or markets of the United States for the article; and (C) other relevant factors that constitute an advantage or disadvantage in competition.

(2) In the case of a foreign article—(A) the cost of production as hereinafter in this section defined, or, if the commission finds that such cost is not readily ascertainable, the commission may accept as evidence thereof; or as supplemental thereto, the weighted average of the invoice prices for values of the foreign article for a representative period, and/or the average wholesale selling price for a representative period, which price shall be that at which the article is freely offered for sale to all purchasers in the principal market or markets of the principal competing country or countries in the ordinary course of trade and in the usual wholesale quantities in such market or markets; (B) transportation costs and other costs incident to delivery to the principal market or markets of the United States for the article; (C) other relevant factors that constitute an advantage or disadvantage in competition, including advantages granted to the foreign producers by a government, person, partnership, corporation, or association, or a foreign country.

The new bill also defines as follows just what is meant by "costs of production":

The term "costs of production," when applied with respect to either a domestic article or a foreign article, includes, for a period which is representative of conditions in production of the article: (A) The price or cost of materials, labor costs, and other direct charges incurred in the production of the article and in the processes or methods employed in its production; (B) the usual general expenses, including charges for depreciation or depletion which are representative of the equipment and property employed in the production of the article and charges for rent or interest which are representative of the cost of obtaining capital or instruments of production; and (C) the cost of containers and coverings of whatever nature, and other costs, charges, and expenses incident to placing the article in condition packed ready for delivery.

This definition makes clear some points that were left in doubt in the act of 1922. However, the practice of the commission under the act of 1922 has been to calculate costs of production as defined in the new bill.

Some of the new features provided in the above paragraphs are calculated to expedite the work of the commission and thus made possible the adjustment of rates in much shorter time after an investigation is undertaken than under the present law. For example, if foreign governments or producers refuse to cooperate with the commission in its attempt to get foreign costs of production, the commission may resort to invoice prices or values for a representative period to wholesale selling prices of the articles in question, as evidence of their costs. These provisions will tend to shorten the period required for an investigation.

Subdivision (B) just quoted provides, however, that transportation costs and other costs incident to delivery to the principal market or markets of the United States shall be taken into consideration in so far as the commission finds it practicable. Under an opinion of the Attorney General, the commission has considered transportation costs in its reports to the President under the existing law. Inclusion of transportation of both the foreign and the domestic article to the principal market or markets in the United States, however, is new.

The Tariff Commission has had eight years of experience with the flexible provision, and many lessons have been learned. It has a staff of experts now trained for the necessary work. Most of the controversial questions involved in the flexible tariff provision of the act of 1922 have now been settled by court decisions or by clarification of the new bill. The procedure of the commission under the new flexible tariff provision should be improved. Short cuts should be found and the work expedited without jeopardizing the scientific accuracy of the commission's investigations.

As in the present law, the new bill provides that adjustments of rates shall be limited to 50 per cent of those fixed in the bill, except that where the rate is on an ad valorem basis it may be changed to the basis of the American selling price. In no such case, however, shall the total decrease exceed 50 per cent of the rates expressly fixed by statute and no such rate shall be increased. The new rates in any case become effective 30 days after the date of the President's proclamation.

As in the present law, changes of rates are limited to articles on the dutiable list. No article may be transferred from the dutiable list to the free list or from the free list to the dutiable list, nor can the form of duty be changed.

Furthermore, no duty adjusted by the President after an investigation by the commission can exceed a maximum rate where such maximum is fixed in the act.

Unfair practices in import trade.—Section 337 declares unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale, to be unlawful and punishable by exclusion of such articles from entry into the United States. The purpose of this section is to maintain the same standards of business practice respecting foreign trade as exist with respect to domestic trade and to prevent unfair methods of competition on the part of foreign governments and foreign producers and importers. The Tariff Commission is required to make all investigations under this provision and to report to the President.

Discrimination by foreign countries.—Section 338 provides penalties for discrimination by foreign countries against the commerce of the United States. The purpose of this provision is to protect the foreign trade of the United States. Any foreign country that gives the United States most-favored-nation treatment need never fear from the application of this statute. It may never be applied against any country. In most cases, it will be sufficient where unfair discrimination is practiced, to point it out and it will be corrected without the application of the penalties of increased duties or the prohibition of importations. This section of the tariff act is intended to keep the foreign commercial channels clear for our exports. The Tariff Commission is required to investigate and report to the President all such discriminations against the commerce of the United States.

Petroleum investigation.—Subdivision (F) of section 332 of Title III of the new bill is as follows:

“The Tariff Commission is hereby directed, within eight months from the passage of this act, to ascertain the approximate average cost per barrel to the oil refineries located on the Atlantic seaboard of crude petroleum delivered to them from the oil fields of the United States during the three years preceding 1930, and the present approximate average cost per barrel of crude petroleum from Lake Maracaibo, Venezuela, delivered to the same points. Such relative costs shall be immediately certified to the Speaker of the House of Representatives and to the President of the Senate for the information of the Congress.”

Domestic value investigation.—Section 340 of Title III provides that:

“The commission shall ascertain, with respect to each of the ad valorem rates of duty, and each of the rates of duty regulated by the value of the article, specified in this act, an ad valorem rate (or a rate regulated by the value of the article, as the case may be) which if applied upon the basis of domestic value would have resulted as nearly as possible in the imposition, during the period from July 1, 1927, to June 30, 1929, both dates inclusive, of amounts of duty neither greater nor less than would have been collectible at the rate specified in this act applied upon the basis of value defined in section 402 of the tariff act of 1922.

“The commission shall, as soon as practicable, but in no event later than January 1, 1932, submit a report to the Congress setting forth the classes of articles with respect to which the conversion of rates has been made, together with the converted rates applicable thereto.”

Investigation of methods of valuation.—Section of 642 makes the following provisions:

“The United States Tariff Commission is hereby directed to make a study and investigation of the methods or bases of valuation of imported merchandise dealing with the subjects, first, in its broad aspect respecting the desirability and feasibility of change from the general plan of ascertaining the dutiable value of imported merchandise as the value in the country of its production to the general plan of ascertaining the dutiable value of imported merchandise as the value in the United States, the country of its distribution; and, second, in the aspect of its details, namely, the existing customs practice, the specific difficulties met with (either through limitations of the statutes or otherwise), and the indicated remedies, with respect to the several bases of valuation as enumerated and defined in the different subdivisions of section 402 of the tariff act of 1922, together with the supplemental definition of the application of this basis of valuation (the “American selling price” basis) to coal-tar products in paragraphs 27 and 28 of Title I of the tariff act of 1922.

"In dealing with the detailed aspect of the subject of the investigation consideration shall be given in particular to the theoretical advantages and disadvantages, and probable results in practice, of that proposed method of ascertaining dutiable value which is defined in section 340 of this act, together with like information with respect to any other method or methods for finding dutiable value, including any method of valuation with respect to which the definition of the tariff act of 1922 is changed in this act.

"The commission shall submit to the Congress, at the earliest practicable date consistent with reasonable thoroughness, a report upon the results of this study and investigation, together with such recommendations for legislation as the commission deems advisable, including such formulæ as the commission may propose for adjusting the rates of duty imposed by this act to conform to any change in the basis or bases of valuation it may recommend. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this subdivision of this section."

SUMMARY

It is apparent from the history of the Tariff Commission and the recital of its duties that it has important work to perform. You gentlemen of the great chemical industries of America are in a position to help in the accomplishment of those tasks. The commission appreciates your cooperation in the past and hopes that you may be willing to continue to help the commission to gather facts about the varied phases of your production.

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COMMERCIAL POLICIES AND TARIFFS IN THEIR RELATION TO WORLD PEACE

(By Edgar B. Brossard, M. S., Ph. D., chairman United States Tariff Commission, Washington, D. C.)

What I shall say on this subject should be taken as my own personal views, and not the views of the Tariff Commission nor of any other member of the commission.

Discussion of commercial policies and tariffs in their relation to world peace is particularly appropriate at this time because of the intense interest of foreign countries in the tariff bill now nearing completion in the United States Congress.

I shall mention only a few of the general movements tending toward peace, and comment on some of the international aspects of the United States tariff and commercial policies.

BETTER COMMUNICATIONS AID WORLD PEACE

International trade is becoming more and more important, not only to the United States but to all other countries. In value, variety, and quantity the foreign commerce of the world has increased year by year. Although nations are as distinct as ever, the world is more unified socially and commercially. Perfection of communication is bringing a more closely knit coherency in world-wide conditions. The peace movement has strong allies in radios, telegrams, motion pictures, airplanes, steamships, automobiles, and railroads. War is by no means impossible, but as nations know each other better peaceful solutions should be found at least for national and international industrial controversies.

The great nations of the world are trying aggressively to develop more friendly cooperation. There are indications that a solution of most of the problems of the world by peaceful methods is nearer now than ever.

The Kellogg pact is an impressive evidence of the desire for peace. And as the Hon. David A. Reed, the distinguished senior Senator from Pennsylvania, recently said, the signing of the London treaty for the limitation of naval armament by the five great naval powers of the world shows, in a way that no skeptic can doubt it, that those signatory powers desire friendly relations with each other.

The new agreement goes further than any other ever drawn. As a result of the treaty these leading nations of the world will go about their affairs, respecting one another and interested in the preservation of peace and in the promotion of friendly relations throughout the world. Such friendly relations, cooperative activities, and mutual understandings contribute to peace and prosperity.

When distrust, suspicion, and misunderstandings are removed, the greatest dangers to world peace will be put away. Full and frank discussion and general understanding of what is actually involved in international commercial treaties and in domestic tariff policies will build up mutual confidence in the honesty, the integrity, the reliability, and the generosity of the respective nations of the world, so essential to the mutual respect that is the foundation of world peace.

Experience with the United States Tariff Commission during the past seven years has convinced me that what is now needed in international affairs, as much as anything else, is accurate information in the minds of the general public of all nations, about the commercial and tariff policies of all nations. When facts supplant fancy, and actual understanding replaces superficial and hasty conclusions, we shall be on a sounder basis. Present tendencies are in that direction.

MODERN BUSINESS REQUIRES FRIENDLY FOREIGN CONTACTS

There are many evidences of the friendly relations now existing among nations. The United States, like other nations, is anxious to maintain peace. The foreign trade of this country demands cordial contacts. In recent years the United States Department of Commerce has done much to encourage exports. Domestic manufacturers, by mass production and aggressive foreign sales policies, have found new or larger foreign markets for many products, such as typewriters, adding machines, safety razors, automobiles, automobile tires, pianos, shoes, wheat, fruit, lard, cotton, and so on. The domestic market also is becoming more and more important.

One purpose of our commercial treaties is a more friendly and personal intimacy with other peoples. Our Government uses every legitimate means to establish and maintain such relationships.

Each country reserves to itself the right to adopt such tariff and commercial policies as it deems wise and appropriate. Naturally, each country adopts the tariff and commercial policies that are thought to be advantageous to its own citizens. Often conflicting interests make it difficult to decide what tariff policy should be adopted with respect to individual products or industries. After a thorough trial and long experience, this country has adopted the protective-tariff policy to promote the best interests of her citizens. The whole world, in fact, has now gone over to protection.

As valuable as it is, and both in spite of and because of its general acceptance to be most effective, protection must be applied wisely. No one advocates indiscriminate protection against all imports. No one urges that customs rates should be boosted to the skies. Congress is not malicious. It does not knowingly fix excessive rates. Congress calculates and tries to balance the advantages and the disadvantages of each rate. Adequate but balanced protection apparently has been the ideal.

In the tariff bill now pending, Congress has fixed many rates for the expressed purpose of limiting imports from foreign countries, so that products grown, mined, or manufactured in this country may take the place of those imports in this, our own, market. The extent to which imports may be limited by the rates fixed can not be accurately foretold. The rates fixed may or may not result in an increase or a decrease in prices in this country. That will depend upon the conditions of supply and demand in the country after the rates become effective. The effect on prices to domestic consumers can not be accurately calculated in advance. Neither can producers, domestic or foreign, forecast accurately the effect on their costs of production or sales prices. The great volume and variety of imports into the United States from foreign countries, however, has stirred up tremendous interest in the new prospective tariff law. Almost every nation on the face of the earth will be affected, more or less, by the new customs rates.

No foreign country, however, will be affected as much as the United States itself. Congress has had the task of balancing the great domestic and foreign interests of this country. If Congress has done a good job, producers and

consumers of this country will be benefited and our friendly relations abroad will also be maintained. Whatever the result, it is the people of the United States that are responsible, for Congress is the voice of the people. And as long as the Constitution stands, Congress will continue to make the tariff laws and determine the tariff policy of the country.

CONGRESS SHOULD DETERMINE TARIFF POLICY

Many persons criticize Congress for what seems a most unscientific method of tariff making. But after practical experience with the Tariff Commission in dealing with the problems involved in the tariff, I think Congress is to be congratulated for the wisdom and the judgment that are packed into a tariff law, with its thousands of rates and its myriads of intricate technicalities. It is remarkable that Congress does so well. Tariff revision takes time, but it is a gigantic task.

The leaders in Congress, responsible for the pending tariff bill, have shown a knowledge of the problems involved in tariff making that is not excelled anywhere. They deserve our respect for their patient and tireless labors.

Some men in public office are advocating a change. Some have gone so far as to say that the Tariff Commission should determine the tariff policy and should make the tariff laws. I believe the tariff policy and the tariff laws should be, and always shall be, laid down by Congress. The voters will see to that. That is not the province of the Tariff Commission. The commission should not be in politics.

There is ample need and opportunity for the Tariff Commission as a scientific, fact-finding body without its being forced into politics by making it responsible for the tariff policy of the country. The tariff policy is an important matter, to be settled only by the voice of the people themselves through their representatives in Congress.

What I have said does not apply to the so-called flexible tariff. With the flexible tariff, as with other tariff policies, Congress must define the basis and lay down the plan for tariff adjustments. The actual administration of the plan, the Supreme Court indicates, may be delegated by Congress to the President, to an independent board like the Tariff Commission, or to some agent of Congress.

FLEXIBLE TARIFF

Although the flexible tariff provision in the act of 1922 was not perfect, experience has proved it a practical device for adjusting rates between general tariff revisions by Congress. In 1922, it was a new method of adjusting the tariff. It had never been tried before. The Tariff Commission has had some trouble interpreting it. The law might have been administered much better or much worse than it has been. But in spite of the fact that it has not worked as it might, it has proved to be practical.

If Congress will profit by past experience and make a few changes in the law, the flexible tariff may be a useful and desirable part of the Tariff Act of 1930. The Tariff Commission and even the President may also profit by the experiences of the past. Many of the controversial questions involved in the flexible tariff have now been settled by court decisions. A staff of tariff experts are now trained for the necessary work. Short cuts have been found, tried, and proved. Much of the foreign opposition has been overcome and may be avoided in the future by new methods of investigation.

One important feature of the United States flexible tariff that has not been given the credit it deserves is that it gives to foreign producers a better opportunity for open, fair, equal, and public presentation of their tariff cases than is granted in any other country in the world. Foreign countries have been slow to realize that fact, but recognition of it will surely come, even though late. When fully realized, much of the foreign criticism of the flexible tariff may be stilled. Disappointed partisans, of course, may always be expected to criticize. Neither the United States nor any other country is immune to that kind of criticism, unjustified as it may be. But the flexible tariff policy of the United States offers opportunity for the encouragement of good will in foreign countries.

FOREIGN INTERESTS ARE HEARD

It is quite natural for other countries to be interested when the United States revises the tariff law. Practically all foreign countries export products to this country. Imports being greater and more countries selling products here, our tariff and commercial policies have become of more general interest year by year.

Foreign interests have been especially active during the consideration of the pending bill. When Congress began the tariff hearings over a year ago foreign manufacturers and foreign exporters became anxious about the probable effect of higher import duties upon the sale of their goods in this country. They prepared briefs, arguments, and memoranda, as they have done during past tariff revisions, and submitted these to their respective governments, with the request that they be called to the attention of the proper authorities in this country.

The governments of some 29 countries submitted such briefs to the Department of State in Washington, sometimes with and sometimes without comment. At the request of the chairman of the Senate Finance Committee, those memoranda were printed for the use of Congress in considering what rates of duty should be fixed in the tariff act of 1930.

While those so-called foreign protests may have been more numerous than usual, there is nothing unusual about their character. Many men with long experience in tariff making say that similar communications have always been received whenever tariff revision has been under consideration. They think of them as a part of tariff making and undoubtedly have given them what they deemed to be due consideration.

Never before has Congress had in such usable form so much information on the problems involved in tariff making. Congress has held open hearings on tariff rates. Foreign interests have been given the same opportunity as domestic interests to present their cases before the various committees. All the information, oral or written, which they have submitted has been made available to the lawmakers. Domestic interests also have gone to great expense to present their cases before the committees of Congress.

The Tariff Commission and other Government agencies have furnished thousands of pages of tariff facts, and, in addition, the experts have spent many months in oral discussion of the problems with Members of Congress. The tariff problems have been focused sharply, and Members of Congress by their votes have indicated their evaluation of the evidence before them. How well they have understood conditions can only be decided by future developments.

Although protective tariff rates are a perennial source of international argument, and one may "imagine" various retaliatory measures on the part of foreign countries, an examination of the actual conditions throughout the world shows no justification for serious criticism of the tariff and commercial policies of the United States.

EQUAL TREATMENT PROMOTES GOOD WILL

The commercial policy of the United States is to treat all nations alike, the best possible. Our treaties give all nations most-favored-nation treatment. In return, we try to get from other nations the same consideration. Equality for all, discrimination against none, special favors to none—that, in general, is the American policy. Customs duties on goods imported into the United States and all customs formalities are the same regardless of the country of origin of the imported goods.

For more than 100 years, with only slight deviation in 1897, the United States tariff laws have had but a single list of customs duties. The Tariff Act of 1922 definitely established this policy of equality of treatment. The pending tariff bill, likewise, discriminates against no country, and gives equality of treatment to all countries. Experience shows that peace is promoted by treating all nations alike in our commercial treaties and in our tariff legislation.

Like the United States, foreign countries are seeking to establish world markets for their products. By favorable commercial treaties and every other legitimate means, they are endeavoring to expand their foreign trade. European tariffs are bargaining tariffs. They are thus in striking contrast with the American tariff plan. A few countries like Great Britain, Belgium, Denmark, and the Netherlands have tariffs with but a single schedule, like the United States; but typical continental European tariffs establish two or more schedules of duties.

The application of the higher or lower schedules of duties to the imports of any country is determined by the terms of the commercial treaty with that country. Europeans claim that such bargaining tariffs lead to better international relations, since in negotiating commercial treaties, concessions may be made on both sides, thus promoting a spirit of good will.

In actual operation, however, the concessions granted in bargaining are usually illusory. Generally, the minimum rates are placed at the level considered necessary to protect the domestic industries. Above this schedule are set one or more additional schedules at artificially high levels. Concessions from the higher rates for bargaining purposes, in reality, give little advantage to the country obtaining them. It is well known that European countries make a practice of raising the general level of their tariff rates before they begin the negotiation of new commercial treaties.

This difference in the basic plan of the tariff laws of the United States and of Europe has caused some misunderstanding. However, since these fundamental differences do exist between the tariff policies of the United States and those of European countries, it is essential that they be well understood and taken into consideration in discussing tariff and commercial policies. It appears now that if this fundamental difference between the European and the American tariff laws had been fully appreciated by all concerned, some of the difficulties that have arisen between the United States and other countries might have been avoided. Accurate information available to the general public on such subjects would be a great aid to the maintenance of friendly relationships. It is probably too much to hope, but certainly it would help the commercial relations of the world, if all nations were given equal tariff treatment by all other nations. It would greatly simplify the making of commercial treaties.

WORLD TARIFFS HIGHER

Since the World War, tariffs in most countries of the world have been increased. The general tariff trend has been upward, yet international trade has continued to expand. Decreases in import duties have been comparatively few.

Tariff duties, however, have not been the most decisive factor in determining the volume of trade carried on with a given country. The extent to which tariffs have restricted imports has depended largely on the buying power in the importing country, on the producers' costs of production, and on the importers' profit margins. In most countries, the duties on manufactured articles have been increased much more than on agricultural products. Duties on raw materials throughout the world are comparatively low and the cases in which they have been raised are not numerous, though in a few countries, agricultural rates especially have been raised. The general upward trend of tariff rates has been due in the majority of cases wholly to the imposition of higher rates on finished manufactured articles.

Immediately after the war, nearly all European tariffs were increased. Even before the United States passed the emergency tariff act of 1921, France, Germany, Italy, and Great Britain had increased their customs duties. Since 1922, most European countries, for their own reasons, have increased their tariffs several times. But the evidence does not show that, after the United States tariff act of 1922 was passed, European countries passed retaliatory tariffs.

Neither does the available evidence show that foreign countries, either in Europe or elsewhere, have adopted higher tariff rates in retaliation for the increased rates in the tariff bill under discussion. There have been numerous and conspicuous increases of import duties by foreign countries on export products of the United States since May, 1929, when the tariff bill, H. R. 2667, was made public. Such increases, however, have not been more numerous than over like periods in previous years when no tariff increases were contemplated in the United States.

A careful examination of the changes made in foreign import duties during the past nine months shows that in the great majority of cases the increased duties were not directed exclusively or even primarily against the United States, because the increased rates apply equally, or even more heavily, against the same articles imported from other countries. In many cases, the articles subject to the increased duties are imported from some other country in larger quantities than from the United States.

As a measure of farm relief Germany, for the third time in nine months, has recently raised her tariff rates on grain and fodders, and France has just increased the duties on automobiles and automobile parts. There has been much talk about this recent action of France as being retaliatory for the increased duty on laces voted by the United States Senate. However, the action by the French tariff committee of the Chamber of Deputies was taken before the word of the Senate increase in the lace tariff could have possibly been received in Paris, and action by France appears to have been taken quite independently and without thought of retaliation. In fact, it has been reported that the French rates originally proposed were reduced 30 to 50 per cent after the lace-duty increase became known.

The United States committee of conference on the tariff bill, H. R. 2667, however, struck out the Senate provision increasing the duty on lace. It remains to be seen what will happen to the recent French increase in the duty on automobiles.

TREATY STATUS SHOWS FRIENDLY RELATIONS

The treaty status of this country indicates that friendly commercial relations now exist between this country and all other countries of the world.

At the present time the United States has commercial treaties or agreements in effect with the following 44 countries, assuring to products of the United States the most favorable tariff treatment accorded to similar products of any other country: Argentina, Austria, Belgium, Bolivia, Borneo, Brazil, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Denmark, Dominican Republic, Egypt, Estonia, Ethiopia, Finland, Germany, Great Britain, Greece, Guatemala, Haiti, Honduras, Hungary, Italy, Japan, Latvia, Liberia, Lithuania, Morocco, Muscat, Nicaragua, Norway, Paraguay, Persia, Poland, Portugal, Rumania, Serb-Croat-Slovene State (Yugoslavia), Siam, Spain, Switzerland, Turkey, Zanzibar.

Some of these treaties make specified exceptions to most-favored-nation treatment. Our treaty with England assures the most-favored-nation treatment only in "European territories of Great Britain." The United States excepts its commerce with Cuba, the Panama Canal Zone, and any territory or possession of the United States; and some of the other countries reserve the right to make special concessions to certain neighboring States, or to States with which they have special relations. For example, Spain excepts its trade with Portugal, and Portugal excepts its trade with Spain or Brazil.

In the following 19 countries, which have no tariff treaty or agreement with the United States, American products receive the same tariff treatment as similar imports from all other foreign countries: Afghanistan, Albania, Arabian States (except Muscat), Australia, Bulgaria, Chile, India, Luxemburg, Mexico, the Netherlands, Newfoundland, New Zealand, Panama, Peru, Russia (except treaty concessions to Latvia), Sweden, Union of South Africa, Uruguay, Venezuela. Of these countries, Australia, India, Newfoundland, New Zealand, and the Union of South Africa give tariff preference to British products.

Only three countries—Canada, France, and Salvador—give more favorable tariff treatment to other foreign countries than to the United States.

This review shows that friendly relations exist between the United States and other countries.

PENDING BILL UNLIKELY TO DISTURB FRIENDLY STATUS

There appears to be little ground for anxiety about the peace between the United States and other countries being upset by the new United States tariff rates. The mutual advantages of trade are too great to be entirely thrown away. No foreign country wants to lose the American market, for no other market in the world is able to purchase and pay for as large a volume and variety of imported products. And no foreign country wants a tariff war with the United States, nor does this country want a tariff war with any other country.

The United States admits free of duty a greater volume of products than any other nation in the world, with the possible exception of Great Britain. Two thirds of all United States imports enter free of duty. The average and valorem equivalent on all imports free and dutiable under the tariff act of 1922 is 13.8 per cent and on dutiable items alone it is 38.7 per cent. Such average tariff rates have not been so excessive as to disturb the peace of the

world, and conditions in general will not be greatly altered under the new law.

If the tariff act of 1930 does raise the average rate on comparable dutiable articles 6 to 8 per cent higher than under the act of 1922—from 35 to 41 or 43 per cent depending upon what is done with lumber, shingles, cement, sugar, and silver—it is quite improbable that such an increase will disturb the friendly relations now existing between the United States and foreign countries.

On the other hand, building up the purchasing power of the American market may result in a further increase in imports of foreign commodities, such as followed the passage of the tariff act of 1922.

As American citizens—producers and consumers—we are all naturally hoping for the most desirable results to follow the new tariff law.

CONCLUSION

In conclusion it may be pointed out that the world in general is enjoying quite peaceful international relations at the present time, though there is unrest in India and in a few other places. Modern methods of communication and peace-promoting activities like the Kellogg peace pact and the London treaty, for the limitation of naval armament may consolidate the gains toward world peace.

Although international commercial rivalry is keen and all countries are using the tariff, commercial treaties, aggressive foreign sales policies, cartels, international banking, and every other legitimate means to further their own interests, often at the expense of competing nations, yet the peace of the world is sound and is not in danger of being upset at the present time, certainly not by the tariff and commercial policies of the United States.

Since most governments now represent the will of the people of their respective states, accurate information about the tariff and commercial policies of all nations, and the actual effects of those policies clearly fixed in the minds of all people, would tend to insure a happy solution of the problems arising from such policies. In a word, education is the best method of promoting world peace.

Senator SHORTRIDGE. You are more or less familiar with the present tariff law?

Mr. BROSSARD. Yes, sir.

Senator SHORTRIDGE. If confirmed and continued, would you be guided by the law?

Mr. BROSSARD. Yes. I hope I do not have to go by anything else.

Senator SHORTRIDGE. Exactly. And you will endeavor to get at the truth, the facts, and make a proper deduction from the facts in any findings that you might join in?

Mr. BROSSARD. Yes. That is my purpose.

Senator SHORTRIDGE. And in any conclusion, followed by a recommendation to the President?

Mr. BROSSARD. Yes.

Senator HARRISON. May I ask you about this report that was issued through your publicity department up there, about which we had considerable discussion this morning?

Mr. BROSSARD. Yes.

Senator HARRISON. You signed that release?

Mr. BROSSARD. Yes.

Senator HARRISON. You knew what was in it?

Mr. BROSSARD. Yes.

Senator HARRISON. You have no apology to make for it?

Mr. BROSSARD. No.

Senator HARRISON. Do you think it truly represented your viewpoint?

Mr. BROSSARD. Yes; my viewpoint.

Senator HARRISON. Do you think agriculture was greatly benefited by it?

Mr. BROSSARD. Yes.

Senator HARRISON. Why was the change effected from the first draft that was shown to Commissioner Dennis, to the last draft?

Mr. BROSSARD. Do you mind if I make that perfectly clear to you?

Senator HARRISON. Yes.

Mr. BROSSARD. I have a statement here which I would like to show you. There is a copy of each of those speeches I referred to, and I will give you the press release on the other one.

Senator KING. Senator Harrison, would you object to my asking one question before you leave the statute?

Senator HARRISON. I have no objection.

Senator KING. Doctor Brossard, you mentioned a moment ago—and I did not quite understand you—as a basis of determining tariff rates, the cost of production, and the equalization of other factors. You used the word “equalization.” I was in doubt as to what you meant, whether, in determining the costs, you would feel justified in taking into account all conceivable economic conditions, or industrial conditions that might have a bearing upon the cost of production—labor conditions, the cost of obtaining money for plant purposes, and a thousand things that I could conceive of.

Mr. BROSSARD. Those are all reflected, Senator, in the cost of production, but the law also says, “any other relevant factors affecting the competition,” between the articles in the principal market or markets of the United States. In other words, not only the measure of difference of costs of production, but any other relevant factor in competition would be included. That is what the law says. Of course, we would have to take into consideration any other relevant factor, as I see it.

Senator KING. Do you not think that would give you a wide range to roam over, in which the views of every man might be different, and no two would agree upon what was a relevant factor?

Mr. BROSSARD. It does leave the field pretty wide, I must say.

Senator KING. Does it not leave room for a tremendous amount of speculation, so that there is absolutely no certainty, the result of which would be that the findings of the commission would be so vitiated as to be wholly unreliable?

Mr. BROSSARD. I think, Senator, that in the application of the statute, what the commission would probably do would be to exercise its best judgment in the first place as to what was relevant, and what was measurably different, and if it could not be measured in figures or in any way, it may be so ethereal as to be quite unthinkable to incorporate it as a factor in the report. It might throw it wide open, so that the law itself, as it is now written, would be declared unconstitutional if we exercised such privileges as that. My idea would be to limit the findings generally to the measurable differences, including all other factors of competition that we can actually measure and bring down somewhere near a figure or a fact.

Senator KING. Do you understand the law now to be as it was in the form when it was attacked by Congressman Beck in the House, when he showed, as I think, in a very comprehensive and conclusive way, the futility of attempting to reach a basis for fixing tariff rates upon the competitive plan which was suggested in the original bill?

Mr. BROSSARD. My own personal views about it are that, as it is now written, it is almost like it was in the House bill.

Senator KING. That confirms the wisdom of my vote in voting against the bill.

Mr. BROSSARD. When you say, "any other factor in competition," it means that you might take any factor that affects competition into consideration.

Senator KING. Competition in production, or competition in sale?

Mr. BROSSARD. Competition means in the principal markets. That includes, of course, the selling and the laying of the product down in the market or markets of the United States.

The CHAIRMAN. Is there anything else?

Senator HARRISON. I wanted him to explain this statement.

Mr. BROSSARD. The Tariff Commission prepared a report entitled "Compensatory and Protective Duties," at the request of certain members of the House and of the Senate. I do not remember how many of them there were, and I am not sure but one of the committees requested that report. This report was prepared by the experts on the staff of the commission, and approved by the advisory board and by the commission for transmittal in response to those requests.

As was the custom and the general practice of the commission, Mr. Conrad, about whom you have heard something this morning, who is the expert on the staff and whose work it was to prepare press releases from the reports of the Tariff Commission, and on the current work of the commission, prepared the original draft of the press release on that report entitled "Compensatory and Protective Duties" mentioned just a moment ago and submitted that draft to me. The committee of the commission, elected by the commission to take charge of all such statements—

Senator HARRISON. You and Doctor Dennis?

Mr. BROSSARD (continuing). And to go over them, was Commissioner Dennis and myself. When Mr. Conrad brought that statement in to me—and this, as I understand, is the original statement [indicating]—the first time I saw it and I revised it as shown here by these marks on the statement.

Senator HARRISON. That does not affect the first part of it.

Mr. BROSSARD. The first paragraph I revised and dictated it to my stenographer in the following shape. The first sentence of the controversial press release is the sentence which, evidently, the Senators took exception to. That first sentence, in the revision which I suggested and dictated, states, "Agriculture will benefit by the new tariff bill."

The word "greatly" was omitted. Then the rest of the paragraph is about as included in the first paragraph, the only change being the taking out of the first paragraph as originally drafted what seemed to me to be the kernel and the central thought in the paragraph, and putting it as the topical sentence in the paragraph.

Senator HARRISON. You thought the public would read that and form their conclusions from it.

Mr. BROSSARD. And would not read the other one, because the other one was a long, clumsy paragraph of something like nine lines in one sentence and with about three different ideas in it.

Senator HARRISON. You wanted to start with a punch, and said that agriculture would benefit.

Mr. BROSSARD. I wanted the meaning of the paragraph to be perfectly clear, and according to my ideas of what the paragraph originally said I drafted this paragraph as submitted here, and I would like, if it is possible, to put that in the record so that it will be exactly as it was drafted, and then it can stand.

Senator HARRISON. I think all three of these statements ought to go in the record.

The CHAIRMAN. I have no objection.

Senator HARRISON. The first draft, the final draft, and also this press release.

Mr. BROSSARD. That [indicating] is the original draft. This [indicating] is the revision suggested by me of the first two paragraphs.

(The statements referred to are as follows:)

UNITED STATES TARIFF COMMISSION,
Washington, D. C.

PRESS NOTICE No. 1—15

(Confidential, for release May —, 1930. As originally drafted by staff expert.)

Agriculture will benefit to the extent of approximately 68 per cent of the tariff advances under the bill of 1930, on imports of agricultural raw materials, industrial products made from such materials, and for other industrial products, to that of 32 per cent for industrial products, according to calculations of the United States Tariff Commission as of May 15, 1930, made public to-day in a summary based upon imports in 1928 by schedules of calculated revenue and equivalent ad valorem rates of duty of the commodities in question.

Figuring \$522,649,383 as the grand total of duties in 1928 on comparable agricultural and industrial products, for which rates on an ad valorem equivalent basis can be calculated for both the act of 1922 and the bill of 1930, the commission calculates the total duties that would have been received on these products, if the imports were the same as in 1928, under the bill of 1930 at \$629,076,152, or an advance of \$106,426,769.

Duties on agricultural raw materials in 1928, together with the compensatory part of the duties on the industrial products made from such raw materials, the commission calculates amounted to \$221,077,571, while the total duties on all of these products under the bill of 1930 are calculated at \$293,258,895, the advance being \$72,181,314.

Considering that the grand total of duties for agricultural and industrial products under the bill of 1930 is calculated to exceed the duties on the same products in 1928 by \$106,426,769, and the calculations for 1930 on agricultural raw materials, together with the compensatory duties for agricultural raw materials on the industrial commodities, exceed the figures of 1928 by \$72,181,314, the commission has therefore figured that agriculture has secured the major portion of the additional protection under the bill of 1930 and over that of the act of 1922, to the extent of approximately 68 per cent to 32 per cent advance for industrial products.

Actual or computed ad valorem rates of total duties as figured by the commission follow:

UNITED STATES TARIFF COMMISSION,
Washington, D. C.

PRESS NOTICE No. 1—15

(Confidential, for release May —, 1930. As originally revised by the chairman, Mr. Brossard.)

Agriculture will benefit by the new tariff bill. Based upon 1928 imports, approximately 68 per cent of the increase of total duties is on imports of agricultural raw materials and as compensatory duties on industrial products made from such raw materials. One-third (32 per cent) of the total increase

in duties under the new bill is on industrial products. These facts are shown by calculations just put out by the United States Tariff Commission.

The total revenue collected on imports for consumption in 1928 was \$542,242,592. Of that amount, \$522,649,383 was collected in 1928 on items that are comparable and for which duties can be calculated on the 1928 statistics for the new tariff bill. The duties under the new tariff bill for these comparable items based on 1928 imports would be \$629,076,152, or an increase in total duties for these comparable items of \$106,426,769. Of this total increase, \$72,181,314 is the result of increases in duties on agricultural raw materials and the compensatory part of the duties on the industrial products that are made from such raw materials.

UNITED STATES TARIFF COMMISSION,
Washington, D. C.

PRESS NOTICE No. 1-15

Agriculture will benefit greatly by the new tariff bill. Based upon 1928 imports, approximately 68 per cent of the increase of total duties is on imports of agricultural raw materials and as compensatory duties on industrial products made from such raw materials. Approximately one-third (32 per cent) of the total increase in duties under the new bill is on industrial products. These facts are shown by calculations just put out by the United States Tariff Commission.

The total revenue collected on imports for consumption in 1928 was \$542,242,592, and of that amount \$522,649,383 was collected on items that are comparable and for which duties can be calculated on 1928 statistics for the new tariff bill.

The duties under the new tariff bill for these comparable items based on 1928 imports would be \$629,076,152, or an increase in total duties for these comparable items of \$106,426,769. Of this total increase, \$72,181,314 is the result of increases in duties on agricultural raw materials and the compensatory part of the duties on industrial products that are made from such raw materials.

Actual or computed ad valorem rates of total duties as figured by the commission follow:

Total for agricultural raw materials, 38.10 per cent, act of 1922, and 48.92 per cent, pending tariff bill; total for industrial products made from agricultural raw materials and having compensatory duties for the duties on such materials, 36.15 per cent, act of 1922, and 48.87 per cent, pending tariff bill; industrial products from other sources, 31.02 per cent, act of 1922, and 34.31 per cent, pending tariff bill. The grand total for agricultural and industrial products is calculated at 33.99 per cent, act of 1922, and 40.91 per cent, pending tariff bill.

Figures of the commission as to the several commodity groups under consideration are as follows:

Agricultural raw materials: Schedule 5, sugar, molasses, and manufactures of, imports of 1928, \$173,714,810, with total duties, act of 1922, \$118,145,366, and pending tariff bill, \$134,512,840. Actual or computed ad valorem rate of total duties, act of 1922, 68.01 per cent, and pending tariff bill, 77.43 per cent. Schedule 6, tobacco and manufactures of, imports of 1928, \$44,368,729, with total duties, act of 1922, \$30,612,771, and pending tariff bill, \$31,669,177. Rate of total duties, 1922, 69 per cent, and pending bill, 71.38 per cent. Schedule 7, agricultural products and provisions, imports of 1928, \$173,488,029, with total duties, act of 1922, \$29,652,007, and pending tariff bill, \$57,865,481. Rate of total duties, 1922, 17.09 per cent, and pending bill, 33.35 per cent. Schedule 11, wool and manufactures of, imports of 1928, \$39,431,845, with total duties, 1922, \$16,829,609, and pending bill, \$18,495,680. Rate of total duties, 1922, 42.68 per cent, and pending bill 46.91 per cent. Schedule 15, sundries, imports of 1928, \$81,446,857, with total duties, 1922, free, and pending bill, \$8,144,686. Rate of total duties, 1922, free, pending bill, 10 per cent. Total imports for agricultural raw materials in 1928, \$512,450,270.

Industrial products made from agricultural raw materials and having compensatory duties for the duties on such materials: Schedule 1, chemicals, oils, and paints, imports of 1928, \$3,797,841, with total duties, act of 1922, \$754,449, and pending bill, \$1,614,907. Rate of total duties, 1922, 19.87 per cent, and pending bill, 42.52 per cent. Schedule 5, sugar, molasses, and manufactures of,

imports of 1928, \$955,755, with total duties, act of 1922, \$382,243, and pending bill, \$382,243. Rate of total duties, 1922, 39.99 per cent, and pending bill, 39.99 per cent. Schedule 6, tobacco and manufactures of, imports of 1928, \$17,949,895, with total duties, act of 1922, \$8,702,020, and pending bill, \$8,702,020. Rate of total duties, 1922, 48.48 per cent, and pending bill, 48.48 per cent. Schedule 7, agricultural products and provisions, imports of 1928, \$60,060,697, with total duties, act of 1922, \$16,479,630, and pending bill, \$26,210,311. Rate of total duties, 1922, 27.44 per cent, and pending bill, 43.64 per cent. Schedule 9, cotton manufactures, imports of 1928, \$36,992,047, with total duties, act of 1922, \$14,993,353, and pending bill, \$17,355,751. Rate of total duties, 1922, 40.53 per cent, and pending bill, 46.92 per cent. Schedule 11, wool and manufactures of, imports of 1928, \$38,607,686, with total duties, act of 1922, \$24,814,568, and pending bill, \$31,643,845. Rate of total duties, 1922, 64.27, and pending bill, 81.96. Schedule 15, sundries, imports of 1928, \$24,698,566, with total duties, act of 1922, \$50,344, and pending bill, \$3,563,843. Rate of total duties, 1922, 0.20 per cent, and pending bill, 14.43 per cent. Total imports of industrial products made from agricultural raw materials and having compensatory duties for the duties on such materials, \$183,062,487.

Industrial products made from other than agricultural raw materials: Schedule 1, chemicals, oils, and paints, imports of 1928, \$90,955,056, with total duties, act of 1922, \$26,934,500, and pending bill, \$28,133,246. Rate of total duties, 1922, 29.61 per cent, and pending bill, 30.93 per cent. Schedule 2, earthenware, and glassware, imports of 1928, \$55,921,814, with total duties, act of 1922, \$25,511,007, and pending bill, \$29,995,159. Rate of total duties, 1922, 45.62 per cent, and pending bill, 53.64 per cent. Schedule 3, metals and manufactures of, imports of 1928, \$118,658,708, with total duties, act of 1922, \$40,003,772, and pending bill, \$41,537,266. Rate of total duties, 1922, 33.71 per cent, and pending bill, 35.01 per cent. Schedule 4, wood and manufactures of, imports of 1928, \$17,088,067, with total duties, act of 1922, \$4,191,356, and pending bill, \$4,139,242. Rate of total duties, 1922, 24.53 per cent, and pending bill, 24.22 per cent. Schedule 5, sugar, molasses, and manufactures of, imports of 1928, \$89,078, with total duties, act of 1922, \$44,500, and pending bill, \$44,505. Rate of total duties, 1922, 49.96 per cent, and pending bill, 49.96 per cent. Schedule 7, agricultural products and provisions, imports of 1928, \$89,260,069, with total duties, act of 1922, \$17,992,767, and pending bill, \$25,664,366. Rate of total duties, 1922, 20.16 per cent, and pending bill, 28.75 per cent. Schedule 8, spirits, wines, and beverages, imports of 1928, \$1,433,616, with total duties, act of 1922, \$523,045, and pending bill, \$680,069. Rate of total duties, 1922, 36.48 per cent, and pending bill, 47.44 per cent. Schedule 9, cotton manufactures, imports of 1928, \$11,308,562, with total duties, act of 1922, \$4,458,011, and pending bill, \$5,066,447. Rate of total duties, act of 1922, 39.42 per cent, and pending bill, 44.81 per cent. Schedule 10, flax, hemp, jute and manufactures of, imports of 1928, \$133,207,491, with total duties, act of 1922, \$24,191,702, and pending bill, \$25,500,925. Rate of total duties, 1922, 18.16 per cent, and pending bill, 19.14 per cent. Schedule 11, wool and manufactures of, imports of 1928, \$38,303,895, with total duties, act of 1922, \$15,992,464, and pending bill, \$19,469,716. Rate of total duties, 1922, 49.54 per cent, and pending bill, 59.83 per cent. Schedule 12, manufactures of silk, imports of 1928, \$32,440,182, with total duties, act of 1922, \$18,348,161, and pending bill, \$19,181,350. Rate of total duties, 1922, 56.56 per cent, and pending bill, 59.13 per cent. Schedule 13, manufactures of rayon, imports of 1928, \$11,425,596, with total duties, act of 1922, \$6,019,359, and pending bill, \$6,126,964. Rate of total duty, 1922, 52.68 per cent, and pending bill, 53.62 per cent. Schedule 14, papers and books, imports of 1928, \$20,666,437, with total duties, act of 1922, \$5,113,098, and pending bill, \$5,385,775. Rate of total duties, 1922, 24.74 per cent, and pending bill, 26.06 per cent. Schedule 15, sundries, imports of 1928, \$221,359,369, with total duties, act of 1922, \$71,909,281, and pending bill, \$77,989,978. Rate of total duties, 1922, 32.49 per cent, and pending bill, 35.23 per cent. Total imports for industrial products made from other than agricultural raw materials, \$842,117,940.

Senator HARRISON. Who put the word "greatly" in there?

Mr. BROSSARD. When it came back to me after I had handed this to Mr. Conrad, who is sitting here in the rear of the room, Mr. Conrad brought it back, redrafted, with the word "greatly" put in there.

Senator HARRISON. He thought he had improved it?

Mr. BROSSARD. He thought he had improved it. I said to him, "Why did you put the word 'greatly' in there?" He replied, "I think the word 'greatly' should be in there, because the facts warrant it."

The CHAIRMAN. Certainly.

Mr. BROSSARD. He said, "68 per cent of the increase being on agricultural products, the word 'greatly' should be in there." I said, "Well, when you take that report to Commissioner Dennis I want you to call his attention to the fact that that first sentence has been revised like that." Conrad took the report, because I did not want to be responsible for it alone, or solely—although it would have been perfectly all right from my point of view. I thought it was correct.

Senator HARRISON. You noticed that when you said Mr. Conrad said the word "greatly" ought to be in there that the chairman of the committee, from your State, said, "Certainly"; and the gentleman from California here nods his head vigorously.

Senator SHORTRIDGE. When you said 68 per cent, of course, you took into consideration that we have 7 cents on long-staple cotton, largely due to the masterly support of that proposition by the Senator from Mississippi.

Senator HARRISON. Are you for that?

Mr. BROSSARD. Am I for it?

Senator HARRISON. Have you any opinion on that proposition?

Mr. BROSSARD. The experts came to me before they came over to advise with you about it, Senator, to ask me what I thought about it.

Senator HARRISON. What did you tell them?

Mr. BROSSARD. I said I thought the rate of duty on long-staple cotton would be about as effective as the rate of duty on hard spring wheat; that we had about the same situation in cotton as we did with respect to spring wheat, and that I thought it would help the cotton growers in the United States, especially the growers of long-staple cotton. Mr. Lowry then came to the committee and made his statement.

Senator HARRISON. I hope you will ascertain the facts, and if the facts warrant a duty on it, I hope you will leave it; and if they do not, I hope you will take it off.

Mr. BROSSARD. The commission will ascertain the facts, all right, and report them as they are.

Senator SHORTRIDGE. Have you a report before your commission now on that?

Mr. BROSSARD. I do not think so.

Senator SHORTRIDGE. I hope you will bear in mind what it costs to raise cotton in Egypt, as compared with Louisiana, Texas, New Mexico, Mississippi, and California.

Senator COUZENS. I object to this intimidation of the commissioners here.

Mr. BROSSARD. I would like to finish this statement of mine about the press release. After Mr. Conrad left my office, he took the statement with him, and the next morning brought it back to my desk.

Senator SHORTRIDGE. What is the materiality of all this?

Mr. BROSSARD (continuing). With this statement upon it from Commissioner Dennis:

This is a good piece of work and should stand as written, but would it not be well to turn out a briefer and more newsy story that might have a run in the more popular papers?

Senator HARRISON. That was the notation put there by Doctor Dennis?

Mr. BROSSARD. That was the notation put there by Doctor Dennis.

Senator LA FOLLETTE. Was that on the original draft?

Mr. BROSSARD. That was on the draft as sent to the press.

Senator HARRISON. Let us get that straight. You heard Doctor Dennis's testimony this morning?

Mr. BROSSARD. Yes.

Senator HARRISON. In which he said that the first draft that came to him, which is in there, did not say that agriculture would be greatly benefited by this act.

Mr. BROSSARD. That is right. I do not know whether he saw this statement [indicating] at all or not.

Senator HARRISON. Did he put his notation on that draft, or did he put it on the second draft, that stated that agriculture will be greatly benefited?

Mr. BROSSARD. His note was appended to the statement which said, "Agriculture will be greatly benefited by the new tariff bill."

The CHAIRMAN. Mr. Dennis may not have read it carefully.

Mr. BROSSARD. He may not have read this carefully.

Senator HARRISON. Did you discuss it with Doctor Dennis?

Mr. BROSSARD. No, sir. I will tell you what happened. I asked Mr. Conrad, even after he had come back, whether or not Mr. Dennis had seen the report, and he said he had it something like three or four hours, and this is the memorandum appended in his handwriting, and it is attached to the document as indicated.

Senator COUZENS. Can you understand, then, why he should say that he wanted to do penance for that statement after attaching that note?

Mr. BROSSARD. Yes; I will tell you why I think Doctor Dennis wanted to make the statement. I think that Doctor Dennis saw this draft [indicating], the original draft, that did not have that statement in there. I did not know that Conrad had submitted it to him beforehand, and Doctor Dennis read it over, and when it came back to him for signature, he probably thought it was just the same as it was in the original draft.

Senator HARRISON. That is what Doctor Dennis stated.

The CHAIRMAN. That is what he testified.

Mr. BROSSARD. That is what he has testified to here. In the meantime, I did not know that it had ever been submitted to Doctor Dennis, but Conrad submitted the statement to me and I revised the statement and asked him to pay particular attention to see that it was called to Doctor Dennis's attention. So he went back with this statement to Doctor Dennis, and I presume he did not get to see Doctor Dennis at all, from his testimony this morning. Conrad probably did not get to see Doctor Dennis to tell him specifically that I had revised this first sentence, but I had asked Conrad to see that Doctor Dennis saw this first sentence. Then, when the state-

ment came back with Doctor Dennis's note appended, I thought, of course, he had seen the whole thing.

The CHAIRMAN. I think that Doctor Dennis's testimony this morning was just exactly as he knew it to be.

Mr. BROSSARD. I am sure it is, and I want to say, too, that I think Doctor Dennis testified exactly to the facts as I have stated them here now.

Senator HARRISON. Why did not Mr. Conrad call to the attention of Doctor Dennis such an important and substantial alteration of the original draft?

Mr. BROSSARD. I do not know.

Senator HARRISON. You instructed him to do it?

Mr. BROSSARD. Yes.

Senator HARRISON. Did you ever call him for not doing it, when you found out he had not done it?

Mr. BROSSARD. I did not find out he had not done it until just now, when Doctor Dennis testified.

The CHAIRMAN. Senator Harrison, do you think there is any difference between "greatly," and just leaving it with the statement with regard to the 68 per cent?

Senator HARRISON. It makes all the difference in the world in it, and the witness himself said he wanted to draw it to the attention of the country because it was more forcible.

Mr. BROSSARD. No, Senator. I am glad you expressed your interpretation of what I said, because it will give me a chance to correct it. What I said was, and what I intended, was not to draw it to the attention of the public because it was more forcible, but I was anxious to have this statement expressed clearly, in understandable language, what I thought the report showed.

Senator HARRISON. You wanted to put it over, in other words?

Mr. BROSSARD. Yes. What is the use of preparing press releases if the papers will not print them?

Senator HARRISON. That is why you put in it, "Agriculture will be benefited."

Mr. BROSSARD. Yes.

Senator HARRISON. And when the publicity man came back and said, "Agriculture will be greatly benefited," you thought that was better?

Mr. BROSSARD. I was a little bit reticent about including it, because I would rather have included the conservative statement, but I was relying on Doctor Dennis catching it if he thought it would be unusual.

Senator HARRISON. Has the matter ever been discussed with Mr. Conrad, as to why he did not bring it to the attention of Doctor Dennis when he carried the second draft back there, having been instructed by you to bring it to his attention?

Mr. BROSSARD. No. You see, I did not know until this morning that Doctor Dennis thought he was signing the original draft.

Senator HARRISON. With all the discussions in the Senate and in the country with reference to this draft, and the criticism of the commission about issuing it, you and Doctor Dennis never have had any discussion about the matter?

Mr. BROSSARD. Yes, we have.

Senator HARRISON. Had you ever informed Doctor Dennis, before now, that you had given those instructions to Mr. Conrad?

Mr. BROSSARD. To revise it?

Senator HARRISON. That you had drawn, yourself, that second draft, and that Mr. Conrad had added to your draft, and so forth.

Mr. BROSSARD. I do not remember whether I had told Doctor Dennis this detail, or not, about Conrad adding that.

Senator HARRISON. Do you not think it would have been proper, Mr. Chairman, to have called his attention to it, in view of the fact that you and he were the committee on publicity to issue these statements for the commission?

Mr. BROSSARD. Maybe I should have done it. If I should, I am at fault.

Senator SHORTRIDGE. Mr. Chairman, may I ask Doctor Dennis just a question? In response to a question this morning, Doctor, you cited the case of a tariff duty on one of the poultry products, which seemed to minimize the importance of the duties laid on those products. The act here fixes a certain duty on dried, powdered, and frozen eggs, as you know.

Mr. DENNIS. Yes.

Senator SHORTRIDGE. You just mentioned pickled eggs, and seemed to minimize the importance of that.

Mr. DENNIS. No. I mentioned eggs in the shell, of which the imports are pretty nearly infinitesimal.

Senator SHORTRIDGE. But, as to dried, powdered, and frozen eggs—

Mr. DENNIS. I had nothing to say about dried eggs or frozen eggs. They come in great volume into this country.

Senator SHORTRIDGE. From China?

Mr. DENNIS. Yes.

The CHAIRMAN. That is one of the items, Senator, that everybody knew, as far as that is concerned, would not be affected. Everybody knew that the importation of that item would not be affected in the least.

Senator SHORTRIDGE. Which item?

The CHAIRMAN. The rate to be put upon eggs in the shell takes into consideration the past experience we have had in the importation of eggs from China, but they wanted to take a regular rate, beginning with eggs in the shell, and, step by step, increase the rate on the eggs, from the shell until they got dried, or in whatever situation they were. That is why it was put there.

Senator SHORTRIDGE. Exactly. One other question. Has your attention, as a commissioner, been called to the fact that importers are trying to circumvent and defeat the present law in respect to the duty on imported sugar, by mixing it with water?

Mr. DENNIS. I certainly have; but only from what I have read in the newspapers. I think the Treasury has attended to that matter.

Senator SHORTRIDGE. That is contrary to the law, is it not, according to your conception?

Mr. DENNIS. It has not been brought officially to the attention of our commission.

Senator SHORTRIDGE. It has not?

Mr. DENNIS. No; it has not, so far as I know.

The CHAIRMAN. There is no necessity of it, Senator. It had to be settled with the Treasury Department first.

Senator SHORTRIDGE. Precisely.

The CHAIRMAN. In other words, they put water in it until it was less than 50 per cent, and then it comes in as a sirup, and it was about one-fortieth of a cent a pound.

Senator SHORTRIDGE. Precisely. Would you venture an opinion as to whether that was permissible under the law?

Mr. DENNIS. Under the law the Tariff Commission does have jurisdiction over unfair trade practices.

Senator SHORTRIDGE. Precisely.

Mr. DENNIS. The law was invoked in the case of synthetic phenolic resin. The case was pushed through, and we gave a decision. It was contested in the court, and the court upheld the Tariff Commission. Until somebody who is aggrieved brings a case on the melted sugar in water to the attention of the commission, we have not much ground for jurisdiction, particularly as the Treasury Department took a hand in the case and stopped it, as I understand.

The CHAIRMAN. Yes; they did.

Senator SHORTRIDGE. I just wanted to bring out the fact that the Treasury Department has taken the attitude that that is contrary to the law, and have stopped it.

Mr. DENNIS. It was an improper trade practice.

Senator SHORTRIDGE. That was a method of evading the tariff on sugar.

The CHAIRMAN. In my opinion, the wording of the law ought to be changed, however.

Senator HARRISON. I think it ought to be changed to stop those people in Pennsylvania who are bringing in a lot of water, mixed with sugar, but I do not think you ought to use that in order to keep out some people who are really bringing in sirup. If it is used for sirup, it ought to come under the sirup provision. If it is brought in to be used for sugar, it ought to come under the sugar provision, and the law ought to be changed accordingly.

Senator SHORTRIDGE. Under the decisions of the Supreme Court, I think the Treasury Department is perfectly right in its ruling with reference to this particular matter.

Let me ask you in regard to oil. Has your attention been called, or has the commission, on its own motion, taken up for consideration, the question of a tariff duty on crude petroleum?

Mr. DENNIS. We are reporting to Congress, under a congressional order, the facts of competition between domestic oil and Maracaibo oil. That report will be ready within a very short time.

The CHAIRMAN. We have no power to put a duty on it.

Senator SHORTRIDGE. No; but I am asking whether they had acted. There was a resolution passed, I think, was there not, Doctor?

Mr. DENNIS. We are acting under congressional resolution.

Senator THOMAS of Oklahoma. It is in the bill itself.

Senator SHORTRIDGE. Yes; when you have an investigation and a report.

Mr. DENNIS. But it is not a matter involving a change of duty. We have no jurisdiction to change the duty, because the oil is on the free list.

Senator SHORTRIDGE. But you are investigating that matter, and are going to report to us?

Mr. DENNIS. Yes.

Mr. BROSSARD. Mr. Chairman, may I make a little statement here? I do not see how much blame can be attached to Doctor Dennis for his signing of this final draft of the press release of May 4, 1930, it having been accomplished, as he stated in his testimony this morning, for the reason that it is so easy to sign something in that way which you think you have gone over previously; and it seems to me, on the other hand, that it was most unfortunate that the change was not specifically called to Doctor Dennis's attention, as I thought it would be before it was initialed by him.

I want to enter also a general denial of any intention on my part of attempting to carry on any political propoganda with respect to the issuance of that statement at that time, or any other statement, for there was nothing further from my mind at all. If I had been thinking of the political significance of it, or if I had an idea that exception would be taken to it, I would have had better sense than to have printed the thing that way, I think, but I was attempting, in the revision made, to make clear what to me appeared to be the fact from the report, and what was included in the previous statement.

Senator HARRISON. Does that statement apply to the speech that you made in July, 1930, on Commercial Policies and Tariffs in their Relation to World Peace, wherein you attempt to show that the protest of many foreign countries at this time is not unusual; that it is about the same as ordinarily; that there has been no retaliation on the part of any of the countries in connection with any of the tariff bills passed? Do you think that was just, and in good faith for the chairman of the commission to say, at the time this bill was pending and being considered, to make such a speech as that, which was strongly political?

Mr. BROSSARD. Senator, the speech, so far as I was concerned, was not political, and I will tell you why. The international relations division of the Tariff Commission had just completed a rather exhaustive report on that very subject, or some 150 or 200 mimeographed pages, and the chief of the international relations division had submitted to me, as the summary of that report, in almost identical language, his material, which he said to me he was willing to stake his own reputation on as being the facts in the case, and I incorporated them again in that speech. So, so far as I was concerned—

Senator HARRISON. You expressed opinions here and conclusions from facts, as you state, or alleged facts.

Mr. BROSSARD. But they were drawn from this report that is a report of the Tariff Commission.

Senator HARRISON. Some of us got these same facts, and we draw just the opposite opinion, and when we expressed the opinion that it had caused other countries to retaliate and that these protests that were coming in were more numerous than ordinarily, and more violent in their expression, we expressed our opinion; and when you say that they are no more numerous than ordinarily, and that they are along the same lines as the ordinary protests, and that there has been no retaliation, you are expressing your opinion.

Mr. BROSSARD. It really was not my opinion. It is the opinion of the experts of the Tariff Commission.

Senator HARRISON. These experts of the Tariff Commission did not give the same information to some of us who were seeking to get it while this bill was being considered.

The CHAIRMAN. Senator Harrison, I can give you an opinion, because—

Senator HARRISON. I know your opinion. I got the same information, but there were different conclusions reached from it. I talked to your man.

Mr. BROSSARD. Did you talk to Doctor Brower, chief of the international relations division?

Senator HARRISON. I talked to all of them I could get hold of up there.

Senator SHORTRIDGE. We are legislating for the Nation, are we not?

Senator HARRISON. We are supposed to be.

Mr. BROSSARD. Senator, let me state that I do not want, and never have wanted, and I think it would be a mistake for a member of the Tariff Commission to attempt to use in any way his position for the purpose of popularizing a tariff bill.

Senator HARRISON. Mr. Chairman, you did it in this very speech you made in 1930.

Mr. BROSSARD. If that is your interpretation of it, I am sorry I made the speech, Senator, and I am off making speeches from now on.

Senator SHORTRIDGE. Nobody questions the facts you set out there.

Senator HARRISON. Yes. I question the facts.

Mr. BROSSARD. Senator Harrison does.

Senator HARRISON. Anyone who will study the proposition will question the facts.

The CHAIRMAN. I have studied it, and I can not question them.

Mr. BROSSARD. I had been asked to make this speech a month or two before it was made, and I thought, when I consented to make the speech, that the tariff bill would be passed and out of the way a long time before this speech was to be made. So I did not have in mind helping out the bill or popularizing the bill, or making a political speech on it at all. I confined my statement about the reaction on the various countries of the world to the summary statement of the Tariff Commission's report.

Senator GEORGE. What is the date of that speech, Doctor?

Mr. BROSSARD. The speech is dated July, 1930. The date in July is not given here.

Senator SHORTRIDGE. When did we pass the bill?

The CLERK. June 17.

Senator CONNALLY. Where was this speech delivered?

Mr. BROSSARD. At the American Academy of Political and Social Sciences. This speech was made before that, but it was published in July, 1930.

Senator SHORTRIDGE. The speech was made after the act was passed?

Mr. BROSSARD. No; before. But the date is not given on here.

Mr. DENNIS. Let me help you. The speech was delivered May 24.

Senator CONNALLY. Do you usually get an honorarium for those kind of speeches?

Mr. BROSSARD. I did not. I would not have accepted it if I had been offered it. I was offered one in connection with another matter.

Senator HARRISON. As to this publicity gentleman who put in the words "agriculture will be greatly benefited," how long has he been in the employ of the Tariff Commission?

Mr. BROSSARD. Two or three years.

Senator HARRISON. Was he there when you first went to the commission?

Mr. BROSSARD. No; he was employed after I came there.

Senator HARRISON. Who employed him?

Mr. BROSSARD. The commission.

Senator HARRISON. At whose instance?

Mr. BROSSARD. I think Chairman Marvin was the man who recommended him.

Senator HARRISON. Where does the gentleman come from?

Mr. BROSSARD. I am not sure, but I believe he came originally from West Virginia.

Senator HARRISON. There is no doubt about his Republican leanings, is there?

Mr. BROSSARD. I do not know what the man is, whether he is a Democrat or a Republican.

Senator HARRISON. You have very strong notions, have you not, about that?

Mr. BROSSARD. No. He worked on several newspapers, one of which was the Washington Star. He was a reporter for the Washington Star. You may be able to tell from that what he is. That is as close as I can come to the man's politics.

Senator HARRISON. The facts are that he has never been called to account for not informing Doctor Dennis about the change in this draft?

Mr. BROSSARD. I supposed all the time that Mr. Dennis had been informed about the change in this draft.

Mr. DENNIS. May I interject a remark there? I recall that I was busy dictating. Mr. Conrad came in and produced this carbon copy of the press release and handed it to me. I put it on my desk and went on. I think he interrupted me at the time. Later he did not say anything about it. It was a matter of routine with me. A great many papers pass across our desks in just the same way. I do not want him to be saddled with the blame.

The CHAIRMAN. It is not a question whether the rates would be sufficient or not, in my opinion. After the bill went into effect, from June 18 to June 27, the loss of importations was very substantial, and every 10 days from June 28 down to November 24, there has been an increase, with the exception of one period.

Senator SHORTRIDGE. In importations?

The CHAIRMAN. An increase in the importations. Between November 15 and November 24 of this year there was imported into the United States, under the present tariff law, as many dollars' worth, with the exception of 6.8 per cent, as there was under the old bill, under the conditions existing in America and the world to-day.

Senator HARRISON. I read your statement in the morning paper. The chairman's statement in the morning paper shows that there is a falling off as compared with a like period last year.

The CHAIRMAN. But it started with 113 per cent, and got down to 6.8 per cent.

Senator HARRISON. But it is lower than it was last year for the same period, according to your statement.

The CHAIRMAN. 6.8 per cent lower.

Senator HARRISON. I was trying to find out what you were driving at.

Senator SHORTRIDGE. Who wants added imports when our people are idle?

Mr. BROSSARD. I want to say that as soon as the commission learned that exception had been taken to this press release about which we have been talking, we immediately corrected it, as far as we could, and later issued a corrected statement striking out the first sentence, so that it was unobjectionable, and reissued the same press release, corrected.

Senator HARRISON. Did you expect the papers to carry the new issue, after they had carried the old issue?

Mr. BROSSARD. No. Senator, we were sorry enough about the issuance of it, but we realized fully—and that was one of the sad things about it—that we could not correct what had been done.

Senator HARRISON. Doctor, let us finally get through with the business. You exculpate Doctor Dennis, and he exculpates this publicity man, and you exculpate both of them. Who is to blame about the proposition?

Mr. BROSSARD. I am to blame, if you want to put it onto me.

Senator HARRISON. You are willing to carry the burden?

Mr. BROSSARD. Yes. You put it onto me.

Senator SHORTRIDGE. I will exculpate you.

Mr. BROSSARD. I wrote the statement. I do not want to blame the expert. I knew the statement was in there, and said it was all right, but I am sorry the statement went out.

Senator HARRISON. Doctor Dennis, did this gentleman say anything to you when he brought this statement to you?

Mr. DENNIS. I was dictating to my secretary. He came in and put that in my hand. I believe he said, "This is the complete draft of this press release."

Senator HARRISON. He did not tell you what Doctor Brossard had told him to tell you?

Mr. DENNIS. No; I do not think he did. I think he interrupted me. I give him the benefit of the doubt.

Senator CONNALLY. I wanted to ask Doctor Brossard a question about the press release. I understood you to say that this report was prepared in answer to some resolution or request of Senators?

Mr. BROSSARD. Yes.

Senator CONNALLY. But that was not the matter that was released to the press. You made a separate paper for release to the press?

Mr. BROSSARD. Yes; it was supposed to be a short synopsis of the report.

Senator CONNALLY. This statement about greatly helping agriculture, then, was not in the formal report you made?

Mr. BROSSARD. The sentence itself was not in the report, but the 68 per cent and the 32 per cent were in the report.

Senator CONNALLY. I am talking about this sentence with regard to greatly benefiting agriculture.

Mr. BROSSARD. No; that was not.

Senator CONNALLY. Why did you not just give the press the official report that you sent to Congress?

Mr. BROSSARD. Well, it was so long that nobody would have used it.

Senator CONNALLY. These newspaper men can tell what it means. They could boil it down.

Mr. BROSSARD. If you would hear what they ask us about it when they come over to get these statements, you would know that they would not use these reports.

Senator CONNALLY. When you made the press release, why did you not go back and change the press release to make it fit?

Mr. BROSSARD. The press release was supposed to be a short synopsis of the report, pointing out the high lights of the report.

Senator CONNALLY. To be published in the paper; but the other was to be laid away for official action?

Mr. BROSSARD. No; the other was distributed also, and made available to all the public. The press, or any Congressman, could have had a copy of that. It was available for the public in mimeographed form.

Senator CONNALLY. You speak of Mr. Conrad as an expert. How much salary does he draw?

Mr. BROSSARD. I do not know. He is right here. How much do you draw, Mr. Conrad?

Mr. CONRAD. \$2,600.

Mr. BROSSARD. I do not know how that compares with the salaries of newspaper men, or anything about it.

Senator HARRISON. When this original draft was drawn, did you then show it to anyone else, outside the commission up there?

Mr. BROSSARD. What original draft are you talking about?

Senator HARRISON. The original draft we have been speaking of.

Mr. BROSSARD. Of the press release?

Senator HARRISON. Yes.

Mr. BROSSARD. The original draft, so far as I know, was never shown to anybody except the people at the commission.

Senator HARRISON. You did not confer with anyone?

Mr. BROSSARD. No.

Senator HARRISON. You did not give any instructions to Mr. Conrad to confer with anyone else?

Mr. BROSSARD. No. It went through the regular routine of all such press releases.

Senator HARRISON. It was not shown to Mr. Newton, or anyone at the White House, or anyone in the Senate?

Mr. BROSSARD. No. The press release was simply gotten out in the regular routine of the commission business, as Doctor Dennis explained this morning, and it came to the desk. I being the chairman of that commission, it was brought to me, and I looked over the thing and hurriedly made some suggestions and changes, and handed it back to Conrad, and told him to take it and fix it up.

Senator SHORTRIDGE. Why didn't you submit it to Senator Harrison before you put it out?

Mr. BROSSARD. If I had thought he was going to make so much of it, I would have done it.

Senator HARRISON. You did not confer with Senator Shortridge or Senator Smoot about it.

Mr. BROSSARD. I did not.

Senator HARRISON. And the fact that you gave a punch to it was not an inspiration from them?

Mr. BROSSARD. It was not; no, sir. Nobody knew a thing about it but me, and I want to tell you it was quite unintentional that this exception should be taken to the statement. If I had known about it, I would have cut my right hand off before I would have done it.

Senator KING. Do you think there is any wisdom in having a publicity agent, or do you think you need a publicity agent any more than the Interstate Commerce Commission or the Supreme Court of the United States needs a publicity agent?

Mr. BROSSARD. They do have them, Senator.

Senator SHORTRIDGE. The Supreme Court?

Mr. BROSSARD. The Supreme Court does not, but these other commissions have them, for the same reason, for the summarization of their reports. The Federal Radio Commission and most of these other commissions which put out reports, as we do, have some man to summarize the reports for the press. We are about the last one, I think, of that type of commission to get one, and we were urged and persuaded to get a man to help these men get the facts out, so that they could be used, and we tried to do it.

Senator KING. I think newspaper men, perhaps, would be better judges of what ought to be summarized, than some other agent.

Mr. BROSSARD. Perhaps that is true. I do not know. But the proposition we have is that they want some statement they can run, and they want it put up in some way so that they can use it. They had been after us for a long time to get us to do that. We had been giving them these reports for four or five years—big reports—and they would have to mull over them to get out the facts. I suppose they wanted something to pick up and put into the paper in a hurry. Consequently, we got a man to do that.

Senator SHORTRIDGE. Quite apart from my views, I would like to ask you one additional question. Do you think that the commission should put out the results of its findings and conclusions sent to the President before he has approved or disapproved them?

Mr. BROSSARD. I am a believer in liberal publicity of the commission's reports, and I think that after the President has had a reasonable time to act upon a report, then it should be published, because I feel that the public is entitled to have the facts. But I do not think they ought to be made public before the President has had a reasonable time to make up his mind about what he is going to do with them.

I think it would be unfortunate to have everybody in the country know that a report is before the President, because pressure would immediately be brought to bear upon the President, if the report were made public, in one way or another, and he would be forced to act one way or the other on the report. I think the President ought to be protected in that way until he has had sufficient time to act upon the report, for the sake of the scientific accuracy of his findings, as well as action upon the commission's findings.

The CHAIRMAN. Is there anything else?

Senator CONNALLY. When you wrote this out you said that agriculture would be aided by the new tariff.

Mr. BROSSARD. I said "agriculture will be benefited."

Senator CONNALLY. When this publicity man brought it back he had the word "greatly" in there?

Mr. BROSSARD. Yes.

Senator CONNALLY. Didn't you sort of gag at that "greatly"?

Mr. BROSSARD. I did; yes. I asked him why he put it in there.

Senator CONNALLY. You deferred, however, to his expert knowledge of publicity and let it remain?

Mr. BROSSARD. No; not exactly that.

Senator SHORTRIDGE. Not as to the rates on figs raised in Texas.

Senator CONNALLY. I think that is perfectly infinitesimal.

Senator SHORTRIDGE. You do not raise as many down there, I admit, as we do.

Senator HARRISON. But the testimony showed that they were a better class of figs than those raised in California.

The CHAIRMAN. If there is nothing else to ask the witness, the committee will stand adjourned until 10.30.

(Letter of Edgar B. Brossard to Senator Reed Smoot, chairman of the Committee on Finance, United States Senate, is here printed as follows:)

UNITED STATES TARIFF COMMISSION,
Washington, December 9, 1930.

HON. REED SMOOT,

Chairman Senate Finance Committee,

United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: When I was before your committee, December 8, I was asked to furnish the names of other persons or colleges who were corresponded with respecting employment for the investigation by the Tariff Commission of the costs of production of sugar beets. The chief of the personnel division has gone through her files, at my request, and advises me that the College of Agriculture of California and the Utah State Agriculture College were both requested to recommend some one for that investigation. The commission also corresponded with Prof. L. A. Moorehouse and Prof. A. Keyser, of the Colorado Agricultural College, with respect to securing their services for the sugar-beet investigation.

I was also asked who it was who signed the telegram that was sent to the president of the Utah Agricultural College asking him to recommend the best man available for that investigation. I did not know by whom the telegram was signed. The records show that it was signed "Tariff Commission," and was initialed by L. B. Zapoleon, chief of the agricultural division, and John R. Turner, chief economist of the commission.

Please be advised also that when I was employed as an expert on the staff of the Tariff Commission the members of the commission were: Costigan, Lewis, Culbertson, Marvin, Glassie, and Burgess. On January 19, 1924, I was voted an increase in salary by the unanimous vote of the five commissioners present at the meeting—Costigan, Lewis, Marvin, Burgess, and Glassie. On April 16, 1924, by the unanimous vote of the six commissioners, I was given a permanent appointment on the staff of the Tariff Commission.

I hope this information is responsive to the inquiries made.

Sincerely,

E. B. BROSSARD.

(Whereupon, at 5.25 o'clock p. m., the committee adjourned until to-morrow, Tuesday, December 9, 1930, at 10.30 o'clock a. m.)

CONFIRMATION OF MEMBERS OF UNITED STATES TARIFF COMMISSION

TUESDAY, DECEMBER 9, 1930

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

The committee met, pursuant to adjournment on yesterday, at 10 o'clock a. m., in room 312, the Senate Office Building, Senator Reed Smoot presiding.

Present: Senators Smoot (chairman), Watson, Shortridge, Couzens, Greene, Deneen, Bingham, La Follette, Thomas of Idaho, Simmons, Harrison, King, George, Walsh, Barkley, Thomas of Oklahoma, and Connally.

The CHAIRMAN. Gentlemen of the committee, Mr. Fox is now here and we are ready to proceed.

Senator CONNALLY. Mr. Chairman, I do not think we ought to have an open hearing in the case of Mr. Fox, who is a subordinate.

The CHAIRMAN. I do not see why we should make an exception in his case. You gentlemen insisted on open hearings in the case of the commissioners.

Senator CONNALLY. I do not know Mr. Fox at all, but I do not think it fair to a subordinate to have an open hearing in the case of his testimony.

The CHAIRMAN. It is for the committee to decide, but all of the commissioners were examined in open session.

Senator SIMMONS. I do not see why the newspaper reporters should not stay in the room now.

Senator COUZENS. Oh, yes; let us go ahead.

Senator CONNALLY. I do not think we ought to put his job in the balance. So I make a motion to have him heard in executive session.

Senator SHORTRIDGE. I second it, because I believe in executive sessions in the matter of nominations.

Senator HARRISON. This testimony was taken before a select committee, and Mr. Fox testified before that committee. I do not see why there is any necessity for an executive session now.

Senator CONNALLY. Well, you have that, and I am talking about his testimony that he will give here now. I do not think it fair to bring him as a subordinate up here and have him testify in open meeting.

The CHAIRMAN. The same condition exists now as then.

Senator CONNALLY. Oh, no; not at all. I make the motion that we go into executive session to hear Mr. Fox.

The CHAIRMAN. You have heard the motion, which has been duly seconded.

Senator WATSON. I suggest that the roll be called on it.

The CHAIRMAN. All in favor of the motion will make it known by saying "aye" and those opposed will say "no." The clerk will call the roll.

The ASSISTANT CLERK (Mr. Carruth). Senator Watson.

Senator WATSON. Aye.

The ASSISTANT CLERK. Senator Reed. He is not present.

Senator Shortridge.

Senator SHORTRIDGE. Aye.

The ASSISTANT CLERK. Senator Couzens?

Senator COUZENS. No.

The ASSISTANT CLERK. Senator Greene?

Senator GREENE. Yes.

The ASSISTANT CLERK. Senator Deneen?

Senator DENEEN. Aye.

The ASSISTANT CLERK. Senator Keyes? He is not present. Senator Bingham?

Senator BINGHAM. Aye.

The ASSISTANT CLERK. Senator La Follette?

Senator LA FOLLETTE. No.

The ASSISTANT CLERK. Senator Thomas of Idaho?

Senator THOMAS of Idaho. Aye.

The ASSISTANT CLERK. Senator Simmons?

Senator SIMMONS. No.

The ASSISTANT CLERK. Senator Harrison?

Senator HARRISON. No.

The ASSISTANT CLERK. Senator King?

Senator KING. Aye.

The ASSISTANT CLERK. Senator George?

Senator GEORGE. No.

The ASSISTANT CLERK. Senator Walsh?

Senator WALSH. No.

The ASSISTANT CLERK. Senator Barkley?

Senator BARKLEY. No.

The ASSISTANT CLERK. Senator Thomas of Oklahoma?

Senator THOMAS of Oklahoma. Aye.

The ASSISTANT CLERK. Senator Connally?

Senator CONALLY. Aye.

The ASSISTANT CLERK. The chairman?

The CHAIRMAN. No.

The ASSISTANT CLERK. The vote stands 9 to 8 in favor of the motion.

The CHAIRMAN. The motion is carried. We will go into executive session. Mr. Fox, take a seat across the table from the shorthand reporter, please.

STATEMENT OF A. MANUEL FOX, CHIEF OF THE ECONOMICS DIVISION, UNITED STATES TARIFF COMMISSION, WASHINGTON, D. C.

The CHAIRMAN. The gentleman may proceed. [A pause, without response.] Does any member of the committee wish to interrogate Mr. Fox?

Senator LA FOLLETTE. Mr. Chairman and gentlemen of the committee, so far as I am concerned I think this matter is all in the

record. May I say that Doctor Brossard appeared before the Select Committee on Investigation of the Tariff Commission and testified, and later Doctor Fox appeared before that committee and testified, and on all occasions both men were present; and then Doctor Brossard came before the select committee and explained his version of it, fully and freely, and was permitted to read a memorandum which he had prepared in answer to the testimony. So that so far as my own view of the situation here is concerned, I think the matter, in so far as it relates to the preparation of the sugar report of Commissioners Marvin and Burgess, it is all in the testimony. I personally see no point in putting Doctor Fox again on the stand and going over the matter. So far as I am concerned I think the record was taken fairly and fully; I think Doctor Brossard felt that he had been given full opportunity to be heard, and I think the purpose of this finance committee would be fully served if Doctor Brossard's testimony and Doctor Fox's testimony, and then Doctor Brossard's testimony in reply, were incorporated in our hearing as a part of it.

Senator WATSON. That sounds all right, but we have sent for this gentleman to come here, and I think inasmuch as he is now here at our request it would be well to ask him a few questions. My understanding of the purpose in sending for him is that the sole proposition before us means whether or not Doctor Brossard attempted to influence his testimony before the select committee on the sugar question.

Senator HARRISON. Oh, no. That is not the question at all.

Senator WATSON. You interrogate the witness, then.

Senator HARRISON. The question is whether or not Doctor Brossard said a lot of things, alleging them as facts when they were not true.

Senator BINGHAM. That is not what we are to ask Mr. Fox. Oh, no.

Senator WATSON. We can not ask him that.

The CHAIRMAN. The charge here is that Doctor Brossard had influenced Mr. Fox in his testimony before the select committee.

Senator HARRISON. I do not make any such charge.

The CHAIRMAN. Well, that charge was made. And we were requested to send for Doctor Fox. He is now here.

Senator HARRISON. Who made that charge?

The CHAIRMAN. The Senator from Wisconsin (Mr. La Follette) in reading the testimony, or part of it, given before the Select Committee on Investigation of the Tariff Commission.

Senator LA FOLLETTE. The statement I made was that if anyone could read the contemporaneous memorandum made by Doctor Fox at one time concerning his interviews with Doctor Brossard in regard to Doctor Brossard's previous testimony before the select committee, without coming to the conclusion that Doctor Brossard was attempting to have Doctor Fox see eye to eye with him on his testimony, I couldn't understand it. I think the contemporary memoranda sustains that statement. I did not state at any time that Doctor Fox has made that interpretation of those interviews.

The CHAIRMAN. It was not the matter of Doctor Fox's interpretation. It was the interpretation that you put upon that testimony that he had given.

Senator LA FOLLETTE. Exactly, and I still maintain that that is true.

The CHAIRMAN. Mr. Fox, did Mr. Brossard ever try to influence you in relation to your testimony before that Select Committee on Investigation of the Tariff Commission?

Mr. Fox. I do not know just how to answer that question. We discussed the matter; but I think that Doctor Brossard knew and the rest of the commission knew that I was not one to be easily influenced. I did not take it as any evidence of an attempt to influence me.

The CHAIRMAN. Did Doctor Brossard tell you at any time to testify to anything different from what you wanted to testify to or did testify to?

Mr. Fox. Oh, no, indeed.

The CHAIRMAN. Did he suggest anything to you in relation to your testimony?

Mr. Fox. Oh, no.

Senator SHORTRIDGE. That settles the whole matter. Why waste any more time on this matter?

Senator HARRISON. Let him state all the facts in regard to Brossard's testimony before the select committee, and the memoranda made by him in regard to it.

Mr. Fox. Well, the facts, very briefly, are that Doctor Turner, who was my superior officer, and I, and Doctor Brossard, sat for 10 days preparing the minority report. I was not in favor of the methods used in preparing the sugar report. I thought the data that was used was incorrectly used, and we sat, as I say, for 10 days preparing that minority report. I believed then, and I have had occasion to review the reports since, that the use made of the data was unsound; that is to say, that the 6-year sugar data was unsound. I felt that the commission only had two years' data that was correct. When Mr. Marvin and Mr. Burgess asked Doctor Turner to work on the report I was willing to help on it, to cooperate with Doctor Turner on that basis, because of my conviction that the commission only had two years' data that was sound, and I was not very much impressed with the analyses made to prove that we could use six years, and that was a fact as to which we were in disagreement. We worked on that for 10 days.

Senator HARRISON. Who worked on it for 10 days?

Mr. Fox. Doctor Turner dictated, I supplying the information, and Doctor Brossard sat with us.

Senator WATSON. What was it, a memorandum or a report?

Mr. Fox. It was a draft of a report that the two commissioners afterwards used.

Senator GEORGE. Were you asked to prepare a report for the minority? Did you understand that that was the request made of you?

Mr. Fox. Well, the request was made of Doctor Turner, and I was with Doctor Turner. It was a draft of a report.

Senator GEORGE. That is the point. You understood that Doctor Turner was asked to draft the report for the minority?

Mr. Fox. Yes.

Senator GEORGE. And Doctor Brossard sat in in that conference?

Mr. Fox. Yes.

Senator LA FOLLETTE. There were many conferences, were there not, Doctor Fox?

Mr. Fox. Oh, yes. Let me make this clear: Doctor Brossard sat in in all but two conferences. He was not present, I think it was, on a Thursday evening, and he was not present on Sunday, when we worked all day.

Senator SIMMONS. Was he always present when you were working on the sugar report?

Mr. Fox. Otherwise than these two occasions he was always present when the draft was being prepared. Might I also say that there were no instructions given as to how that report should be prepared; in fact, one of the stipulations I put down in reference to working on the report, and the reason I was led then to make the stipulation, was because I was there for only a year. I was connected with the College of the City of New York and was to return. I stipulated that no commissioner was to see that report until we were through.

Senator WALSH. Who prepared the 6-year report on sugar that you thought was not sound? And who, if anyone, urged the use of that report?

Mr. Fox. Doctor Burnhart prepared it. He was the chief of the sugar division. And Commissioners Culbertson, Costigan, and Lewis were in favor of the use of that 6-year data.

The CHAIRMAN. And they did use it?

Mr. Fox. Yes, sir.

Senator BINGHAM. When you say you discussed with Doctor Brossard your testimony, when did that take place?

Mr. Fox. It was a considerable time subsequent to that date.

Senator BINGHAM. It was subsequently?

Mr. Fox. Yes, sir.

Senator BINGHAM. When this select committee that has been referred to was in operation, did you discuss it with Doctor Brossard?

Mr. Fox. Oh, no; it was before that. Let me see—yes, I think it was during the—well, now, I am not sure of the date, whether just before the time the select committee was going to sit or during the proceedings of the select committee.

Senator LA FOLLETTE. The fact of the matter is that your contemporary memoranda show that following my examination of Doctor Brossard, in which he said that he had nothing to do, or in which he said in effect at least, that he had nothing to do with the preparation of the Marvin-Burgess report, your contemporary memorandum submitted during the testimony shows that he conferred with you following his examination on the stand. I wish to refresh your memory as to that.

Senator HARRISON. Yes; six times.

Mr. Fox. Those conferences were usually in his office, and invariably I was called in in connection with some other subject, and after we were through a discussion of the other subjects the question of the sugar report was brought up. It was the only time that I have prepared memoranda, then or since, because I did not feel free to discuss it. I indicated that, and kept the memoranda so that what transpired would be fresh in my mind.

Senator HARRISON. You said you indicated to "him." Do you mean that you indicated to Doctor Brossard?

Mr. Fox. I do not think I said I indicated. I said I did not feel free to discuss it. I did not feel inclined to discuss it. I preferred not to discuss it.

Senator SHORTRIDGE. With whom? What was there strange or mysterious or questionable about the subject matter?

Mr. Fox. I do not understand your question?

Senator BINGHAM. Who did you not feel free to discuss it with?

Mr. Fox. Oh, Doctor Brossard. I preferred not to discuss it with him.

Senator BINGHAM. He wanted to discuss it with you and you mean that you preferred not to discuss it with him?

Mr. Fox. No, sir.

Senator BINGHAM. Was it because your recollection was different from him?

Mr. Fox. No.

Senator SIMMONS. In all these conferences to which you refer, contained in your contemporary memoranda, Doctor Brossard to the affirmative in bringing up the subject?

Mr. Fox. Yes.

Senator SIMMONS. And you were reluctant to discuss it with him?

Mr. Fox. Yes, sir.

Senator SIMMONS. Nevertheless, he did continue to discuss it with you, notwithstanding your reluctance?

Mr. Fox. No; I do not recall that I indicated to him my reluctance.

The CHAIRMAN. Why were you reluctant?

Mr. Fox. Well—

The CHAIRMAN (interposing). Or did Doctor Brossard know that you were reluctant?

Mr. Fox. Because by that time the sugar controversy had reached a point out of all proportion to normality.

The CHAIRMAN. That is why you were reluctant?

Mr. Fox. Yes, sir.

Senator WATSON. Mr. Fox, I want to ask you a few questions—and, gentlemen of the committee, I want to ask continuous questions if I may, and do not want anybody to interrupt me until I get through, if you please: This question was propounded to you by Senator Robinson of Arkansas when he was chairman of the Select Committee on Investigation of the Tariff Commission. Commenting on these conversations, you then said:

Mr. Fox. Oh, Mr. Senator, I never interpreted that conversation—

Chairman ROBINSON (interposing). I am not asking you for your interpretation.

Senator WADSWORTH. I will ask him. What was your interpretation of that conversation? Was it simply about what the chairman of this committee has indicated?

Mr. Fox. I should say not.

Senator WADSWORTH. Very well.

Mr. Fox. I have never interpreted that conversation as an attempt on Doctor Brossard's part to reach an agreement. I had no such proposition in mind.

Then Chairman Robinson asked this question:

That never occurred to you when he came back after he had testified and talked to you several times, when you were reluctant to talk to him about it? It never occurred to you that this conversation was for any purpose to reach an understanding about what you should testify to.

Mr. Fox. Mr. Senator—

Chairman ROBINSON (interposing). Then I will ask you why—

Senator WADSWORTH (interposing). May he answer that question?

Chairman ROBINSON. Certainly.

Mr. Fox. I say, with all the sincerity of which I am capable, that I did not make that interpretation, for this reason, that I have always endeavored to do scientific work and was ready to consider every phase of every problem, to discuss it with anybody; but I am finally charged with the responsibility, if I am worthy of my position with the commission and elsewhere, and I have done a good deal of scientific work before coming with the commission, of examining everything and then finally reaching my own conclusion. I did not interpret those meetings for one moment as Brossard's attempt to influence my testimony, for it would have been, to be very candid with you, in view of the principle which guides me, useless.

Is that your present position?

Mr. Fox. That is it, sir, and I said so before.

Senator HARRISON. You heard Doctor Brossard testify before the select committee, and you heard him state that he had nothing to do with the preparation of that report, didn't you?

Mr. Fox. Yes.

Senator HARRISON. And you knew at that time that that was not true, didn't you?

Senator CONNALLY. I do not think you ought to ask him that kind of question, Senator Harrison, with all due respect to you!

Senator HARRISON. I do not know why. You knew that it was not a fact, didn't you, Doctor Fox?

The CHAIRMAN. I don't think he said that.

Senator HARRISON. Let me read his testimony, and then your answers to it later on.

Senator BARKLEY. Mr. Fox has already said that with the exception of two meetings that Doctor Brossard sat in with him and Doctor Turner in the preparation of this report.

Senator HARRISON. Chairman Robinson asked this question:

You were associated with the preparation of the report, were you not, or at least with the summarization of the data?

Mr. BROSSARD. No, sir. I did not have anything to do with it.

And he reiterated that along in his testimony, and you heard that?

Mr. Fox. Yes, sir.

Senator HARRISON. And you said that that was not a statement of the fact, didn't you?

Mr. Fox. Doctor Brossard's statement was to the effect that he did not contribute to the report. He sat with us with the exception of two occasions, one evening, which I think was Thursday evening, and on Sunday. Doctor Brossard contributed very little to that report of substance, that was acceptable in the drafting of the report.

The CHAIRMAN. Did he dictate any part of the report?

Mr. Fox. That is a question that is difficult to answer, Senator Smoot, for the simple reason that during those 10 days they were very hectic days, and there was dictation and elimination. Whether any of the dictation of Doctor Brossard or of myself was finally acceptable in the final draft of report I would be unable to say now.

Senator WATSON. Did Doctor Brossard ever say to you by word of mouth, directly or indirectly, by innuendo or otherwise, how he wanted you to make this report?

Mr. Fox. Oh, no.

Senator BARKLEY. Regardless of the fact that you say he did not contribute much to the draft of report, was there an attempt on his part to contribute something?

Mr. Fox. Oh, yes; there is no doubt about that.

Senator SHORTRIDGE. You say an attempt to do so. Two men might sit in and listen for that matter, might they not?

Senator BARKLEY. Well, a man who is sitting in there is contributing.

Senator LA FOLLETTE. I wish to read:

Doctor Brossard also stated that we did not write the minority report, that "we wrote the expert's report," whereupon I told him that we wrote the report for Mr. Marvin and Mr. Burgess, and that no "expert's report" was prepared in either case.

Above that he said:

He said that he had not dictated the report, that the report had been dictated by Dean Turner, whereupon I told him in a sense we were all present and had all dictated parts but that the final dictation and smoothing out was done by Dean Turner.

Mr. Fox. The outline of that report was mine. The idea, I will say will all due modesty, was primarily mine. The dictation was done primarily by Dean Turner. Every once in a while we would get to a point where we just could not hit upon that happy word or happy combination of words to express the thought, and we would all try to see if we could not fairly well express the idea. In connection with some of the problems contained in that draft, there were many statements, many redictations, until we finally got the form we were satisfied with.

Senator BARKLEY. When you say "all of us," who do you mean?

Mr. Fox. Dean Turner, Doctor Brossard and myself.

Senator DENEEN. Who had the responsibility for preparing that tentative report?

Mr. Fox. The responsibility was that of my chief, Dean Turner.

Senator DENEEN. Did you say Dean Turner?

Mr. Fox. Yes, sir.

Senator DENEEN. Weren't you and Doctor Brossard called in simply to furnish information from your investigations to Dean Turner?

Mr. Fox. I could not speak at all for Doctor Brossard, but I was not.

Senator DENEEN. Did Doctor Brossard have anything to do with investigating the cost of production of sugar outside of continental United States?

Mr. Fox. No, sir.

Senator DENEEN. Or did he furnish any guesses or views in regard to the cost of sugar in continental United States or elsewhere?

Mr. Fox. Called upon by whom do you mean?

Senator DENEEN. By Doctor Turner.

Mr. Fox. No; and because of the fact that we were using as the basis of our draft the large volume of substantive data obtained by the commission through all of its experts.

Senator DENEEN. You have been here with the majority of the committee and furnishing information in the preparation of this tariff bill, have you not?

Mr. Fox. Yes, sir.

Senator DENEEN. Did you and Doctor Brossard act in the same way in relation to Dean Turner as both of you did here, or you did, rather, in helping us with information?

Mr. Fox. Yes and no—yes in the sense that we were all familiar with the subject; no in the sense that one of the conditions upon which Dean Turner took the drafting of the report was that I would collaborate with him in it.

Senator DENEEN. It was in furnishing information chiefly, wasn't it?

Mr. Fox. That was not my understanding.

Senator DENEEN. Were you to prepare the report or was Dean Turner to do it?

Mr. Fox. Both of us.

Senator DENEEN. Who was to be responsible for it to the two tariff commissioners, you or Dean Turner?

Mr. Fox. Well, Dean Turner was the chief of division, so I suppose the responsibility was his, but—

Senator DENEEN (interposing). Did you sign it when it was reported out?

Mr. Fox. No one signed it.

Senator DENEEN. Who handed it to the tariff commissioners, you or he?

Mr. Fox. Dean Turner.

Senator DENEEN. As his report, or a joint report by you or him?

Mr. Fox. As a joint report.

Senator DENEEN. Was it a joint report of the three of you, or a joint report of just you and Dean Turner?

Mr. Fox. It was a report of the three of us, I suppose.

Senator HARRISON. Of what three?

Mr. Fox. Of Dean Turner, Doctor Brossard, and myself.

Senator DENEEN. Did Doctor Brossard have anything to do but furnish information as requested from his investigations?

Mr. Fox. Well, we all volunteered when we got to a point where we could not overcome a certain obstacle; we all tried a hand to see if we could not suggest an idea that would fit in, a word that would express the situation.

Senator DENEEN. But no more than furnishing the information which he had.

Mr. Fox. No more.

Senator LA FOLLETTE. The fact is that the three of you, as to this report when it became necessary to send a report to the President, and your testimony before the select committee shows it, and I ask you now if you have any reason to change it; that the three of you organized to get out a draft of this report for Messrs. Marvin and Burgess, and the three of you did collaborate in getting out that report, and that you were so pressed for time I think you testified that on one occasion you stayed there all night in order to get it out.

Mr. Fox. That is right; and Dean Turner and Doctor Brossard stayed until 3 o'clock in the morning. I stayed all night in order that it might be ready the next morning to go ahead.

Senator SIMMONS. After Dean Turner left that night at 3 o'clock, and Doctor Brossard was not there, you went on preparing it?

Mr. Fox. Yes; getting the material ready for the next morning.

Senator SIMMONS. Was Doctor Brossard present when you presented that material you had prepared after 3 o'clock the next morning?

Mr. Fox. No, sir.

Senator DENEEN. Did the report represent your views?

Mr. Fox. It certainly did.

Senator SHORTRIDGE. What was that?

Senator DENEEN. I asked him if the report represented his views and he said it did. I had understood that it did not.

Mr. Fox. No; the minority report represented fully my views. The reason I was willing to collaborate with Dean Turner in the preparation of it was that I was not satisfied with the use of the basic data in the matter which I have referred to time and again as the majority report, as one of the reports.

Senator HARRISON. Following the testimony given by Doctor Brossard before the select committee in regard to the report, did he ever ask you if the files showed his connection with the sugar report?

Mr. Fox. I do not recall.

Senator HARRISON. Let me call your attention to page 1061 of the hearing of the select committee on investigation of the Tariff Commission, where you in your memorandum said:

Doctor Brossard asked if there was anything in our files on sugar that showed his connection with the report, whereupon I told him that he could look over the files.

Is that correct?

Mr. Fox. I suppose so. I do not recall it now, because this was many years back. That is one reason why I kept this memorandum.

Senator WALSH. I was just going to ask you about that. You said in the early part of your testimony that you kept some memoranda which it was not your custom to do.

Mr. Fox. No; I never do.

Senator WALSH. Was there something unusual surrounding those meetings which led you to keep memoranda?

Mr. Fox. Not unusual about the meetings; no.

Senator WALSH. Then why did you do it?

Mr. Fox. I have been employed by the New York Central and other large institutions, but I have never been employed by any institution, prior to a governmental institution, where the atmosphere was so surcharged with charges and countercharges as in the case of the preparation of the sugar report.

Senator WALSH. You then saw the possibility of the necessity for an investigation of the subject?

Mr. Fox. No; I did not.

Senator LA FOLLETTE. These contemporary memoranda made by you were made after the sugar report and while this select committee was investigating the Tariff Commission.

Mr. Fox. That is true, and that same atmosphere prevailed for some period afterwards. In other words, the atmosphere did not clear up just as soon as the report was submitted.

Senator BARKLEY. You made memoranda to fortify yourself against what might happen in event it came up in the future and involved a dispute?

Mr. Fox. I suppose so.

Senator WALSH. What did you think might happen in the future and which made you think memoranda might be valuable?

Mr. Fox. I suppose the inquiry as to what the facts really were.

Senator WALSH. Did it then dawn upon you that there might be some question raised in the future as to the extent to which you had participated in the shaping of this report?

Mr. Fox. Well, no.

Senator GEORGE. Let me ask you right there. Perhaps it is a little confusing. After Doctor Brossard had testified before the select committee concerning his connection with the preparation of the report, and your conversations with him occurred, you then made your memoranda as I understand it?

Mr. Fox. That is right.

Senator GEORGE. You made no memoranda until after Doctor Brossard had testified before the select committee?

Senator BINGHAM. The memoranda was not made at the time that the sugar report was made?

Mr. Fox. No.

Senator GEORGE. It was made after Doctor Brossard had testified that he had had very little if anything to do with the report, and he talked it over with you, and your recollection of it was different from his, that he thought he had very little to do with it, and you reminded him that he had had a great deal to do with it, and naturally as he was your superior you wanted to be sure that your recollection of it, if it was ever called in question in the future, would be a contemporary memorandum, and you wrote it down.

Mr. Fox. Yes, sir.

Senator GEORGE. And inasmuch as your recollection and his recollection were different, you did not want to discuss it with him?

Mr. Fox. No, sir.

Senator GEORGE. You say he had a different recollection from that which you had?

Mr. Fox. Yes, sir.

Senator SIMMONS. At the time you made that memoranda was when you testified?

Mr. Fox. Oh, no. I did not testify until a considerable time after that.

Senator SIMMONS. Had you been notified you would be called to testify?

Mr. Fox. Oh, no.

Senator SIMMONS. Did you then have any reason to believe you would be called on?

Mr. Fox. No; I did not. I had never appeared before a congressional committee before that time and had no reason to think I would be called.

Senator SIMMONS. You had not appeared before that select committee at all at that time?

Mr. Fox. No, sir; but I did later.

Senator SIMMONS. That is what I thought.

Mr. Fox. It was much later though. I said I had never appeared before a committee before that time.

Senator SIMMONS. But what happened in reference to this little incident between you and Doctor Brossard, did that create in your

mind a suspicion or an impression that Doctor Brossard was anxious when you did testify and if you should testify, that he sound you out and see if your testimony would confirm his, and if not try to reconcile your testimony with his?

Mr. Fox. That might have been present. I don't know.

Senator SIMMONS. What was that?

Mr. Fox. I say that might have been so.

Senator SIMMONS. Your answer is that that might have been so?

Mr. Fox. Yes.

Senator SHORTRIDGE. What might have been so?

Mr. Fox. The question the Senator is asking me is one for an interpretation of what Doctor Brossard had in his mind. Doctor Brossard may have been anxious, and I think he was, that if I were called that our testimony would be reconciled.

Senator SHORTRIDGE. That your testimony agree with his?

The CHAIRMAN. This is what you said:

I have never interpreted that conversation as an attempt on Doctor Brossard's part to reach an agreement. I had no such proposition in mind.

Mr. Fox. Yes; but the Senator says, "Do you think Doctor Brossard was anxious?"

Senator SIMMONS. No. I asked him if the conversation he had made an impression on his mind, that is, a strong suspicion on his mind, that Doctor Brossard was anxious to sound him out and ascertain what, if he were called to testify, what he would testify to, and then try to reconcile his testimony with Doctor Brossard's testimony.

Mr. Fox. Yes; I think he was anxious, and he was anxious to sound me out.

Senator SIMMONS. You think he was anxious to sound you out?

Mr. Fox. Yes, sir.

Senator SIMMONS. The reason for his anxiety to sound you out was to bring about a reconciliation of your subsequent testimony to his testimony already given?

Mr. Fox. As to that I am not sure. I think Doctor Brossard knew me well enough to know that I could not be easily influenced.

Senator BINGHAM. Did you get the impression at all that he was trying to influence you?

Mr. Fox. I did not.

Senator BINGHAM. Merely that he was trying to find out what your recollection was?

Mr. Fox. That is true.

Senator BINGHAM. So that if you might be called upon he would know beforehand about what you would say?

Mr. Fox. Yes.

Senator BINGHAM. You got no impression that he was bringing pressure to bear on you when asking anything about it, such as that you were liable to lose your job or anything of that kind?

Mr. Fox. Oh, no.

Senator BINGHAM. You didn't think that he was talking along that line at all?

Mr. Fox. Oh, no.

Senator BINGHAM. Or that there was anything of that kind connected with it?

Mr. Fox. No, sir.

Senator SIMMONS. You were in point of disagreement in reference to this whole matter. Doctor Brossard was asking you with reference to your testimony as to those points of disagreement. You say you had no suspicion at the time that he was trying to see if he could not persuade you that you were wrong, and with a view to conforming your testimony to his in event that you should be called as a witness?

Mr. Fox. Well, you see the fact of the matter was that when I testified before the investigating committee, I had a very difficult time reproducing the situation. That is, before I appeared before the committee I tried to reproduce the situation in my own mind and I had a very hard time recalling it, until I got the record of our work, as we worked overtime, and the record showed it, and then a great deal of the whole thing absolutely came back. Now, in our discussions with Doctor Brossard I would go in there to talk, I will say, about vegetable oil, or gelatine, and then the subject was brought up. I did not take any pains to recall what the situation actually was, except as to these few facts that Doctor Brossard brought. My whole attitude was that I did not care to discuss it, did not care to consider it.

Senator LA FOLLETTE. The fact of the matter, however, is that your contemporary memoranda shows that Doctor Brossard argued with you about what had occurred.

Mr. Fox. Yes, sir.

Senator LA FOLLETTE. And you responded to that indicating that you could not agree with this interpretation of the situation.

Mr. Fox. That is true, with regard to those few facts which he brought up.

Senator SIMMONS. Did Doctor Brossard make any argument to you that you were mistaken in your position?

Mr. Fox. Not that I recall. But my memoranda would show that.

Senator SIMMONS. What was that?

Mr. Fox. I say not as I recall, but my memoranda would show that.

The CHAIRMAN. Did he ever ask you to change your mind?

Mr. Fox. Oh, no.

Senator SIMMONS. He never attempted in any way to induce you to make any modification in the views you then expressed to him?

Mr. Fox. Not to my recollection.

The CHAIRMAN. In all your conversations with Doctor Brossard did he ever do anything or attempt to do anything to change your mind?

Mr. Fox. Not to my recollection.

Senator WALSH. I should like to have the record show the space of time between the preparation of this report that you participated in and the date when Doctor Brossard testified here before the select committee that he had no part in the making of that report. What space of time intervened there?

Mr. Fox. Three years.

Senator SHORTRIDGE. How long?

Mr. Fox. About three years.

Senator LA FOLLETTE. The report went in in July or August, 1924, did it not?

Mr. Fox. Yes.

Senator LA FOLLETTE. And the testimony took place in 1926.

Mr. Fox. Yes; two years.

Senator SIMMONS. You mean, Senator La Follette, that Doctor Fox's testimony?

Senator LA FOLLETTE. No; I mean Doctor Brossard's testimony as to the preparation of this report. My examination of him took place in June, 1926.

Senator HARRISON. As a matter of fact, Doctor Fox, the select committee had Doctor Brossard before them and he testified that he had nothing to do with the preparation of the report. Then they adjourned. And they were about to meet again according to one of your memoranda, and that was when Mr. Brossard called you in and asked you about these facts, isn't that right?

Mr. Fox. No; I wouldn't be certain of that.

Senator LA FOLLETTE. The record shows that to be the fact.

Senator SHORTRIDGE. Why, gentlemen, suppose we would be inquired of three years now as to what is taking place here this morning. Would we all agree?

Senator HARRISON. Some of us would pretty well remember.

Senator WALSH. That depends upon the importance of the subject, or one's interest in the subject matter.

The CHAIRMAN. Yes, for instance, if some man wanted to destroy another man.

Senator CONNALLY. Mr. Fox, do you stand by your memoranda which are in the files of the committee?

Mr. Fox. Oh, yes.

Senator CONNALLY. They were of course fresher in your mind at the time you made the memoranda than they could possibly be at this time?

Mr. Fox. Oh, yes.

Senator CONNALLY. After a lapse of some six years?

Mr. Fox. Four years.

Senator SIMMONS. How long after Mr. Brossard testified was it before these conversations were had with you and the memoranda were begun?

Mr. Fox. I could not say. The dates would show that.

Senator SIMMONS. The dates of the memoranda?

Mr. Fox. The dates of the memoranda would show that.

Senator SIMMONS. Senator La Follette, could you find the date of the first conversation?

Senator WALSH. He says he made the memoranda as soon as he heard Mr. Brossard testify.

Mr. Fox. Oh, no. The memoranda was made after each conference in Doctor Brossard's office, or as soon thereafter as I could get the time the memoranda was dictated. Senator Simmons's question was how soon after Doctor Brossard's testimony were these memoranda prepared. My question is that the date of the memoranda

and the dates of the Doctor Brossard's testimony would show that. I don't recall.

Senator BINGHAM. In other words, he did not come back to his office and call you in and ask you what you were going to do?

Mr. Fox. Oh, no.

Senator BINGHAM. But some days later asked you what your recollection was, and your recollection was different from his?

Mr. Fox. In some cases.

Senator LA FOLLETTE. Doctor Brossard's original testimony concerning the question of his participation in the preparation of the so-called Marvin-Burgess report took place on July 1, 1926, and Doctor Fox's memoranda began on April 12, 1926—before Doctor Brossard's testimony. The next memorandum is July 23, 1926, which follows Doctor Brossard's testimony. The next memorandum is dated January 3, 1927, which was shortly before Doctor Fox was called before the committee, he having made his first appearance before the select committee on January 10, 1927.

Senator SIMMONS. If I get that right, the second memorandum was made almost immediately or at least a few days after Doctor Brossard testified, and the last memorandum was made a long time after that but just before he was to be examined.

Senator LA FOLLETTE. Yes; and in that memorandum Doctor Fox said that Doctor Brossard said that he had obtained an inkling from the newspapers that the hearings might start again. Now, if you will permit me I will get the date of the other memoranda.

Senator SIMMONS. Senator La Follette, might I ask you if the first memorandum was made before Doctor Brossard testified, that did not relate at all to the subject of the testimony he had?

Senator LA FOLLETTE. Just a moment. It related to this subject matter.

Senator SIMMONS. But not to Doctor Brossard's testimony?

Senator LA FOLLETTE. Oh, no.

Senator BARKLEY. Mr. Chairman, there is a bill going to be taken up on the floor of the Senate and I should like to go as soon as I can.

The CHAIRMAN. I think we can get through with Doctor Fox in a few minutes and should do that first.

Senator LA FOLLETTE. For the convenience of the Senate in considering these nominations, and while it will require considerable reprinting of several hundred pages of testimony, I think it would be more convenient for the Senate to have that reprinted right in our own testimony here, Doctor Brossard's first appearance, and then Doctor Fox's testimony, and then Doctor Brossard's rebuttal testimony, so to speak.

The CHAIRMAN. I hope that will be done.

Senator LA FOLLETTE. For the information of the committee reporter—although I may say to the members of this committee, not all of this relates to this matter, but I think in fairness no one should edit it but it should all be put in—and for that purpose I ask that that portion of the hearings of the Select Committee on Investigation of the Tariff Commission, beginning at page 935 and running to page 1187, be incorporated as a part of these hearings, at the end of our testimony.

Senator BINGHAM. Are any copies of the hearings held by the Select Committee on Investigation of the Tariff Commission available? It seems to me that this is a very unnecessary expense.

Senator LA FOLLETTE. There are some copies available, but inasmuch as all of this testimony should go together, it would be better to have it reprinted, I think.

The CHAIRMAN. I have no objection.

Senator BINGHAM. It looks like a waste of money it seems to me.

Senator SHORTRIDGE. That is the way it appears to me.

The CHAIRMAN. Without objection, that will be done. And now the committee will go into executive session.

(Whereupon, at 11.20 a. m., the hearing having been concluded, the committee went into executive session, and after a short time adjourned.)

INVESTIGATION OF THE TARIFF COMMISSION

MONDAY, JUNE 28, 1926

UNITED STATES SENATE,
SELECT COMMITTEE ON INVESTIGATION
ON THE TARIFF COMMISSION,
Washington, D. C.

The select committee met, pursuant to call, at 10 o'clock a. m., in the minority-conference room, Senate Office Building, Senator Joseph T. Robinson presiding.

Present: Senators Robinson (chairman), Wadsworth, Reed, and La Follette.

Chairman ROBINSON. The name of Mr. Brossard having been transmitted to the Senate by the President, for appointment as a member of the Tariff Commission, the chairman concluded that it would be just and proper to proceed with the investigation and at this time hear the testimony of Mr. Brossard himself.

Mr. Brossard, will you come forward and be sworn, please.

STATEMENT OF EDGAR B. BROSSARD

The witness having been duly sworn, was examined and testified as follows:

Chairman ROBINSON. Your name is Edgar B. Brossard?

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. When were you first appointed a member of the United States Tariff Commission?

Mr. BROSSARD. Do you mean when did I take the oath of office?

Chairman ROBINSON. Yes; when did you receive your commission?

Mr. BROSSARD. The commission is dated July 9, 1925. I took the oath of office July 22, 1925.

Chairman ROBINSON. Do you know why your name has not heretofore been transmitted to the Senate?

Mr. BROSSARD. I do not.

Chairman ROBINSON. Was the withholding of your name by the Executive discussed with you?

Mr. BROSSARD. No, sir.

Chairman ROBINSON. You were formerly an employee of the Tariff Commission, I believe?

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. When did you first go into the employment of the Tariff Commission?

Mr. BROSSARD. I have a statement here, Mr. Chairman, that details the entire story, and if I may be permitted to read it, it will save the time of the committee.

Chairman ROBINSON. I do not think so. I want to ask you some questions, following the same course that has been pursued with other witnesses, and then I will be glad to have your statement.

When did you first go into the employment of the commission?

Mr. BROSSARD. It was September 1, 1923. I took the oath of office at Saginaw, Mich., I think.

Chairman ROBINSON. In what capacity?

Mr. BROSSARD. As all experts are employed by the Tariff Commission, they are called "special experts." I was employed as agricultural economist, so stated, I think.

Chairman ROBINSON. In what division?

Mr. BROSSARD. The division of agricultural products and provisions. I was assigned to that division.

Chairman ROBINSON. What had been your training and experience, which you regarded as qualifying you for that service?

Mr. BROSSARD. Shall I state it, or may I read it?

Chairman ROBINSON. Well, I do not object to your reading your answer if you have it prepared.

Mr. BROSSARD. I have it here.

I was born in southern Idaho. My father was in the cattle-ranching business. I received my undergraduate college training at the Utah Agricultural College and was graduated with the bachelor of science degree in economics. After that I spent three years in graduate study, one at Cornell University, N. Y., under Dr. G. F. Warren and Prof. K. C. Livermore, and the other two at the University of Minnesota under Dr. John D. Black, Dr. George W. Dowrie, and Prof. Andrew Boss, the vice director of the agricultural experiment station.

Chairman ROBINSON. Just a minute. What were the courses that you took at Cornell?

Mr. BROSSARD. At Cornell I took three courses in farm management—graduate courses in farm cost accounting, farm organization, and farm management and the seminar course in agricultural economics. I attended graduate lectures in economic theory under Doctor Davenport and lectures on agricultural cooperation by Doctor Lauman. I also took a course in botany in the botany department. I think that is all, as I remember it. There was one other course in livestock feeds and feeding in livestock.

Chairman ROBINSON. What did the course at the University of Minnesota embrace?

Mr. BROSSARD. The principal work at the University of Minnesota was in agricultural economics and farm management. I also took graduate work, of course, in economics, the same as any other candidate for a doctor's degree in pure economics, in which there is a general course in economics; an advanced course in theory; a graduate course in the history of economic doctrines; a graduate course in money and banking; a graduate course in business administration, in which detailed cost accounts and analysis of industries are given. In the graduate course in economic theory, naturally we have to go into the theory of the old mercantilists theory and the Adam Smith theory and various books along that line; theories of value and production, alike, are all discussed. Probably 15 or 20 textbooks were reviewed—economic textbooks—as well as old writings in economics from the writings of Adam Smith down to date.

Chairman ROBINSON. After you completed these special courses which you have just described, what was your employment or business?

Mr. BROSSARD. During the time I was at the University of Minnesota I was employed as professor in agricultural economics and farm management. I acted as instructor there at the university.

Chairman ROBINSON. At the University of Minnesota?

Mr. BROSSARD. At the University of Minnesota. Subsequent to that I was employed at the Utah Agricultural College beginning September 1, 1919, as an agricultural economist, as head of the department of agricultural economics and farm management. I also had charge of all investigations in agricultural economics and farm management for the agricultural experiment station. I remained there for four years in that employment, until September 1, 1923, when I took up the work as agricultural economist with the United States Tariff Commission.

Chairman ROBINSON. Then you were employed by the Tariff Commission something like two years before you went on the commission as a member of the commission?

Mr. BROSSARD. Yes, sir. I was employed from September 1, 1923, until July 21, 1925, inclusive, as a member of the staff of the United States Tariff Commission.

Chairman ROBINSON. During the time of your employment with the commission what, in a general way, were the functions or services that you performed?

Mr. BROSSARD. I have here a list of the work which I did, which I will read with your permission.

Chairman ROBINSON. Very well.

Mr. BROSSARD. The memorandum is entitled "Work of E. B. Brossard from the time of his appointment on staff of Tariff Commission, September 1, 1923, to July 21, 1925, inclusive."

First, my appointment became effective September 1, 1923.

Second, two months, September and October, 1923, I was in the field getting sugar-beet costs of production in Michigan, Ohio, Nebraska, Colorado, and making preliminary arrangements for the sugar-beet cost survey in Utah.

Chairman ROBINSON. Had you had any connection with subject of sugar beets prior to that, or had you made any special study of it, or had any employment in connection with it?

Mr. BROSSARD. No, Senator; nothing except as an agricultural economist does with all farm products. Naturally, sugar beets, being one of the important crops of that whole western country or intermountain country, it was a crop which had, from time to time been given some consideration. In any classes in farm management where we had studied the costs of production of the various crops, we had taken up the cost of production of sugar beets along with the others, and I had my students go into the question and analyze it and attempt to use the data that had been prepared by the Agricultural Department here at Washington, and from other cost data, and estimate what our costs were.

Chairman ROBINSON. You had not had any practical experience in the production of sugar beets, I take it?

Mr. BROSSARD. Yes. As a boy, I had thinned beets and had done the whole job from beginning to end on our own farm.

Chairman ROBINSON. Tell us about that, in a general way. Do you know about the business, as a practical sugar-beet grower?

Mr. BROSSARD. Do I?

Chairman ROBINSON. Yes.

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. What had been your experience in that?

Mr. BROSSARD. Well, when I was about 15 years old I went out and thinned sugar beets for a whole group of farmers. My father grew them on his own farm. I have had the experience of preparing the land for sugar beets, sowing the beets, thinning the beets, hoeing beets, topping beets.

Chairman ROBINSON. You have done practically every phase of the work in connection with the production of sugar beets?

Mr. BROSSARD. Yes, sir; as I have with every other farm product grown, almost, except cotton and tobacco, which were not grown in that western country. I have had the same experience with wheat, with cattle, horses, and livestock. I was raised on a farm, Senator.

Chairman ROBINSON. Very well. Go ahead.

Mr. BROSSARD. Third: November 1, 1923, I was put in charge of the sugar-beet investigation and was called to Washington, D. C. I had charge of the sugar-beet calculations and tabulations and economic analysis of the sugar-beet data and preparation of the reports on the costs of production of sugar beets. This was my principal work from November 1, 1923, to July 21, 1925, when I became a member of the Tariff Commission.

This was not all of the work done, however, during this period.

Fourth. In December, 1923, and January and February, 1924, I worked on the wheat investigation and took part in the discussion of the problems involved in the final report to the President in the wheat investigation.

Fifth. June, 1924, I devoted one week to the preparation of the butter schedule and discussion of the factors that were involved in the butter investigation and participated in the advisory board discussions of the problems in the butter investigation.

Sixth. In February and March, 1925, by request of the advisory board and the agricultural division, I reviewed both the foreign and domestic reports on the cost of production of butterfat and checked the figures in some of the tables of those reports. I also assisted in the preparation of statistical tables for the domestic costs of production of Swiss cheese, and reviewed the report of the agricultural division on the foreign costs of production of Swiss cheese.

Seventh. In April and May, 1925, I reviewed the report of the agricultural division submitted to the advisory board on the cattle industry of the United States and Canada, and attended the meetings of the advisory board and took part in the discussions of the problems involved in this report.

I also assisted in the revision of the report before final publication.

Eighth. In July, 1925, I was assigned, with the acting chief of the agricultural division, to prepare a report to the commission in form to be submitted to the President of the United States, setting forth the facts ascertained in butter investigations. This assignment was not completed at the time I was appointed as a member of the Tariff Commission.

As shown by this statement, I have participated actively, and I may say with considerable authority I think, in five investigations of the Tariff Commission; five reports.

Chairman ROBINSON. In that connection you say you were in charge of the sugar-beet investigation for about two years?

Mr. BROSSARD. Yes. Almost two years.

Chairman ROBINSON. At what salary did you commence work with the commission?

Mr. BROSSARD. When I began work I was given \$3,350 a year and traveling expenses and \$4 per diem.

Chairman ROBINSON. Were you receiving that same salary while in charge of the sugar-beet investigation?

Mr. BROSSARD. When I came to Washington I was voted an increase in salary, by the unanimous vote of the Tariff Commission, on January 19, 1924, to be effective January 1, 1924, to \$4,000 per year, and subsequently was voted another increase in salary of \$400 a year.

My first appointment was a temporary appointment for three months only. At the end of that first temporary appointment I was given a six months' extension, by unanimous vote of the commission, and at the end of that six months' extension I was offered, by unanimous vote of the commission also, as shown by the records, a permanent position on the staff of the Tariff Commission.

I have the dates of those appointments and the changes here.

Chairman ROBINSON. I do not know that the exact dates are material. You may state them, however.

Mr. BROSSARD. It will make them easy to find if anyone wants to look them up in the record.

Chairman ROBINSON. Very well.

Mr. BROSSARD. On November 16, 1923, by unanimous vote of the commission, my employment was extended for six months.

On January 19, 1924, by unanimous vote of the commission, my salary was increased to \$4,000 per year, effective January 1, 1924.

On June 16, 1925, I was transferred to the economics division at a salary of \$4,400 per year.

Chairman ROBINSON. You say that vote was unanimous?

Mr. BROSSARD. Yes, sir; all but the last one. The last vote, when I was transferred to the economics division, Mr. Costigan voted in the negative.

Chairman ROBINSON. Did you apply for employment with the commission, or were you invited to join the staff, do you remember?

Mr. BROSSARD. Well, I have here a detailed account of just exactly how I came to be employed by the Tariff Commission. May I read what I have here?

Chairman ROBINSON. Yes. You may, or you can state it.

Mr. BROSSARD. It will save your time if I go straight ahead with it.

Chairman ROBINSON. All right. You may proceed.

Mr. BROSSARD. For two years, from September 1, 1923, to July 21, 1925, I was employed as agricultural economist on the staff of the United States Tariff Commission. My employment by the Tariff Commission was brought about as follows:

On February 21, 1923, the Tariff Commission, over the signature of its secretary, John F. Bethune, offered me a position as agricul-

tural economist on the staff of the Tariff Commission to assist in the raw wool investigation that was then anticipated and for which plans were being made by the commission. The following quotation from that letter shows the kind of investigation the commission expected to make and the fact that the commission wanted my services because they considered me a "qualified specialist":

The Tariff Commission has under consideration an investigation of the wool-growing industry in the United States and to competing foreign countries, which will be supplementary to our former studies. We desire to obtain the temporary assistance of a number of qualified specialists. The chief part of the work will consist of the collection in the field of costs of production and other competitive data in the woolgrowing industry of the Western States of the United States and in certain foreign countries.

It has been suggested to the commission that you might be interested in cooperating with it in this important undertaking. It would afford you not only an opportunity to extend your acquaintance with the woolgrowing industry, but also an opportunity to render a public service. A part of the work will be in Australia and Argentina. This foreign investigation will extend over a period of six or seven months.

This letter was written almost six months before the sugar-beet investigation was ordered by the commission on August 7, 1923, and more than six months before I entered the employ of the Tariff Commission. This fact should be noted because of testimony given by a former witness before this committee in which an attempt was made to imply how I came to be employed by the Tariff Commission.

In February when I received that first letter from the commission I was engaged in teaching and research work at the agricultural college and declined the offer. Six months later, however, when I had completed my contract at the college and was on leave of absence for the year, which had been granted me in June by vote of the board of trustees to begin September 1, I received a second offer to join the staff of the Tariff Commission for three months and accepted this offer September 1, 1923, after the following correspondence had taken place between the Tariff Commission and President Peterson, of the State agricultural college.

I wish to give that correspondence.

On August 21, 1923, the following night letter was received from the United States Tariff Commission by Dr. Elmer G. Peterson, president Utah Agricultural College:

The Tariff Commission will begin in Michigan on September 4 field work on an investigation of the cost of producing sugar beets. It desires to add to a field force of about 12 men at least one investigator familiar with Utah conditions and experienced in obtaining sugar-beet costs. Could your college or experiment station, if requested, detail such an investigator for two or three months for use in all the producing sections so as to insure uniformity of method? We should, of course, continue his present compensation plus traveling expenses and \$4 per diem. Your cooperation will be appreciated. Please wire reply and state compensation and name of expert available.

In reply to the commission's night letter of August 21, on August 22, 1923, President Peterson sent a telegram to the United States Tariff Commission, Washington, D. C. from which the following is quoted:

Edgar B. Brossard, professor of agricultural economics, available for cost of production work on sugar beets in Michigan. He is on leave of absence beginning September 1, for special research work at Harvard.

ELMER G. PETERSON, *President,*

I might state right here that when this telegram came to the Utah Agricultural College I was just preparing to go East. This came on August 21, and I was going to leave September 1 for the East. President Peterson called me into his office and showed me this telegram and asked me what I thought about it; if I wanted to go. I said, "Well, I had my plans all made to go to Harvard, but this sounds like as good an investigation as anything at Harvard University or any place else. It looks to me like an opportunity to do a piece of research work, the very thing I was going to Harvard to do."

Chairman ROBINSON. What were you going to do at Harvard?

Mr. BROSSARD. I had expected to make some special studies in foreign trade.

Chairman ROBINSON. Proceed.

Mr. BROSSARD. So, when he handed me the telegram, I took the telegram home and talked it over with my wife; and we said, "Well, I guess we will take it for three months anyway." We went back and told President Peterson the next morning, and he sent that telegram.

On August 23 President Peterson received the following telegram from the United States Tariff Commission—by the way, these telegrams are all of record in the Tariff Commission's files; I simply borrowed the files and made these copies of them:

Appointment of Brossard warranted only if available for three months' field work in Michigan, Colorado, Utah, and California. Your telegram indicates availability only for Michigan.

TARIFF COMMISSION.

The same day, August, 23, 1923, at 11 p. m., President Peterson sent the following telegram in reply to the commission's wire of that date:

Doctor Brossard available for three months' field work, as outlined in your wire even date. He will await your instruction.

ELMER G. PETERSON.

On August 25, 1923, the following telegram was sent by the Tariff Commission to President Peterson:

In accordance with your telegram, please instruct Doctor Brossard to report to P. W. Bidwell on September 3, Saginaw, Mich., Bancroft Hotel, for work on sugar-beet costs.

On August 27 the following telegram was mailed by the United States Tariff Commission confirming telegram of August 25, 1923:

Dr. ELMER G. PETERSON,
*President Utah Agricultural Experiment Station,
Logan Utah.*

DEAR DOCTOR PETERSON: We confirm our telegram of August 24. In accordance with your telegram, please instruct Doctor Brossard to report to P. W. Bidwell on September 3, Saginaw, Mich., Bancroft Hotel, for work on sugar-beet costs.

It is anticipated that Doctor Brossard's knowledge of Utah conditions and experience in beet-cost work will be of substantial aid, and we thank you for your helpful cooperation.

The two field crews, comprising 10 or 12 men, should be in Utah by early October, and we shall then ask the privilege of consulting you and your extension officials regarding local problems, areas to be visited, representative farms, etc. In particular we should like to have the cooperation of county or local agents in assembling growers at central points. If costs records can be so obtained, a larger number of Utah figures will be available and the work

expedited. An expert of the commission will precede the crews to make such arrangements.

Please be assured of our appreciation of your helpful cooperation.

Very truly yours,

UNITED STATES TARIFF COMMISSION,
By JOHN F. BETHUNE, *Secretary*.

I took the oath of office before Winfred L. Case, notary public, Saginaw, Mich., and entered on duty September 1, 1923.

After working for a little over one and one-half months on the investigation of the costs of production of sugar beets in Michigan, Ohio, Nebraska, and Colorado I received the following letter from the Tariff Commission:

OCTOBER 19, 1923.

Mr. E. B. BROSSARD,
General Delivery, Greeley, Colo.

DEAR MR. BROSSARD: In connection with our report on sugar-beet costs, we are planning to publish a general survey of the industry in the United States. We hope to present a well-rounded view of economic conditions, with particular attention to the labor competition and the place occupied by the sugar-beet crop in the agricultural economy of each producing region.

We shall be glad to have your assistance in the preparation of this report. Can you arrange to come to Washington at once and begin this work?

It may not be possible to complete such a study in the six weeks remaining before your appointment expires. However, if you would like the job, we shall be glad to have your period of employment extended for one month or longer if necessary.

With best personal regards,
Yours sincerely,

P. W. BIDWELL,
Economist, Agricultural Products and Provisions.

I may say that this was two months or a month and a half after I had been working for the Tariff Commission, and I had been in cooperation with the other 12 or 13 field men who had started out in this investigation, in charge of the investigation, and after two months I was selected to come into the office to make that report.

Upon further communication with the commission, arrangements were made for me to come to Washington to assist in the preparation of the report on the costs of production of sugar beets in the United States. I arrived in Washington November 1, 1923.

It will be noted that the original appointment was for three months only.

I have given the rest of that. I give here, then, a recital of what happened, my appointment, the extension of my period for six months by unanimous vote of the commission, and then the permanent employment.

Chairman ROBINSON. By what authority were you placed in charge of the sugar-beet investigation and how long had you been with the commission when that was done?

Mr. BROSSARD. It was three months after the investigation had been started. The investigation into the cost of production of sugar beets was ordered by the commission August 7, 1923. I was in charge of the sugar-beet investigation from November 1, 1923, or almost three months after the beginning of the investigation.

Chairman ROBINSON. You were placed in charge of it by the commission?

Mr. BROSSARD. Well, I was assigned in charge of it by the chief of the agricultural division and I just took the assignment. I do not

know. I never looked to see whether the commission actually confirmed that assignment or not, but the commission recognized the appointment.

On page 406 of the published minutes of the commission, at a commission meeting held October 24, 1924, Mr. Costigan made a motion which recognizes that I was put in charge of the sugar-beet investigation. I would like to read a part of that at least. The second paragraph reads as follows:

Moved further that Doctor Brossard, who has been in charge of the investigation of the costs of growing sugar beets, is hereby instructed to prepare for the sugar division such of the material requested—

And so on.

Chairman ROBINSON. Did you reorganize the service after you took charge of it, in respect to the sugar-beet investigation, or did the same service proceed as was in progress before you went in charge of it?

Mr. BROSSARD. The plans had been made prior to my appointment by the Tariff Commission.

Chairman ROBINSON. Who was in charge of it before you superceded him?

Mr. BROSSARD. The direct charge of the investigation was in the hands, I think, of Dr. P. W. Bidwell, with whom I had my office thereafter, and, when the wheat investigation was undertaken, he and I talked the matter over, and he said "Which one do you want to take? Do you want to take the wheat or the sugar beets?" I said "It does not make a bit of difference to me. You take your choice." We were both agricultural economists on the staff of the commission. He said, "Well, I will take wheat. You know more about the sugar beets than I do."

Chairman ROBINSON. So you assigned each other?

Mr. BROSSARD. We assigned each other, in a way.

Senator REED. And did you take charge of sugar after that?

Mr. BROSSARD. Not sugar. It was sugar beets. I want to make that distinction and also that this investigation of the cost of production of sugar beets is an agricultural investigation and was made under the general powers of the commission, and was not made at all under section 315 or with a view to a change in the duty and was an entirely distinct investigation from the sugar investigation, which was made under section 315.

Chairman ROBINSON. What was the object of the sugar-beet investigation?

Mr. BROSSARD. Well, I have never been quite able to get from the commission exactly what the purpose of this investigation was, even though I was in charge of it.

Chairman ROBINSON. What were you trying to do? What was the investigation to accomplish?

Mr. BROSSARD. The investigation was made under the general powers, which, of course, gives the commission authority to make these general investigations and report to Congress.

CHAIRMAN. The investigation of sugar beets had no relationship, then, to section 315?

Mr. BROSSARD. Not at all, as I understand it.

Chairman ROBINSON. It was an investigation under the general powers conferred in the act of 1916?

Mr. BROSSARD. Yes, sir.

Senator REED. Was it of any assistance in the subsequent sugar investigation?

Mr. BROSSARD. It was, and if I might be permitted to continue my story in a chronological way, I will show just exactly what relationship this developed.

Chairman ROBINSON. Well, we will come to that directly. It is necessary to ask you some question as you go along.

Mr. BROSSARD. I do not object at all. I want to be sure it goes in straight.

Chairman ROBINSON. Did you have any written instructions when you were placed in charge of the sugar investigation?

Mr. BROSSARD. I was not placed in charge of the sugar investigation. It was the sugar-beet investigation.

Chairman ROBINSON. Well, I meant sugar beets.

Mr. BROSSARD. You mean, was I given written instructions?

Chairman ROBINSON. Yes. Were you given any instructions, either written or verbal?

Mr. BROSSARD. Well, I will have to understand the question.

Chairman ROBINSON. You say you do not know what the purpose of the sugar-beet investigation was. In order to find out what the purpose of it was I asked you if you were given any instructions as to what you were to do or what the object of the investigation was to be or what was to be accomplished.

Mr. BROSSARD. Senator, I understood that the investigation was made for the purpose of learning about the sugar industry in general, and the cost of production of sugar beets, and I thought all the time, although I never got confirmation of it, that it was made to study the costs of production of sugar beets and to compare that cost with the price paid to the farmer for the sugar beets by the factories in order to see whether the farmers were being paid a fair price, and for comparison. If they had been very greatly out of line—there might have been some argument for a substitution of the costs of production for the prices paid by the factories to the farmers for sugar beets.

Chairman ROBINSON. Was there a resolution of the Tariff Commission respecting the sugar-beet investigation when it was ordered?

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. Did the resolution not show what it was for?

Mr. BROSSARD. It said "Under the general powers of the commission." I may read that.

Chairman ROBINSON. Well, I am asking you. If you have read it you can state. I do not care about encumbering the record with it.

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. It was just an instruction to make an investigation under the general powers of the commission?

Mr. BROSSARD. That is as I remember it.

Chairman ROBINSON. Well, how was the investigation conducted?

Mr. BROSSARD. As is usual with all farm-cost surveys—there had been by the way a number of applications received for this investigation. On December 19, 1922, two months after the tariff act of 1922 became effective, the Mountain States Beet Growers' Association, representing the sugar-beet producers of Colorado, Montana,

Nebraska, and Wyoming made formal request to the Tariff Commission for an investigation of the cost, returns, and economic conditions in the sugar-beet industry. Their request was vigorously supported by the sugar-beet producers of other States.

Because of the significance—I am reading from one of the sugar beet reports, and this is what was put in the report:

Because of the significance of sugar-beet production in the sugar industry of the United States, the commission on August 7, 1923 voted: That an investigation under the general powers of the commission is hereby instituted on the cost of production of sugar beets; that the cooperation of the Department of Agriculture in such investigation is invited; and that the advisory board be directed to draft a plan for the conduct of the investigation, if practicable, in conjunction with the Department of Agriculture.

In accordance with this action, the advisory board submitted plans for the investigation which were approved by the commission on August 14, 1923, and this report represents in part the results of that investigation. [Reading:]

The direct field investigation of farm costs was begun on September 4, 1923, at Owosso, Mich., and was completed at Santa Ana, Calif., four months later, January 4, 1924.

Chairman ROBINSON. Now, after that, can you state what was the plan which the commission adopted?

Mr. BROSSARD. Yes, sir. It was as follows, as well as I can state it:

The plan was to have two crews of about six men each go into the field with the cost schedules, a copy of which may be found in the appendix to the sugar-beet reports, pages 87 to 96, inclusive, to go to the farms which produced sugar beets in nine States, to ascertain from those farmers their costs of production on this schedule. This is what we call the survey method of ascertaining farm costs.

The States selected for the investigation were Michigan, Ohio, Nebraska, Colorado, Wyoming, Montana, Utah, Idaho, and California—nine States. The reason these nine States were selected was because they were the largest producers of sugar beets. They produced, as I remember it, something like 94 per cent of the total sugar-beet crop of this country.

In these States, areas of production were selected to get a representative sample of the beet growers of the State. In the States where there were a great many beet growers, having a large acreage of sugar beets, like Michigan, something like 475 farm survey records were taken. In a State like Colorado I think over 500 records were taken. In Utah 478 records, I think, were taken, and in other States records were taken in accordance with their total production in order to get a representative sample.

The local areas, of course, were selected largely around the sugar factories, because that is where the sugar beets were grown in rather extensive and important producing sections.

In this investigation, as in all other agricultural investigations, the same plan was followed. The same plan was followed in the wheat investigation. The same plan exactly was followed in the butter investigation and in the Swiss-cheese investigation. The same plan is now being made and will be followed in the cottonseed investigation, in the peanut investigation, in the soya-bean investi-

gation. We are working on the same plan, the same method of determining and ascertaining costs of producing farm products. It is the only practical method, Mr. Chairman, that there is for ascertaining farm costs, because farmers do not keep detailed cost accounts, and on that account this is the only method by which the farm costs can be ascertained. Otherwise, if we did not use this method, the farmers would be denied any relief whatsoever under section 315 of the tariff act of 1922.

There has been some criticism of this method of ascertaining farm costs. No one, I think, believes that it is perfect. No method of ascertaining farm costs or any other costs of production is perfect. No one claims that it is perfect, but this is the practicable and accepted method used largely by the Department of Agriculture and by the agricultural experiment stations throughout the entire country, and agricultural economists who are interested in developing a method have used it throughout and accepted it and put their O. K. on it. Experiments by the Department of Agriculture show that the error involved, when this method is properly applied, is less than 1 per cent.

Senator REED. What is the accepted method of treatment of the value of the labor of the farm owner himself?

Mr. BROSSARD. In that, there have been various methods suggested.

Senator REED. What method do you follow?

Mr. BROSSARD. In this investigation we used the following method: We took the wages of the farm labor that were actually paid, in some instances, on the individual farms, where the farmer had a hired man. Suppose he paid him \$40 a month, we allowed the farm owner, if he did the work on the beets, that same wage, or \$40 a month, not allowing him anything additional at all for his supervision or his management or his extra or longer hours, but simply allowing him the workman's wage. That is the method by which the wage was determined for the owner.

The labor of grown children or young men who were at home was prorated on the basis of that wage paid to the hired labor. There has been some criticism of this method of valuating labor, saying that the wages are jacked up because the farmers do not get that much for it; because they are willing to work for less; but, in all fairness, I think that wage has been accepted by all agricultural economists, and it is so stated in these reports.

Senator REED. Did you make no allowance for the other advantages given to hired labor, besides money paid?

Mr. BROSSARD. Oh, yes. We took an evaluation of the other advantages, which we called perquisites. Suppose the hired farm labor, for example, was given \$40 a month and a house to live in; of course, the value of the rent of the house was added to that wage. The same with the rent of the garden spot or anything he might have gotten. It was evaluated at the basis of its value at the farm and added to the wage as part of the wage. But, of course, there are two ways of figuring this. They are given in the United States Department of Agriculture yearbooks. The wages are given with these perquisites, or with this food, laundry, and shelter, and they are given also without food, laundry, and shelter. Naturally, when you include food, laundry, and shelter on some of the farms, because it is actually paid for, you have to make them comparable, and in-

clude the value of the food, laundry, and shelter on the other farms, if provided.

Senator REED. I did not mean to get you off the track.

Mr. BROSSARD. I am glad to answer the question.

Chairman ROBINSON. In that connection, how do you deal with the labor of children, and the members of the family of the farmer? I take it there are many instances where they work in the production of the beets. How do you treat that labor?

Mr. BROSSARD. Of course, there are a lot of farm operations in the production of sugar beets which children from 12 years of age up can do without any injury to themselves, and it is very healthful and wholesome for them, and people out in the West encourage the growing of sugar beets to provide employment for those children during the summer time.

Chairman ROBINSON. Do you, in estimating these costs, take that into consideration?

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. What allowance do you make?

Mr. BROSSARD. We do it in this way, Senator: There is a wage paid for a boy of 15. They will pay him, say, 75 cents a day in the thinning of beets. Where there is such a wage as that, and a farmer has a boy himself 15 years of age doing the same kind of work that the other boy is doing who is paid 75 cents, we allow the farmer's boy 75 cents a day. That is the way that wage is determined for all children where there is a comparable age of that kind.

Chairman ROBINSON. How do you ascertain the length of time devoted to the production?

Mr. BROSSARD. We have in our cost schedules——

Chairman ROBINSON. Do you take the actual number of days worked?

Mr. BROSSARD. We take the actual hours. We get the hours.

Chairman ROBINSON. You get the hours?

Mr. BROSSARD. We get the hours worked. We go to each individual farmer and allocate the time specifically by operations.

Chairman ROBINSON. They do not keep a record of that, do they?

Mr. BROSSARD. No; but any farmer in the United States can tell you within 30 or 40 minutes almost the time it takes to perform these operations on their individual enterprises. He knows it because he has done it a hundred times. Every one of them knows it.

Chairman ROBINSON. As a rule, do they keep any records?

Mr. BROSSARD. In the production of sugar beets, there are a great many records that are kept. There are more records kept in connection with sugar beets, perhaps, than a number of other investigations, because of the fact that the contract labor, which is, perhaps, 60 per cent of the total labor cost, is paid a certain fixed amount. You can get the contracts. They are all available. They are all available, and, of course, in getting these farm-costs records in the sugar-beet investigation, we checked all of our data right off the contracts. The farmers would produce the contracts.

Then, of the other labor, the direct hired labor, we have already spoken. The acreage is measured accurately by the engineers of the sugar company and checked by the farmer. They go along together and measure the fields. The yield is accurately measured, because

the beets are weighed in, and the farmer gets paid for a certain tonnage. We check that with the factory.

The amount of return is a matter of absolute accuracy. The farmer usually has his amount received, and he has statements from the mill all the time, so that we check that accurately with the mills.

Chairman ROBINSON. In that investigation when you wish to ascertain the cost of production with respect to a particular farm, what would you take into consideration besides the wages for labor?

Mr. BROSSARD. In this investigation, our costs of production have been distributed as follows: I am now reading from Table 15, page 34, of the Report on the Cost of Production of Sugar Beets in Michigan, as illustrative. We have the labor cost divided into "machine operations and indirect labor"; "contract labor," which is what I just spoke about; and then there are "horse-labor costs."

Chairman ROBINSON. How do you arrive at that?

Mr. BROSSARD. The horse-labor costs in this investigation were ascertained by a separate investigation of the cost of horse labor. At the same time we were in the field getting the cost of production of sugar beets, we had additional blanks, additional schedules made up for the ascertainment of the costs of horse labor, and from a great many of the same farmers from whom we obtained the data on the cost of production of sugar beets, we obtained also the cost of production of horse labor. In that, we got the cost of feed, the cost of labor put on the horse, the cost of shelter, and all other items and then allocated that cost on the basis of the total time the horse was employed, so that all overhead was apportioned.

Chairman ROBINSON. What would that amount to, by way of illustration, for a horse during the sugar-beet season?

Mr. BROSSARD. The total time?

Chairman ROBINSON. No. The total cost for the horse.

Mr. BROSSARD. Well, it was not allocated on that basis.

Chairman ROBINSON. How was it allocated?

Mr. BROSSARD. We took the total time the horse was employed on the farm during the year, and divided the total cost by the total hours employed, the total hours that the horse worked on the place. That gave us the rate per hour.

Chairman ROBINSON. What was the rate per hour?

Mr. BROSSARD. The rate per hour in Michigan was 13.2 cents in 1921; 15.4 cents in 1922; 18.2 cents in 1923; 15.4 cents for the three-year average, per hour. That rate included the indirect horse costs and the direct horse costs. The indirect, naturally, were prorated in the hours.

Chairman ROBINSON. Well, what would be the cost of the use of a horse in growing sugar beets for a season? What I am trying to get at is the practical result of each cost investigation with respect to horse labor. How much would you allow for a season of production for a horse? Fifteen cents an hour if we worked a good many hours, would make a considerable amount?

Mr. BROSSARD. Well, I can figure it per acre. The hours of direct and indirect, the average for the three years was 86.2 hours. Multiply 15.4 by 86.2 and you will get the cost of horse labor, which would be about \$12.90 or \$13 an acre.

Chairman ROBINSON. Go ahead. What other elements? Just state them.

Mr. BROSSARD. Then come the tractor and labor operations. Of course, where horses were not used, tractors were used, and we had to get the cost of the tractors.

Then, the seed cost, which is a matter of record also. We can get that right off the contracts definitely.

Commercial fertilizer: Of course, the farmers pay cash for that, and they know exactly what that costs them.

Minor direct costs: Equipment, repairs, depreciation, and shelter.

Irrigation costs: That is the cost of water and the application of the water.

Chairman ROBINSON. Well, you get that from the records?

Mr. BROSSARD. We get most of that from the records. Nearly all of it.

Taxes: We get the taxes from the farmers themselves, and very frequently they would go to a shelf or behind the clock or some place and get down a tax receipt and hand it to us, and we would put that on the record. Then, after that, we checked it at the courthouse with the records in the courthouse in all cases.

Then, minor general costs.

The gross costs include the capital charges and are given in this report.

Then, credits were subtracted for the sale of beet tops or when the fields were pastured. There is an aftermath on the fields, and sometimes lambs are turned in on those fields, and they have a sale value in the fall. A sheepman will come up and pay a certain definite price, say, \$3 an acre, or something like that, for pasturing that aftermath. That, of course, was credited and subtracted from the costs of producing the sugar beets. That gave us the net costs, excluding capital charges.

Then we determined the capital charges, which were divided into a charge for the use of land, and the interest at 6 per cent on the other capital employed in sugar-beet production, such as horses, machinery, and so forth.

Chairman ROBINSON. What was the average charge for the use of land in the State of Michigan?

Mr. BROSSARD. The average charge for the use of land in the State of Michigan was \$9.31.

Senator REED. That is per acre per year?

Mr. BROSSARD. Per acre per year.

Chairman ROBINSON. What was it in Utah?

Mr. BROSSARD. The land charge in Utah was, on an average for the three years, \$15.48 and their interest charge \$2.31.

Chairman ROBINSON. How did that charge for the use of land compare with Nebraska or Colorado?

Mr. BROSSARD. In Colorado land was charged at \$14.23, on the average for the three years, for all areas investigated and \$1.77 interest at 6 per cent on their capital.

Chairman ROBINSON. How did you arrive at the land charge?

Mr. BROSSARD. The land charge in this investigation was taken as the net cash rent on the land. In every area there is a cash rent paid for land. A farmer will rent his sugar-beet land for \$10 or \$12 or \$15 an acre, and the landlord pays the taxes. Of course, when the landlord paid the taxes, we ascertained the amount of taxes and sub-

tracted it from the amount of cash rent, so that we got the net cash rent. That net cash rent was charged against the land as the land charge. In some cases the land was not rented; that is, it was rented for a share in the crop. But in this investigation, in all areas there was some land rented for cash, enough to be representative of the area, and we applied the net cash rental of the land, for which there was a net cash rent received, and we applied that rate to all other farms in the area. That happened to come out to be just about identical—so much so that it was startling to us when this figure came out and it was found to be almost identical with 6 per cent interest on the valuation of the land. The farmers had paid on their mortgages an average of 7.14 per cent interest. The identical farmers who had mortgages on their farms and on the other hand got this 6 per cent net cash rent did not get a return on the valuation of their land, which was quite equal to the mortgage rate.

Senator WADSWORTH. The mortgage would not represent the true value of the land, of course.

Mr. BROSSARD. No, sir.

Chairman ROBINSON. The practical result was to give them 6 per cent interest on the value of their land?

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. Have you got it for Nebraska? I do not want to prolong this, but it is quite interesting to me.

Mr. BROSSARD. It is most interesting to me.

Senator WADSWORTH. May I ask, Do you count that 6 per cent interest on the value of the land as part of the expense of raising the crop?

Mr. BROSSARD. It has been included in all costs as part of the cost of production. Interest has always been included in the Tariff Commission investigations wherever they could establish the value, for this reason, that under section 315 especially, and where you have higher capital valuations in the United States of the industries in the United States, capital is often substituted for the cheap foreign labor; and if you included all labor costs in the foreign cost of production and you did not include the investment cost in the United States, you would not have comparable costs at all, because they have a low investment cost and we have a higher investment cost, or vice versa. If we have a high labor cost, they should have a high investment cost. Capital, it is found in many of these investigations, is substituted for labor or labor substituted for capital, whichever is cheaper. Therefore in order to get comparable costs at all you must include investment costs as well as your labor costs.

Senator WADSWORTH. Then what was your gain? If you were not making this investigation for the purpose of ascertaining costs and then comparing those costs with foreign costs, it would be rather unusual to count, as an element of cost in producing a farm product, interest on the investment, because that is income.

Mr. BROSSARD. Yes. There is a difference, of course, in the purpose for which the cost data are determined.

Senator WADSWORTH. Yes.

Mr. BROSSARD. And the purpose for which the data are determined determines the method by which the costs should be calculated. For tariff purposes there is not any doubt but what they must be included if you are going to get comparable costs; and yet, on the

other hand, if a man wants to determine what profit he is making on his business, naturally the habit of accountants—and in the industries in this country—is to figure a profit as income on the investment; and so they will state it as 3, 4, or 5 per cent income on the investment. But if you consider the total costs of production from the social point of view, from the point of view of payment for all the factors that are used in contributing to the production of that commodity, certainly capital is one of the factors that is used in the production of any commodity; and therefore capital is entitled to income, and it must be included if you are going to get the total cost from the point of view of the economists. It can not be eliminated.

Senator REED. I am somewhat surprised that the average interest rate paid is as high as the figure you give. I had supposed that the effect of the joint stock land banks and the Federal farm loan system had been to bring down the interest rate very much.

Mr. BROSSARD. It has, Senator. I think it has helped greatly; but you must remember that many of these mortgages were contracted long before legislation providing for the joint stock land bank and the Federal farm loan bank system was enacted, and they are still paying interest rates of 8 to 10 and 12 per cent—the rates that prevailed immediately after the war—because the Federal farm loan banks refused to let them borrow money, and these farmers had to go and get the money in some other way.

Senator REED. Is it possible for them now to refund those loans?

Mr. BROSSARD. If they were not made for so long a time.

Chairman ROBINSON. Unquestionably the Federal land bank system has had the effect of reducing interest in all the high-interest areas, but it is certainly true that throughout the farming sections of the South there are thousands of loans being made even now, notwithstanding the existence of the Federal land bank, at rates of interest as high as 7, 8, 9, and 10 per cent. Most of the Southern States—one of them that I have in mind particularly, and with which I am especially familiar—have a maximum interest rate of 10 per cent, and many of the loan companies still are able to make loans which, when analyzed, bear a rate of as high as 9 and 10 per cent, notwithstanding the competition of the Federal land banks. Many of these loans are now being refunded, but new loans are in some instances being made at the higher rates of interest by the loan companies. It is a somewhat anomalous condition, but it exists to my personal knowledge.

Mr. BROSSARD. It does, within my own.

Chairman ROBINSON. Commercial loans throughout many areas bear as high a rate as 7 per cent.

Senator REED. But a merchant will not borrow money at 7 per cent unless he can make money out of it.

Chairman ROBINSON. Unless he thinks he can.

Senator REED. Yes; unless he thinks he can.

Chairman ROBINSON. Go ahead with Nebraska.

Mr. BROSSARD. It is a most interesting situation, and yet it is within my own observation.

Chairman ROBINSON. Before leaving that point, in some of the agricultural areas there are loan companies which have very large investments that are now attempting to get out of the business and

to have the land banks take over their loans. They are having difficulty in doing so, for the simple reason that they made a number of bad loans, and the land banks would gladly take over the good loans at the lower rate of interest, but they would not be willing to take over the bad loans at any rate of interest, and the result is that the process is a very slow one. I am thoroughly familiar with that, for that reason it is much slower, the process of refunding is much slower, than it would otherwise be. Most of the loans carry in them a provision that they may be refunded at the end of a certain period. That is true with the Federal land bank loans. It is true as to the loans made by nearly all of the investment companies, but notwithstanding the existence of the Federal land banks, the rates of interest that are frequently, not to say generally, paid throughout the agricultural areas of the South, particularly in those with which I am familiar, are still as high as 8 per cent, and added to that are certain commissions and charges which frequently make the charge actually as high as 9 per cent.

Senator REED. I can readily see what would happen to a manufacturing company that borrowed money at 9 per cent.

Chairman ROBINSON. They do not do that. They borrow their money in the East, and as a rule get it at lower rates of interest. They make large loans and get them as low as 5 and 6 per cent.

Mr. BROSSARD. I think, Senator Reed, also that one of the reasons why this rate is high is because there are many of these loans which are carry-over loans which the farmers have been unable to refund at the lower rate offered by the Federal land banks.

Senator REED. I had supposed that in the various credit facilities that we have built up, that we had gone almost too far in allowing credit to agriculture, that we had encouraged the creation of too much debt; but if the facts are as you indicate here we have not gone far enough, because we are putting a great burden on the farmer who borrows money at 7, 8, and 9 per cent and can earn only 6 per cent.

Chairman ROBINSON. The land values themselves have an intimate relationship to the subject, because when many of the loans to which I have reference were made, the long-time loans by the investment companies in the South, there was what some are pleased to term an inflated land value. The loan companies usually advance as much as 60 to 65 per cent on the value of the land, the farm land banks loan usually about 50 per cent, and I think the average of one joint-stock land bank with which I am familiar is about 40 per cent. The land values have not been maintained at the standard that existed in, say, 1920, and for that reason it is quite difficult to refund these loans the amount actually advanced being in many instances greater than the banks are willing to refund for.

Mr. BROSSARD. Yes; that is absolutely true. I have in mind a case in Idaho where I was offered a farm at the value of the mortgage.

Chairman ROBINSON. Many large plantations in the South are being broken up in that way through foreclosures and sold off in smaller areas. What the economic result finally will be can hardly be anticipated at this time. Persons who make those purchases are able to get loans at low rates of interest.

Mr. BROSSARD. The observation might be made also that farmers are not totally immune from making unwise borrowings. The farmers do that, like most every person, I think. They are subject to errors of that kind. Possibly they did do that during the inflation of land prices during the war.

Chairman ROBINSON. You were about to state the value of land in Nebraska?

Mr. BROSSARD. Yes. The capital charge for the use of land in Nebraska on an average for the three years, 1921, 1922, and 1923, was \$12.94, and the interest charge on the other capital was \$1.60.

The 3-year average land charge for Ohio was \$9.83, and the interest charge at 6 per cent on other capital was \$1.60 per acre.

In Wyoming the land charge for the average of the three years, 1921, 1922, and 1923 was \$8.40, and \$1.71 interest at 6 per cent on other capital.

The other three of these nine publications which were prepared under my supervision or by me, largely, with the help of the staff, of course, are now in the hands of the printer. Our fund for printing and binding ran out about four months ago, and we have not been able to complete them yet.

Chairman ROBINSON. I think we will pass from the land charge figures, and you may state the other elements that entered into the cost of production not already mentioned.

Mr. BROSSARD. Those are the total costs, Senator. The land charge and the interest on the other capital constitutes the last charges included there.

Chairman ROBINSON. All right. How long was that sugar-beet investigation in progress?

Mr. BROSSARD. The sugar-beet investigation was in progress from August 7, 1923, when it was instituted, until—really, the reports are not printed yet, Senator. There are really four unprinted reports yet. So that would be almost three years up to the present time, but in that time there have been these six bulletins published on the investigation, there are three more now in the hands of the printer, and there is another one which is almost completed, making a summary for the United States as a whole, which will make the tenth of these bulletins.

Chairman ROBINSON. Have you given thought to the matter and are you able to suggest any remedy either by changing the law or by the method of its administration, by which this difficulty of a high cost of land use may be diminished?

Mr. BROSSARD. The land use?

Chairman ROBINSON. Or the loan difficulty, the difficulty of the high rates of interest which the farmer pays?

Mr. BROSSARD. I have not thought about it for some time. I did publish a bulletin on rural credits in the State of Utah when I was connected with the agricultural college there, which gave the status of the rural credits situation of that State at that time, and that is available, but I have not thought about it since and that was four years ago.

Chairman ROBINSON. Have you published other bulletins or volumes on economic subjects.

Mr. BROSSARD. Yes.

Chairman ROBINSON. What are those?

Mr. BROSSARD. There are about nine small studies in the State of Utah on the analysis of farm business, which were published by the extension division.

Chairman ROBINSON. Prior to your employment with the Tariff Commission?

Mr. BROSSARD. Yes, sir; and then there were two rather extensive studies of the State of Utah which I made prior to my employment by the Tariff Commission, and those were made under the supervision of the Agricultural Experiment Station there. They were research bulletins and they are both available. They were, I think, Experiment Station Bulletin 160 and Experiment Station Bulletin 177.

Chairman ROBINSON. Have you written any textbooks on economic subjects?

Mr. BROSSARD. I have not prepared any textbooks, Senator.

Chairman ROBINSON. How did the cost of sugar beet production compare with the cane production, or has there ever been a comparison made?

Mr. BROSSARD. No, sir; there has not been a comparison made.

Chairman ROBINSON. There has never been a study?

Mr. BROSSARD. I will not say there never has been a study of cane production. There was a study of Louisiana production some years ago, and those data are available, but I have never made the direct comparison, and at that time there were no comparable figures.

Chairman ROBINSON. Are you able to summarize the result of the sugar beet investigation with respect to agricultural costs of production?

Mr. BROSSARD. Am I able to summarize the result?

Chairman ROBINSON. Yes. What was the result of the investigation?

Mr. BROSSARD. You mean the results found, or the results to be obtained from the investigation?

Chairman ROBINSON. Well, the results found, I take it. I am not asking you to read the report.

Mr. BROSSARD. No. I want to show you specifically from these figures what the cost data resulted in.

Chairman ROBINSON. Yes.

Mr. BROSSARD. The costs of production per acre for the United States as a whole, for the three years 1921, 1922, and 1923, using a weighted average, are as follows: Where no allowance is made for land rental and interest on other capital as Senator Wadsworth suggested a little while ago—the cost is \$70.79 per acre. Where allowances was made for land rental and interest at 6 per cent on the other capital employed, the costs per acre were \$85.98, practically \$86, you see.

Senator REED. How many tons per acre?

Mr. BROSSARD. That is an average of just about 10 tons.

Senator REED. What was the average price paid during those years?

Mr. BROSSARD. The average return to growers from the sale of sugar beets, which is in answer to your question, Senator Reed, was \$87.88 per acre. The amount by which the returns to growers from the sale of sugar beets exceeded the cost of production of the sugar beets—it was \$17.09 per acre—where no allowance was made for

land rental and interest on other capital, and was \$1.90 per acre where allowance was made for land rental and interest at 6 per cent on other capital.

Senator REED. Is that the average of those cases in which there was a profit?

Mr. BROSSARD. That is the average of all the cases, whether there was a profit or not, the \$2,242 farm business records included in this whole investigation, an average over the three-year period showing that the farmers made \$1.90 per acre where land rental was figured at the cash rental basis, and 6 per cent was allowed for that \$26 per acre of other capital invested.

Senator REED. Expressed in another way, the average beet farmer of the United States in those years could have rented his farm and gone fishing and have made as much, except that he would not have gotten the wages of the ordinary hired man?

Mr. BROSSARD. With this addition of \$1.90 an acre.

Senator REED. It is practically the same.

Mr. BROSSARD. Yes, sir.

Senator REED. He got the rental value of his land.

Mr. BROSSARD. He could have rented his land to his neighbor and gone away, if he had had his employment for himself at his own wage. Of course, that can not be taken on any national scale, Senator. You could not do it for everybody, but a particular farmer might have done that sort of thing. If I had owned a farm, for example, and grown sugar beets, I might have rented it for this \$15 an acre.

Senator REED. Let me ask this question.

Senator WADSWORTH. You would have paid rent somewhere else?

Mr. BROSSARD. Yes.

Senator REED. Counting in the rental value of the land and interest on other capital items, what proportion of the beet growers of the country got their money back in those three years. How many of them made a loss?

Mr. BROSSARD. Well, in order to answer your question, Senator, I would have to make quite a detailed explanation here, but I will be glad to do it. I could not answer it in numbers of farmers, anyway.

Senator REED. I thought perhaps the count had been made.

Mr. BROSSARD. No; the count has not been made. It has been made by areas, which show that the farmers in this particular area got it back this particular year, etc. In 1921 in nearly every case the farmers lost money; they did not get their money back at all. In 1922, the farmers broke about even or made a small profit. In 1923 they were a little better off, and in the average of those three years they just about broke even. They made 17 cents a ton on their beets.

Chairman ROBINSON. How does that compare with the price that is paid for the beets? How is that price determined? Did you go into that?

Mr. BROSSARD. Yes, sir. I do not know exactly how it is determined off-hand. The price of sugar beets right at the present time is largely a question of the price of sugar.

There is a minimum rate, however; I think the rate this year is \$6 per ton that the sugar factories guarantee the farmers, irrespective of the sugar content of the beets or the price of sugar. The

farmer is guaranteed that \$6 per ton. That is merely to cover his actual out-of-pocket expense and to encourage him to grow the beets and to permit him to continue in the business without total loss, so that there is not a big gamble in it and it is one of the encouragements to growing sugar beets. Then some other companies have a certain stated price of sugar, above which they will split any price 50-50 with the farmers, and the stated price of sugar above which they will split, is sufficient to cover the costs which they pay for these sugar beets and their own costs of operation, and any profit which they get over and above their costs, and this cost is usually split 50-50 with the farmer.

Chairman ROBINSON. Was that system in vogue during the period for which your investigation was made?

Mr. BROSSARD. Senator, it was to a more or less limited extent. It was in some sections more than in others. The split was not 50-50 at that time. The split was sometimes 45-55, or 47-53, or some other split.

Chairman ROBINSON. But approximately 50-50?

Mr. BROSSARD. It was approximately 50-50.

Chairman ROBINSON. At what price did that division go into effect?

Mr. BROSSARD. Well, I haven't those contracts with me, Senator.

Chairman ROBINSON. Did the price vary, or was it fixed?

Mr. BROSSARD. The price with different areas varied slightly, but for the particular beet-growing area around a single factory the price was uniform, as a rule. The minimum price was guaranteed.

Chairman ROBINSON. Take, for instance, a typical factory area in Utah. I presume you would be perhaps as familiar with that as with any. During this 3-year period, what was the guaranty to the beet raiser by the factory, and what was the price above which the division was made with the farmer by the factory?

Mr. BROSSARD. I am sorry, Senator, that I could not answer your question, but I shall be glad to look it up and bring it here later.

Chairman ROBINSON. You have the data?

Mr. BROSSARD. I have the data and can get it. I would not want to offer a guess.

Chairman ROBINSON. No; I would prefer to have the exact facts, at least in illustrative cases.

Mr. BROSSARD. I will be glad to bring you a typical contract.

Chairman ROBINSON. And also, if you have the information, you might get it with respect to the present arrangement for this season.

Mr. BROSSARD. I shall try to do that. I think the commission has it. I haven't it myself.

Senator REED. In the regions where that guaranty is in effect it is certain, isn't it, that with refined sugar at 5 cents, neither the grower nor the factory is making anything?

Mr. BROSSARD. I do not know that I can say that some of the growers are making something. I should think that probably some of the factories would likely make money at that, but certainly it would be a very small proportion of the total. I do not know what proportion it would be, but from the commission's data it looks like it would be very small.

Senator REED. The fact is that the average factory and the average grower are not making money.

Mr. BROSSARD. I would want to look at the facts rather than estimate it, I think.

Chairman ROBINSON. Have you the data from which you could arrive at a reasonably reliable conclusion respecting the question the Senator from Pennsylvania has asked you, or has the commission the data?

Mr. BROSSARD. Yes, sir. It is available, I think, at the commission.

Chairman ROBINSON. Could it be examined without great inconvenience, so as to enable you to answer that question?

Mr. BROSSARD. Yes, sir. I think I could get it in a very few minutes if I were at the office and had the staff available.

Senator REED. Try and do that for us to-morrow.

Mr. BROSSARD. Yes, sir; I will be very glad to.

Chairman ROBINSON. What was your relationship to the wheat investigation? Were you in charge of that at any time?

Mr. BROSSARD. No, sir, Senator. I did not have charge of the wheat investigation at any time. By the way, there was a comment made by a former witness before the committee that said that it has been charged or said in a Baltimore paper that I had charge of it, and the witness wondered why I had not answered it. I may state that I was not responsible at all for the statement in the Baltimore Sun, and if I took time to answer all of the misstatements about me that have appeared in the press I would not get much else done, and therefore I have paid no attention to it. But I am glad to have this opportunity of stating the correct facts with respect to that investigation.

As I told you, Doctor Bidwell was in charge of the wheat investigation, and he and I occupied the same office, and naturally the questions that came up were discussed back and forth and pro and con. Not only that, but when the schedules were being made up in the wheat investigations, I was called in, and I discussed every phase of that schedule from beginning to end, and I was one of the agricultural economists with Doctor Bidwell who was in there. Neither of us drafted the original draft of that schedule, but I reviewed it thoroughly.

Chairman ROBINSON. Who did draft it?

Mr. BROSSARD. I think Mr. O. A. Juve, who is the acting chief of the agricultural division, drafted it.

Chairman ROBINSON. What was he doing then?

Mr. BROSSARD. He was a member of the staff of the division. Mr. L. B. Zapoleen was the chief of the division at the time, but as I recall, he had had no experience in agricultural cost accounting.

Chairman ROBINSON. How did it happen that Doctor Bidwell, the man in charge of it, did not prepare the schedule?

Mr. BROSSARD. He was not a farm-cost accountant. He was an economist, and the farm-cost accountants prepared the schedules, and he, being the economist in charge, reviewed it to see that nothing was omitted that ought to be there which would be essential to a complete analysis of the subject. I remember several meetings; I do not remember how many, because I did not keep a record of it. I do not keep a record. I never thought that I would have any use for records. But I remember numerous meetings were held in the large hearing room of the commission, at which this wheat schedule

was discussed from beginning to end, revisions suggested and arguments pro and con, and it was made up then and finally approved by the experts of the staff and was submitted to the advisory board, and I went and was in consultation with the advisory board on that investigation. Then, when the field men brought the data back from the field and it was being calculated and tabulated in the offices of the commission by the statistical experts and others, the whole crew that was on sugar beets was taken off of sugar beets, including myself, and put onto this wheat investigation for, say, about two months. I had, I think, at that time about 15 persons working on the sugar-beet investigation, and all of us were switched over onto that wheat investigation to expedite it because it seemed to be under great pressure, and it was put out as rapidly as it could be put out, and we were put on it to get it through.

Chairman ROBINSON. Where did the pressure come from?

Mr. BROSSARD. I do not know anything about that, Senator.

Chairman ROBINSON. How did you know there was pressure?

Mr. BROSSARD. They were very anxious to get it done, because they put it onto us and they said, "Come, all of you, and get your hands in it."

Chairman ROBINSON. Did they explain what their hurry about the wheat investigation was?

Mr. BROSSARD. I did not have any conversations with any of them.

Chairman ROBINSON. Are you familiar with the manner in which the wheat investigation was conducted?

Mr. BROSSARD. Yes.

Chairman ROBINSON. How was that done?

Mr. BROSSARD. It was done in practically the same way as the sugar-beet investigation. It was made by the Enterprize farm-survey method.

May I continue where I left off? We made these schedules first, they were approved, sent them in to the commission and the commission approved the schedules by the experts, and then the schedules were printed. In the preparation for this investigation, of course, the members of the staff had collected all the data on wheat that we could possibly get. I remember I made a collection about an inch thick of Canadian wheat areas and Canadian wheat production, yields, and distribution of wheat over as long a period as I could get the collection for. I got all the Canadian publications on the subject and the British publications and our own Department of Agriculture publications, and I went down and got the Federal land banks' data on the interest rates paid in the various counties and the loans which they had out.

Chairman ROBINSON. In Canada?

Mr. BROSSARD. In the United States; and what information there was available of a similar character for Canada. We had it charted and put together for this preliminary study, and then the matter was submitted to the advisory board and a report was prepared by the experts in a preliminary way, showing the plans of the investigation as they had drawn them up, calling for an investigation in the field in the United States and Canada. Areas were selected in the United States, in the States of Minnesota, North and South Dakota, and Montana, and the prairie Provinces of Canada, because that was the hard spring wheat section.

Of course, we had to decide right then and there the costs of what wheat we were going to compare. We could not begin to get the costs of all the wheat growers of the United States. That was a total impossibility, and the problem was with Canadian imported wheat, and the Canadian imported wheat was hard red spring wheat. Then the question arose with the experts of the staff as to whether we should take in the United States the costs of production of only hard red spring wheat, because that was the wheat directly comparable, and which was being substituted for in the milling processes by the Canadian wheat. So the experts of the staff were unanimous, I think, in the agreement that since the imported wheat was hard red spring wheat that the investigation should be limited to the hard red spring wheat areas of the United States, and, therefore, we excluded from that investigation the hard red winter wheat of Kansas, which was very close and some of which was being substituted, but it was the unanimous opinion that the hard red winter wheat should not be included, and, therefore, it was excluded, and the investigation was limited to the four States growing hard red spring wheat and the prairie Provinces of Canada.

Then we selected the areas in these four States, and in the prairie Provinces of Canada, with respect to the type of farming, so that we got a representative farm cost there; and all the conditions of farming in Canada and all the conditions of farming in the United States were included in this cost study. We took sufficient records in each one of these areas to get a representative sample, and the areas were all blocked out very carefully, showing what the limits of each area were and how many records we were to get in this particular area in order to get a representative sample of that area; and it was squared off and blocked off like that in order to get the total wheat area included, and representative costs.

Senator REED. What were those four States?

Mr. BROSSARD. North and South Dakota, Minnesota, and Montana. Then we had, of course, to get those plans approved. The commission approved those plans, and the personnel of these field crews was made up by recruits from State colleges and from Canada, in the Department of Agriculture, and any place we could get experts who were qualified to do this work, and then the field crews were sent out and began the investigation.

Chairman ROBINSON. How many men did you put into the field on that work?

Mr. BROSSARD. Twenty-five experts trained in farm-cost accounting and in agricultural survey work were employed for 43 working days in the field. The area covered by the farm-cost investigation was approximately 450,000 square miles. The unusual scope of the committee's investigation and the rapidity with which the results were obtained are indicated by the following facts: The field crews left Washington, D. C., December 1, 1923; the first farm-cost records were obtained December 5; actual field work ended January 26, 1924, with a total of 1,832 records obtained in 79 localities; 881 records in 36 localities in the United States and 951 records in 43 localities in Canada.

The field work in the investigation of flour-milling costs was begun and conducted at that same time and in conjunction with it.

Chairman ROBINSON. How many field men did you send into Canada; do you remember?

Mr. BROSSARD. I do not remember, Senator; but they worked in two crews and sometimes three crews, with two men to the crew, with a supervisor. That would be three men, and I imagine there must have been 10 men in Canada at one time. I do not remember the exact number.

Chairman ROBINSON. How many members of the crews were Canadians?

Mr. BROSSARD. As I remember it, we got one man from Cornell University, who was a graduate student working toward his doctor's degree, who was a Canadian, and he had come there to study; and I am not sure but what there was one other man on this crew who was a Canadian, and at all times, of course, he worked in cooperation with the agricultural colleges in Canada; and we went directly to these people for information with respect to the local areas, and we got in touch with the agricultural economists and the presidents of the colleges and the directors of the experiment stations and the agricultural ministers and others, and plotted our areas in Canada. We got them to tell us what areas were representative, and, of course, we agreed, but we made the selection finally. I did not go to Canada, by the way.

Chairman ROBINSON. Did the same elements of cost enter into the production of the wheat investigation as in the sugar-beet investigation?

Mr. BROSSARD. Yes, Senator; they did.

Chairman ROBINSON. There were no other elements and no different elements?

Mr. BROSSARD. Well, I do not think there were. I do not remember of any now. This wheat investigation of course was a big thing, and we were all interested in it. It was the first agricultural investigation that had been undertaken under section 315, and the members of the staff had not had any experience in taking international costs of production of farm products, and we hadn't any precedents to go upon. Our experts were trained in getting agricultural costs, but we were pioneering in this work. We went out after those costs. We made our cost schedules the best way we could, the best way our intelligence and the intelligence of all of those who had been in the business before us had dictated—they left their records—and we went out to get the farm costs. We did get the farm costs by the survey method, and I think got satisfactory costs.

An attempt was made by this schedule to get costs for the one year of 1922-23, I think it was, and then to project those costs one year previous, to get the costs of 1922, and also one year subsequent, 1924. So we obtained as much information from these farmers as we could get while in the field on the costs of production incurred by the farmers for the year preceding the current year, and the one succeeding the current year, so when we got through we had three years average costs for the production of wheat.

Chairman ROBINSON. How did the costs in Canada compare with those in the United States?

Mr. BROSSARD. The cost of production of wheat in Canada without land charge per bushel we found to be 64 cents, the weighted average

cost of production for the year 1923, and for the 3-year average, 1921 to 1923, it was 71 cents per bushel. The cost in the United States for the one year 1923 without land charge was \$1.11 and for the 3-year average without the land charge it was \$1.04 per bushel; or, in other words, the United States cost exceeded the Canadian cost for that period for the year 1923 alone 47 cents per bushel, and for the 3-year average 33 cents per bushel.

Chairman ROBINSON. To what factors was the difference in cost between Canadian production and the production of the United States attributed?

Mr. BROSSARD. There are, of course, numerous factors affecting costs of production in any country. The one outstanding factor here was the yield per acre. The yield per acre in Canada for the one year was lower than the yield in the United States, or lower I mean than its usual yield.

Chairman ROBINSON. That was not related to the question of comparative costs of cultivating an acre in the two countries?

Mr. BROSSARD. The yield might vary with the actual expense incurred of putting the crop in and taking care of the wheat, and it also varies of course with respect to climatic conditions. The climatic conditions I think in the year 1923 were somewhat unusual in the wheat-growing sections of the United States and Canada.

Chairman ROBINSON. Then the difference, as I understand you, is principally attributable to the greater yield of the Canadian lands?

Mr. BROSSARD. The lower cost in Canada is due to that factor to a large extent; yes, sir.

Chairman ROBINSON. Did you go under that or into that to find out why the yield is greater in Canada than in the United States?

Mr. BROSSARD. It is generally known, Senator. It is general information to the agricultural economists of the country that the Canadian land is new land, it is virgin land, and it has not been depleted by successive cropping, and the yield therefore is higher. It is not higher, I think, than the yield originally was in our hard spring wheat areas.

Chairman ROBINSON. It is due, then, fundamentally, to an impoverishment of the wheat lands in the United States?

Mr. BROSSARD. It is due to a large extent to the continuous cropping in the United States to the one crop of wheat which, of course, is bad agricultural practice.

Chairman ROBINSON. We will suspend now and resume again at 10 o'clock Wednesday.

(Whereupon, at 11.50 a. m., an adjournment was taken until Wednesday, June 30, 1926, at 10 o'clock a. m.)

INVESTIGATION OF THE TARIFF COMMISSION

WEDNESDAY, JUNE 30, 1926

UNITED STATES SENATE,
SELECT COMMITTEE ON INVESTIGATION OF
THE TARIFF COMMISSION,
Washington, D. C.

The select committee met, pursuant to adjournment, at 10 o'clock a. m., in the minority conference room, Senate Office Building, Senator Joseph T. Robinson presiding.

Present: Senators Robinson (chairman), Reed, and La Follette.

Edward B. Brossard, the witness on the stand at the adjournment of Monday, resumed the stand and testified further as follows:

Chairman ROBINSON. Mr. Brossard, on Monday we were discussing the sugar-beet investigation, and it appeared that the cost of the use of lands entered into the cost of production, I believe, on the average of something like 20 per cent of the total cost. Is that correct, or can you state?

Mr. BROSSARD. I do not remember the percentage. I can tell you in a moment.

Chairman ROBINSON. Take, for example, the State of Nebraska, what will be the percentage of cost?

Mr. BROSSARD. In Nebraska the average for the three years 1921, 1922, and 1923 the land charge was 15.3 per cent of the total cost.

Chairman ROBINSON. And the total cost was how much?

Mr. BROSSARD. And the total cost of production was \$80.98, including capital charges.

Chairman ROBINSON. What counties were your investigations made in in Nebraska?

Mr. BROSSARD. Well, they were made in the North Platte Valley, Senator. I do not know the counties.

Chairman ROBINSON. You do not know the counties?

Mr. BROSSARD. No; I do not remember whether two or one. I have a map here and maybe I can tell from this map. No; the map does not give the counties. It is the North Platte Valley, and the central town is Scotts Bluff, Nebr., and Mitchell, Minitare, and one other small town which I can not remember the name of right now.

Senator LA FOLLETTE. Have you any idea approximately how many counties there were?

Mr. BROSSARD. I think there were probably two counties. There were not more than that. There were one or two counties. It could not be more than two, and I think it was included in one.

Chairman ROBINSON. A casual investigation indicates that the counties of Dawson, Lincoln, Morrill, Scotts Bluff, Garden, and Sioux embrace 95 per cent of the sugar-beet area in Nebraska. Are you in a position to state whether that inclusion is approximately accurate?

Mr. BROSSARD. I would not know anything about the counties, Senator. I have not studied the counties at all. We did not take it up by counties, I may say, at all. We took it by the district. We had the sugar-beet district, knew where it was, and went to that particular district.

Chairman ROBINSON. It appears from the information which has been supplied me that there were 2,646 acres in Dawson, 2,113 in Lincoln, 9,979 in Morrill, 38,696 in Scotts Bluff, 1,160 in Garden, and 1,454 in Sioux. Did you look into the question of the land values in the area where your investigation was made? I believe you stated that you did.

Mr. BROSSARD. Yes, sir. The land values were checked.

Chairman ROBINSON. What was the land value in Scotts Bluff?

Mr. BROSSARD. I can not give, I think, the land value.

Chairman ROBINSON. You haven't that information?

Mr. BROSSARD. I can give you the land value, Senator, in which Scotts Bluff area is included.

Chairman ROBINSON. Very well.

Mr. BROSSARD. And I am reminded by your reading of those names that we got some records also at Morrill. So I think that was the other county.

Chairman ROBINSON. According to my information, the land values in Scotts Bluff were very much higher than in any other county save Dawson.

Mr. BROSSARD. The market value of land upon which sugar beets were grown in the Nebraska area, as given on table 23, page 40, of the Nebraska report, is as follows: In 1921, \$197 per acre; in 1922, \$173 per acre; in 1923, \$163 per acre; and for the three-year average \$179 per acre. I did not get your question and I do not know whether my answer was responsive to your last question before this.

Chairman ROBINSON. Yes; it was. If it should turn out that the land values in Scotts Bluff were approximately \$65 per acre, in Dawson \$61 per acre, and in Lincoln \$25 per acre, in Morrill \$20 per acre, in Garden \$13 per acre, and in Sioux \$10 per acre, it would appear that the charge for the use of land in the cost of sugar-beet production would be exaggerated, would it not?

Mr. BROSSARD. No; I think that is not a correct assumption, nor is the statement quite correct, for this reason, Senator, that those land values I presume you are reading now are land values which are either taken from the census, or else they are taken from the United States Department of Agriculture figures for the valuation of good plow lands.

Chairman ROBINSON. No; of the sugar-beet acreage.

Mr. BROSSARD. Sugar-beet lands alone?

Chairman ROBINSON. Yes. The figures that are supplied me are assumed to be taken from the Department of Agriculture, and relate to the sugar-beet acreage in Nebraska.

Mr. BROSSARD. Well, I am very much surprised at that valuation, if that is true.

Chairman ROBINSON. I have had no opportunity, Mr. Brossard, of confirming the correctness of the figures that I am using. I am employing them without an opportunity of investigating them myself, but it would result, if the values that I have stated are approximately accurate for sugar-beet lands, making an average of \$53 per acre for the value of sugar-beet lands in the sugar-beet area of Nebraska, an average of \$15 per acre, or approximately that would be excessive, wouldn't it?

Mr. BROSSARD. Yes, Senator; but may I make an explanation of that now?

Chairman ROBINSON. Certainly.

Mr. BROSSARD. If the values of those lands are \$53 per acre and sugar beets are now grown on them, in comparison with the values that are given here of \$179 per acre, for the purposes of growing sugar beets, Senator, I think that that charge of \$15 per acre, there would be more money in growing them on this land than on those, because there must be included in that land certain inferior land, if it is only valued at \$53 an acre, as almost to make it worthless for the production of sugar beets.

Chairman ROBINSON. That would be the average.

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. I have stated that for Scotts Bluff, the highest land-value county embraced in the area which you investigated, it was \$65, which was very much in excess of the other areas, with the exception of Dawson.

Mr. BROSSARD. Yes.

Chairman ROBINSON. Now, if you attempt to adjust the tariff rates with regard to the present values of land and the profits from the industry are reflected in the present values, you would have the condition that the lands would be constantly rising in value; wouldn't that be true?

Mr. BROSSARD. You may not have it constantly rising in value. You may have come to a standstill. On the other hand, Senator, if you should find that your costs were lower in this country and you reduced the duty, you would have your land constantly reducing in value.

Chairman ROBINSON. If the lands that you employ in the growing of the sugar beets are constantly rising in value, or regularly or consistently rising in value, and you take the present value of the land, you would have a system of pyramiding values as the result of the profits, and from that you would never be able to show a profit?

Mr. BROSSARD. Yes. If the total profits from the crop are capitalized in the land values—but I do not think they are.

Chairman ROBINSON. The employment of the interest on the value of the lands, which is usually, as stated by the Senator from New York the other day with regard to the income, would absorb the profits, and you might in that way show as the result of an investigation an actual loss to the producer if you absorb in the costs of production a higher value for the use of the lands. Isn't that true?

Mr. BROSSARD. If your premises are correct, I think it is not quite a correct statement.

Chairman ROBINSON. I understand that you think that land values of the sugar-beet lands in Nebraska are approximately \$179, as I recall it?

Mr. BROSSARD. Yes.

Chairman ROBINSON. And that, if you have an average rental return of \$12.94 an acre in your cost of production, that would amount to $7\frac{1}{4}$ per cent, approximately; so that it all goes back to the question of whether you have used a discreet or proper figure in the consideration of that element of the cost of production, doesn't it?

Mr. BROSSARD. The land value, Senator, as I have pointed out, certainly has an effect on the total cost of production, since it is 15 per cent of the total cost.

Chairman ROBINSON. Yes.

Mr. BROSSARD. If there is an error in the valuation of the land, that might have an effect, but it could not have an effect, Senator, by the method which we have employed in this sugar-beet investigation; and may I state the reasons for that?

Chairman ROBINSON. Yes; certainly.

Mr. BROSSARD. In this investigation we have disregarded entirely the valuation of the land. The land valuation, whether it is \$73 or \$179, has not been taken into consideration.

Chairman ROBINSON. But you did the equivalent thing; you took what you say is the rental value.

Mr. BROSSARD. All right. What would you do in a case when a man actually rents it for \$15? Would you change the actual rent paid?

Chairman ROBINSON. Suppose he rented it for \$100, would you charge the actual rent in that case?

Mr. BROSSARD. Yes; if he has to pay it.

Chairman ROBINSON. Even though the rent was clearly excessive, and the rent was made to correspond with a higher land value which reflected alleged profits from the industry? Do you understand what I mean?

Mr. BROSSARD. Yes; I understand perfectly, I think, because I have had the same argument before.

Chairman ROBINSON. I mean, from your own statement, if you reflect in the land values, or substantially the same thing, the charge made for the use of the land, a constantly appreciating value, you would never show a profit in the industry, and you would absorb every possible profit in your land value and other costs of production, wouldn't you?

Mr. BROSSARD. That depends upon whether or not the total profits are included in the valuation of the land. Now, I do not think they are. That is where we differ.

Chairman ROBINSON. I understand.

Mr. BROSSARD. That is where we divide. I think that the profits are not all capitalized in the land valuation, that the farmer gets some of those profits in his labor. Some of the other members of our staff think the land values include all the profits and absorb them all.

Chairman ROBINSON. I think you did show a very small profit to the sugar-beet grower, notwithstanding a very large allowance made, or what I call a large allowance, for the use of the land. You show

a small profit, notwithstanding that. But if you had showed a less allowance for the use of the land it would have resulted in a larger profit to the grower?

Mr. BROSSARD. Naturally, if the costs are reduced and you get the same amount for the product, your profits are greater.

Chairman ROBINSON. Are you familiar with a publication known as the Business Farmer, a journal published in Nebraska?

Mr. BROSSARD. I know of a paper called the Business Farmer, but I did not know that it was an exclusive sugar-beet journal.

Chairman ROBINSON. I did not mean to say that.

Mr. BROSSARD. It is a Nebraska paper, I think.

Chairman ROBINSON. It is a Nebraska farmers' journal.

Mr. BROSSARD. Yes; it is a farmers' paper.

Chairman ROBINSON. Suppose that a farmer owns his own land, what arrangement did you make in your investigation for the use of his land?

Mr. BROSSARD. The use of owned land was obtained in this way—the rent charge for the use of the farmer's own land: The investigator, the agricultural economist, asked the farmer what rent he had taken or would take or was offered or had rented for that year for his beet land. We had known before we went to any of these farmers what land was renting for in those various communities, what it could be obtained for for the production of sugar beets. We got that information from the agricultural economists at the experiment stations and the bankers in that district and the people connected with the levying of taxes and other places, so that we knew pretty well what the land in the community was renting for generally.

Chairman ROBINSON. Yes.

Mr. BROSSARD. And then we also had, nearly every one of the enumerators rather soon got hold of some farmer who actually rented the land and had his cash rental value for the land, then we checked this farmer's estimate with these other people's, and if it was not entirely out of line we used the value as stated by the farmer.

Chairman ROBINSON. You allowed rent for the land that was owned by the farmer and upon which he paid no rent?

Mr. BROSSARD. Yes, sir; the same as we had charged interest on investment.

Chairman ROBINSON. You proceeded on the theory that it was proper to allow interest on the investment, and that it was approximately accurate to take the rental of the land owned by the farmer and charge that into the cost of production?

Mr. BROSSARD. Yes, Senator. We did that because of our general theory that for tariff purposes and for purposes of comparison of costs in one country with costs in another, to exclude the item of interest or to exclude the item of rental of land would be totally unsound from the point of view of the economic comparison or statistical comparison. It could not be made, really. The same thing was done in wheat; the same thing was done in every other investigation we have made.

By the way, Senator, I have just had handed to me the United States Department of Agriculture Yearbook, which, I am advised, confirms what I suspected when you were reading from those figures,

that they are the average values of plow lands in Nebraska; therefore they include the values of all lands.

Chairman ROBINSON. All farm lands?

Mr. BROSSARD. All farm lands.

Chairman ROBINSON. Then you took only the land that was used for sugar-beet purposes?

Mr. BROSSARD. Which is always the very best lands on all of those farms.

Chairman ROBINSON. And would therefore bring the highest rent?

Mr. BROSSARD. And also has the highest value in every case.

Chairman ROBINSON. What did your studies show with respect to the relationship between rents and land values?

Mr. BROSSARD. Do you have reference to any particular area?

Chairman ROBINSON. Well, you may have reference in your answer to any particular area; I did not in the question.

Mr. BROSSARD. Well, I may answer generally that the land rental charged was almost identical with 6 per cent interest on the valuation of the land. May I quote from one of these bulletins just exactly the comparison there?

Chairman ROBINSON. Yes.

Mr. BROSSARD. This is taken from page 11 of the Nebraska publication on capital charges, and I would just like to get this in the record so that you will understand exactly what we did.

Chairman ROBINSON. Yes; all right.

Mr. BROSSARD (reading):

Capital charges are the costs, in the form of either rent or interest, involved in the use of property. In sugar-beet production capital consists of (1) land; (2) equipment, such as machinery and tools and horses used in the industry; and (3) working capital, whether in the form of money or credit, used by farmers in the production of sugar beets.

And this is important:

In order to place the data on a comparable basis, all of the 2,242 farms investigated in the United States were treated as if owned by the operators, even though cash rentals was paid on 5.4 per cent and share rental on 41.7 per cent of the harvested beet acreage. In all tables of this report capital charges for the use of land and for other forms of capital, whether actually paid by the operator or not, were segregated from the other costs.

So that your land is always shown as rent charged.

With respect to such capital charges per acre as relate to use of land on which sugar beets are grown, Table 24, page 40, presents three sets of data:

(1) The first column is on the basis of interest at 6 per cent on the market value of the land used.

(2) The second column is on the basis of interest at the local farm-mortgage rates on the market value of the land used.

(3) The third column is on the basis of the annual net-cash rental of the land used.

It will be observed from this table that for Nebraska, the cash-rental method gives a land charge per acre greater than 6 per cent of the market value of the sugar-beet land, but less than interest at the mortgage rate on the market value of the beet land. For the United States as a whole, however, the cash-rental method gives a result approximately equal to 6 per cent on the estimated market value of the land.

The cash-rental method, of course, was used without consideration for the actual valuation of the land, and yet when we got through, the check of those two methods showed that relationship.

The capital charges as shown in Tables 8 to 12, inclusive, pages 24 to 31, and elsewhere in this report, are based on the net cash-rental value of the

land per acre, either actual or as stated by the owners or growers and checked by the agents of the commission, and on 6 per cent interest on the other capital employed in the production of sugar beets.

The cash-rental method of calculating capital charges on land is considered preferable to that of basing them on the market value of the land at 5.5 or 6 per cent interest or at the prevailing mortgage rate. The cash rental appears to be a nearer approximation to a fair charge for the use of the land than is obtained by the other methods, because it includes little, if any, of the speculative or home-site value and represents more nearly than any other charge the present economic rent of land for agricultural purposes.

On farms actually rented for cash the cash rental charge per acre is the actual rental paid the landlord less the taxes and the actual cost of maintaining fences and drains, where these costs were paid by the landlord. On farms that were owned or share rented the growers stated the net annual cash rental per acre that owners would be willing to take and that tenants would be willing to pay for the sugar-beet land.

For the three years 1921 to 1923 the average cash rental per acre for all farms investigated in the United States were \$13.43. On the other hand, a 6 per cent charge on \$222, the 3-year average market value of land is \$13.32, or only 11 cents less per acre than the annual cash rental. This may be viewed in another way: If the annual net cash rental is capitalized at 6 per cent, the resulting value of the land is \$224, as compared with the farmer's stated value of \$222. For the United States as a whole, therefore, it makes practically no difference whether the charge for the use of land is on the basis of the net cash rental or a 6 per cent interest charge on the market value of the land.

A second method of calculating capital charge is based on the prevailing mortgage rate of interest on the market value of land. The average rate paid in 1922 on mortgages on the sugar-beet farms investigated by the Tariff Commission was 7.14 per cent, the resulting value of the land is \$188 per acre; if it is capitalized at 5.5 per cent, the present rate charged on farm mortgages by the Federal land banks, the resulting capitalized land value is \$244 per acre, slightly more than the farmer's stated value of \$222.

The market values of land and the cash rental data obtained from the farmers on the cost schedules were carefully checked by the agents of the commission while in the field. Stated land values were checked against actual sale prices, and both land rentals and values against those given by such competent local men as county tax officials, bankers, real estate dealers, county agricultural agents, and officials of the agricultural colleges, particularly professors of agricultural economics and farm management. Where the values given by farmers were clearly out of line with data from these sources, adjustments were made.

Chairman ROBINSON. Did you say that some of the staff differed with you in regard to the question of land values in its relation to the profits?

Mr. BROSSARD. Yes. Doctor Simpson and I never did agree on that.

Chairman ROBINSON. What was his viewpoint?

Mr. BROSSARD. His viewpoint was that it should not be included at all, and if included they should be included at the original cost.

Chairman ROBINSON. Is not that the process that the commission has uniformly employed in their investigations?

Mr. BROSSARD. Original cost?

Chairman ROBINSON. Yes.

Mr. BROSSARD. Oh, no, Senator. The commission has taken in other investigations the data as they found them on the books of the companies. We are trying right now in three investigations, I think—edible gelatine, glue, and sodium silicofluoride—to give them on the original cost basis, and now let me show you what that means, and which is the very point of difference.

Suppose, for example, you wanted to use the original cost of land, and we go to, say, Wisconsin, and we got a piece of land 50 years

ago and we bought it at \$2.25 an acre, or take it a hundred years ago, which may be a little more real at that price; and we stay on that land three generations of the same family, it never changes hands. The present valuation of that land, then, for cost purposes is still \$2.25 an acre. But John Jones, right across the road from this farm, buys a farm in 1926, and he pays \$225 an acre for his land. The original cost in the one case is \$2.25 an acre, plus what additional has been expended on it for improvements which would be very small in that time, it could not be very much in that time; and on the other hand there would be \$225.

Now, who is there that will argue that those two costs, one across the street from the other, can be compared for this purpose? Put one of those farms on one side of the ocean and the other one on the other side of the ocean, and you have something like the situation.

Chairman ROBINSON. Of course, you never do that. You never move lands in Nebraska across the sea.

Mr. BROSSARD. I did not move them like that.

Chairman ROBINSON. But of course the assumption that one farm was bought 100 years ago and another yesterday is an extreme case.

Mr. BROSSARD. I have made it extreme on purpose, Senator.

Chairman ROBINSON. Yes; I see.

Mr. BROSSARD. In my own experience in the West, I could have bought land right opposite our own ranch in Idaho for \$1.25 an acre. I did not do it, because I thought at the time I would have it, but dry farming developed and the land subsequently became very valuable and sold for \$100 an acre within my own stay on the farm. So that what I have said with respect to this farm is really not an exaggeration.

Chairman ROBINSON. Your position, then, as I understand it, is that the present value of the land, or at least its present rental value, must be or should be included in the costs of production, even though the land is owned by the farmer who operate it?

Mr. BROSSARD. Yes; and let me make one other statement which will help illustrate that. Suppose that you and I—I own a farm here and you own one across the street from me, say—but I own mine free of debt, and you borrow the money to pay for yours, and you pay interest on all of that money. That interest which you pay is an actual out-of-pocket expense to you, and is a cost in the production of these beets, or for any other farm product. You would not say it was not a cost; you had to have the land to produce them. Well, I own mine; how can it possibly be said that because I happen to own mine that it is not just as much a cost to me?

Chairman ROBINSON. In figuring the cost of producing manufactured articles, do you take into consideration the indebtedness on the plant, without regard to the provident or improvident management of the plant as a part of the cost of production?

Mr. BROSSARD. Our investigators, Senator, go to each one of these institutions personally. They take the investment which they find on the books. At times it has been necessary to make adjustments in investments as recorded on the books by these people. They sometimes have had things included in investment; in nearly every investigation, in fact, some of the firms have things included as investment which the Tariff Commission can not consistently include

as investment, because we have to have comparable data, and our costs are for a specific purpose. In other cases some of these industries, probably in the same investigation, have investment data which is omitted from their costs and which we have to include in our costs.

So that if we are going to compare costs of production at the present time I do not see for the life of me any way in the world to get the cost of production now without including the investment now, just as we include the labor now, and how you can use any other value than the value at the present time, or the present value, and ascertain the costs of to-day, I do not see, really.

Chairman ROBINSON. You have employed what method in reaching yours conclusions in the sugar-beet investigation—bulk line or weighted average or invoice?

Mr. BROSSARD. We did not make a study of invoice values, because there are so few sugar beets imported. There are only about 11,000 tons, I think, imported, and they are imported from Canada, just to near-by factories in Michigan.

Chairman ROBINSON. It is admitted, then, that the question of the application of the invoice prices to sugar beets does not arise?

Mr. BROSSARD. Well, it might arise if we had made this investigation, Senator, with a view of a change in the rate of duty, but this investigation was made under the general powers of the commission and was not made under section 315 at all, and therefore had no relation at all with prices in foreign countries.

Chairman ROBINSON. Which method did you employ?

Mr. BROSSARD. We used the cost of production, of course, and made no comparison with any foreign country.

Chairman ROBINSON. Did you use the weighted average?

Mr. BROSSARD. The weighted average cost of production, and we also used, Senator, an array of costs in each case which shows the amount of beets produced at varying costs of production.

For example, in the Nebraska bulletin of which we have been speaking, on page 35, Table 15, we show there that the costs of production of the sugar beets ranged from less than \$3.50 per ton to \$25 per ton and over.

Chairman ROBINSON. Where is that now?

Mr. BROSSARD. In Nebraska. No; that is in the United States as a whole; I beg your pardon. That is in the United States as a whole. I have the same information for Nebraska, however, but I was looking at the United States, Senator.

Chairman ROBINSON. Yes. Go ahead.

Mr. BROSSARD. We show the number of farms that are producing sugar beets at these varying costs. We show the number of acres producing sugar beets at these varying costs.

Chairman ROBINSON. Do you mean to say that there is a variation in the cost of production of sugar beets in the United States as much as 800 per cent, or approximately that?

Mr. BROSSARD. That is apparently correct, Senator; which is not unusual at all for a big industry of this kind.

Chairman ROBINSON. Go ahead.

Mr. BROSSARD. We show also the number and percentage of the total of the acres produced at these varying costs, and also the number and percentage of the total tons of sugar beets harvested that are produced at these varying costs.

That is also shown for the State of Nebraska in tables 16 and 17. The costs in Nebraska range from less than \$3.50 to \$11.50, excluding capital charges, and they range from less than \$4 per ton to \$13 per ton, including capital charges; and the same data are shown with respect to the number and percentage of farms, acres, and tons of sugar beets produced at these varying costs.

Now, that is in addition to the average costs, so that if anybody wanted to get a bulk-line cost for the production of sugar beets, they could decide what place along this array they desired to take their bulk line, or as shown by the charts which we have drawn here, the graphs, and could make their selection. We have not taken one position or the other in this bulletin.

Chairman ROBINSON. For comparison purposes, did you undertake to work out what would be the cost of production of sugar beets taking the bulk-line system?

Mr. BROSSARD. We did not, Senator.

Chairman ROBINSON. Have you any idea as to how it would have compared with the results which you actually obtained by taking the weighted average?

Mr. BROSSARD. I do not know how it would have compared, but I think, Senator, according to our theory of the situation, if we had ascertained representative costs for a sufficient number of farms in both the United States and abroad, so that our curve could be a perfect curve, that there would be very little, if any, difference between the comparison on the basis of the bulk-line cost and the comparison on the basis of the average cost of production.

Chairman ROBINSON. Do you have that information?

Mr. BROSSARD. I have never tried it, as I said before.

Chairman ROBINSON. You have never tried it?

Mr. BROSSARD. I have not tried it on this sugar-beet data.

Chairman ROBINSON. Which, in your opinion, is the correct method, the weighted average or the bulk line?

Mr. BROSSARD. Well, as I said a minute ago, it does not make much difference.

Chairman ROBINSON. That is not the question I asked you. It does make a difference.

Mr. BROSSARD. Excuse me, Senator; I mean so far as the difference in cost of production is concerned.

Chairman ROBINSON. Which do you think is the better scientific method, as an economist?

Mr. BROSSARD. Well, there are advantages and disadvantages to both methods. May I explain what I think the differences are?

Chairman ROBINSON. Yes. If you do not mind, I would like for you to say directly which you think is the better method from the standpoint of an economist, the weighted average or the bulk line, and then you can make any explanation you choose to; and I would be glad to have you make your explanation justify your viewpoint.

Mr. BROSSARD. Yes, sir. If we could get in our investigations actual bulk-line costs, then I would say that we should compare the bulk line for measurement, and I think it would not be very much different from the result with your average costs of production, Senator. But our difficulty with that method is this: That we have in many of our industries two or three or four, or sometimes one plant. Of course, where there is only one plant you have to

take that plant's cost—bulk line, average, or no matter what—and if there are three or four plants only, then there usually is an outstanding difference; it may not be an outstanding difference in cost for two plants, but there may be an outstanding difference in cost between any of these particular individual plants, and you can not distinguish the cost of production of the several units of the products produced within the single individual plant. The bulk-line method assumes that we get a perfect curve.

Now, bulk line was used by Doctor Taussig and others in price fixing, and they could use one of two methods in determining their bulk line. They could use the arbitrary method which Doctor Taussig has explained they did use in some cases as the cut and try method. That is, they were interested in maintaining production, and so the question with them was to fix a price that would maintain production; and so he chose a figure which represented the bulk-line cost. It is the same idea as is included in the representative or marginal cost. If you get the cost of the higher cost producers that will just produce at the price you fix, and you can maintain your production if you desire by offering that price, why, then you have a representative cost; you have a bulk-line cost, and you have also what is termed a "marginal cost."

Chairman ROBINSON. Now, suppose you answer my question and say which you prefer as a scientist or economist in the activities of the Tariff Commission in ascertaining the costs of production—the weighted average or the bulk line?

Mr. BROSSARD. Now, you have made it very specific and I can answer that easily. I think for our purposes, since we can not get the bulk-line cost accurately, that our weighted average is probably our better cost. However, where bulk line can be ascertained, and in some cases it can be and there is a distinct and representative cost, then I would certainly take the bulk-line method.

Chairman ROBINSON. Explain how the weighted average in any given case is ascertained.

Mr. BROSSARD. The weighted average—I will take a simple case first.

Chairman ROBINSON. Yes.

Mr. BROSSARD. The weighted average, we will say, of the production of a single plant is obtained by taking the total cost of production and dividing by the total output. That gives you a unit cost.

Now, let us elaborate that a little bit. Suppose we have two plants and we have one plant here producing, say, 10 tons, and another plant over here producing 20 tons. To get a weighted average cost of those two plants, we would take the 10 tons, add it to the 20 tons, and that would give us 30 tons, and we would take the cost of this plant and add it to the cost of the second plant, and we would divide the total cost of the 2 plants by the total production of the 2 plants, which would give us a weighted average cost.

You can elaborate that with three plants or as many as are in the classification. Sometimes we did not have the total amount of the individual plants. We have the total product, say, of—I will use a sugar-beet illustration—in sugar beets we chose representative areas, we had costs in those representative areas, but we did not have a total cost for the whole area.

Suppose an area represented 500,000 tons, and we had costs for 200,000 tons or 300,000 tons. We assumed that our costs for the two or three hundred thousand tons was representative of the 500,000 tons in that area, and when we combined that area with another area, we weighted the cost in this individual area not by the two or three thousand tons, but by the 500,000 tons.

Senator REED. You assumed that the unknown plants produced at the same cost as the known plants?

Mr. BROSSARD. We assumed that we had representative costs of production in this area. If we had not assumed that, Senator Reed, our investigations would be hopeless. We would have to assume it. We used the same method, we weighted the total cost per unit here in this area by the total production here, and the other area by the total production there, and in our 24 areas we had weighted average costs of the production of sugar beets as the total costs.

Chairman ROBINSON. Explain how the bulk line in your opinion would be applied in a given case. You may take any case which you desire to illustrate.

Mr. BROSSARD. Well, I will take the case where it was applied. Some of the commissioners applied it in the wheat report.

Chairman ROBINSON. You did not study the wheat case?

Mr. BROSSARD. Yes.

Chairman ROBINSON. I asked you something about that the other day.

Mr. BROSSARD. Yes.

Chairman ROBINSON. In that case, which did you think was the better system to apply?

Mr. BROSSARD. Well, I never made up my mind about it until right now. If you want me to answer what I think about it, I will do so.

Chairman ROBINSON. That is what I asked you. I could not ask you anything else.

Mr. BROSSARD. I was thinking you meant what had I determined after a study of this at the time this investigation was made, and I had not then made up my mind. I think I should have used the weighted average cost in this case.

Chairman ROBINSON. What advantages had that in the wheat case over the bulk line?

Mr. BROSSARD. Where you have the costs of products in which it is difficult to determine a bulk line cost, one definite point which you can call the bulk line, a weighted average is something that you can get and it is simple and it is mathematical. It may cover up, however, and I think it does in nearly all of our investigations, some of the very significant facts, which may not ever be shown. There is no method I know of to overcome the buying of significant facts in weighted averages.

Senator REED. May I interrupt you? In all this talk about the bulk line, I still have not a clear idea of what is meant. Is it the line of cost under which 51 per cent of the product is manufactured?

Mr. BROSSARD. No, Senator. The bulk line has been variously defined, and it has been used in different ways. The bulk line merely, in plain English, is that point at which the bulk of the industry is produced.

Senator REED. I understand that.

Mr. BROSSARD. And that would mean perhaps 85 per cent of the industry.

Senator REED. Might it? How do you figure the bulk line?

Mr. BROSSARD. The way the technicians figure it is that it is that point on the curve at which the break in the curve becomes extreme and your costs of production rise rapidly. Usually that is some place beyond the average cost, considerably above the average cost in the ordinary curve.

Senator REED. Isn't that a very vague measure?

Mr. BROSSARD. In some cases it certainly is.

Senator REED. It is still vague in my mind.

Mr. BROSSARD. Well, I think it is a difficult thing. One advantage the average has is that everybody has been working with it and we have all made averages, and the disadvantage of the bulk line is that it is a new thing that has been created and we have been trying to work with it as economists, and it is an instrument that has been worked with to overcome some of the inherent difficulties of the average. You see, when you get an average you take things which are sometimes not at all alike and the costs vary so greatly from lowest to highest that you simply hide up in the average all the significant facts in the industry.

Chairman ROBINSON. Suppose it were desired to do that, to make the facts found conceal the true facts in the industry. I am not applying this now to any particular case—which one would be employed, the bulk line or the weighted average? Which, I mean, could be most easily employed?

Mr. BROSSARD. Well, I will tell you, I think the average covers more sins than the bulk line, because, Senator, in order to get a bulk line you have to array your costs—you understand what I mean by array your costs—and that shows your high cost and your low cost and where your breaks are, and if you have a complete and connected and perfect curve then the mathematician could apply his formula and cut the thing at the bulk line where the curve becomes the greatest, and you would have a very accurate and actual representation of the situation.

Chairman ROBINSON. Honestly and impartially applied, which would approach nearer scientific accuracy, the bulk line or the weighted average?

Mr. BROSSARD. Do you mean if I had to apply them in all cases or in particular cases? I would make a selection, I think, in different cases, depending upon my statistical data.

Chairman ROBINSON. You think you would employ the bulk line in some cases, and the weighted average in others?

Mr. BROSSARD. I am speaking purely as a statistician. I think that some data are so dissimilar that to average them at all and use either a weighted average or a simple average of the data would be too statistically fallacious to be of any use at all.

Chairman ROBINSON. Give an illustration of that.

Senator REED. Take pig iron or copper or any basic commodity.

Mr. BROSSARD. You have plants, for example, whose conditions of production are greatly different. You have in one section of the country pig iron produced right next to the raw material and over the coal, and everything of the kind, where it is produced at its lowest cost. In another section of the country you have pig iron pro-

duced, where you transport your material—your coal and your iron, and you have your plant on the waterfront where it is easy to ship. In another section you have your plant in the interior, but it is on the coal, and you ship the iron, and you have to haul it by freight. To use a weighted average of that sort of condition is to hide out, to my mind, significant facts, and yet you do it. We have to do it because oftentimes there are such differences in the cost of production of these plants that nobody would attempt to select the plants in a way that you could use, unless there was one particular plant or two particular plants that obviously have no right to exist, and then you could drop those out and use the average of the others.

Senator REED. Do you find that that conditions obtains in most of the industries that you study?

Mr. BROSSARD. There is a great variety of costs where there are any number of institutions or plants. Yes, sir.

Senator REED. Take pig iron, for example. You find at Birmingham the coal and the limestone in juxtaposition, and the furnace is right on top of both.

Mr. BROSSARD. And low costs.

Senator REED. There, the cost at the furnace is very low.

Mr. BROSSARD. Yes.

Senator REED. On the other hand, there are furnaces in the North that can only remain in existence in boom markets.

Mr. BROSSARD. Exactly.

Senator REED. One does not need protection and the other does not deserve it.

Mr. BROSSARD. Well, that always raises an interesting problem in handing cases under section 315, which we think, as commissioners, the Congress may have been a little more explicit about. In other words, here is an industry. What part of the industry, as it now exists, was it the policy, when it made this tariff act, to protect? Was the act intended to protect all those in the industry, as is, so that they could still live, no matter how inefficiently they were operating? Was it the policy of Congress to protect only economically and efficiently operated industries? Was it the policy of Congress to protect 85 per cent of those in the industry or 65 per cent or 95 per cent? If you use weighted average costs, some argue that you protect 50 per cent. Of course, that is not true if your costs are arrayed properly, because the weighted average takes in the extremes as well as the means on both foreign and domestic costs.

Chairman ROBINSON. Would it, in your opinion, conduce to accuracy in the work of the commission and be helpful, if Congress undertook to say to what extent protection should be extended, assuming that protection was to be applied to the rates suggested by the commission?

Mr. BROSSARD. Senator, there have been certainly delays in the Tariff Commission caused by an attempt to honestly find what Congress did mean with respect to these various industries. Sometimes it has caused a difference of opinion in the Tariff Commission. Now, if it is desirable to have unanimous reports from the Tariff Commission, certainly it would help greatly to make them unanimous, if the scope of these investigations was particularly defined.

Chairman ROBINSON. I am asking for your opinion.

Mr. BROSSARD. I am coming right back to your question. If Congress would clarify this part of the tariff act it would certainly relieve the Tariff Commission of a great burden; and would help us.

Chairman ROBINSON. What amendments do you suggest to section 315?

Mr. BROSSARD. I have some comments on section 315, as a preface to some amendments which I suggest if I may be allowed to read?

Chairman ROBINSON. Yes.

Mr. BROSSARD. First, I would like to state what the duties and functions of the Tariff Commission are as I see them. [Reading:]

1. The powers exercised and the duties and functions performed by the Tariff Commission under the revenue act of September 8, 1916.

A. To investigate:

(1) The administrative and fiscal and industrial effects of the customs laws of this country.

(2) The relation between the rates of duty on raw materials and finished or partly finished products.

(3) The effects of ad valorem and specific duties and of compound specific and ad valorem duties.

(4) All questions relative to the arrangement of schedules and classification of articles in the several schedules of the customs laws.

(5) The operation of customs laws, including their relation to the Federal revenues and their effect upon the industries and labor of the country.

(6) The tariff relations between the United States and foreign countries, commercial treaties, preferential provisions, and economic alliances.

(7) The effect of export bounties.

(8) The effect of preferential transportation rates.

(9) The Paris economy pact and similar organizations and arrangements in Europe.

(10) The volume of importations compared with domestic production and consumption; and

(11) Any other conditions, causes, and effects, relating to competition of foreign industries with those of the United States, including dumping and cost of production.

B. To put at the disposal of the President of the United States, the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, whenever requested, all information at the command of the commission.

C. To make such investigations and reports as may be requested by the President or by either of said committees or by either branch of Congress.

D. In all appropriate matters, to act in conjunction and cooperation with the Treasury Department, the Department of Agriculture, the Department of Commerce, the Federal Trade Commission, or any other departments, or independent establishments of the Government. Such departments and independent establishments of the Government cooperate fully with the commission for the purpose of aiding and assisting in its work, and, when directed by the President, furnish to the commission, on its request, all records, papers, and information in their possession relating to any of the subjects of investigation by the commission. Such Government agencies also detail, from time to time, such officials and employees to the commission as the President may direct.

Right now, for example, we are getting one or two men from the Department of Agriculture to assist us with our peanut, cottonseed, and soya bean investigations. They are men who have had experience in obtaining farm costs of growing these products, and we are simply arranging for a transfer of them to the Tariff Commission.

E. To report annually to Congress, on the first Monday in December, the methods adopted and all expenses incurred, and a summary of all reports made during the year. We do that now. That is a real job.

II. The powers exercised and the duties and functions performed by the Tariff Commission under section 315 of the tariff act of 1922 are the following:

A. "To assist the President in ascertaining differences in costs of production under this section," the Tariff Commission is, under certain conditions, authorized to investigate the costs of production of articles wholly or in part the

growth or product of the United States and of like or similar articles wholly or in part the growth or product of competing foreign countries.

B. To give reasonable public notice of its hearings and to give reasonable opportunity to parties interested to be present, to produce evidence, and to be heard.

C. To adopt such reasonable procedure, rules, and regulations as it may deem necessary.

The duties of the Tariff Commission under section 315 are specifically to assist the President in ascertaining the differences in cost of production, and that is really all their duty is under section 315.

This recital of the obligations of the Tariff Commission under section 315 is given in the second paragraph of subdivision (c) of section 315. This is the only place and these are the only obligations of the commission under this section 315.

The investigations of the commission under this section are for but one purpose, and that one purpose is clearly stated in the section itself—"to assist the President in ascertaining differences in costs of production." It is this fact which makes the Tariff Commission for purposes of section 315 a research institution—a fact-finding body and nothing more.

When the commission has found the facts, it makes them known to the President in the form of a report, with a summary showing the differences in costs of production. The report shows whether or not the present customs duty on the article in question is just sufficient, too high, or too low to equalize the difference in the costs of production of the like or similar article at home and abroad.

The President, having this information, has the power to adjust the rate according to his findings from the report. If he finds an adjustment necessary after consideration of all the facts, he is to say how much the adjustment shall be in order to equalize the costs of production and the other conditions of competition which he deems practicable to take into consideration in the respective investigations.

It should be noted that the President, not the Tariff Commission, finds the differences in costs of production. The President, not the Tariff Commission, proclaims the changes in the duties in accordance with the provisions of section 315. The President, not the commission, is the final judge of the data submitted to him. The Tariff Commission merely makes the "investigation to assist the President in ascertaining differences in costs of production."

In other words, the Tariff Commission is a fact-finding body organized for the purpose of making investigations in the United States and in foreign countries of the conditions existing in the various industries. The commission does research work similar in many respects to the economic research work done at the great universities and at the agricultural and other experiment stations and by other Government research groups; and when it has gathered the data and tabulated it and made the calculations necessary to show cause and effect in a scientific way the commission submits the information gathered to the President. In order to be the most helpful to the President the pertinent facts and data are arranged in a logical and usable form. But the President is the person who finds and proclaims the differences in the costs of production.

The commission is not a court. The commissioners are not jurists—under section 315, I am talking about now. The functions of the Tariff Commission under section 315 as it now stands in the statute are not judicial. The President and not the commission decides what the differences in costs are and what changes in rates if any are necessary to equalize the cost differences.

The duties of the Tariff Commission under section 315 of the tariff act of 1922 are therefore obviously quite different from the duties of the Interstate Commerce Commission, Federal Trade Commission, or the courts of the country, which make decisions based upon evidence submitted by the respective litigants at public trials or judicial hearings. The Tariff Commission in all its investigations under section 315 merely gets the most recent, accurate, comparable, and representative data available to the commission, rigorously checks the accuracy and adequacy of the data, summarizes them, and interprets such data and information to the President in the form of a report. That is the duty of the commission under section 315, as I see it.

Subdivision (c) of section 315, however, provides that if the petitioner or any other party is dissatisfied with the rate of duty fixed by the President as a result of the investigation and report, such petitioner or interested party has a right to apply for a new investigation, based upon the new existing

conditions; and if not satisfied with the result of that further investigation, he may continue to seek satisfaction; and each time he makes application, provided he shows to the Tariff Commission sufficient new evidence of new differences in costs of production to warrant a new investigation, the Tariff Commission will undertake such further investigation of the commodity and industry in question as is necessary to show the new conditions of that industry at that time and will make a report thereon to the President. The obligation of the Tariff Commission under section 315 is fulfilled when the facts respecting the differences in costs of production are ascertained and reported to the President.

The President is not bound to accept the views or recommendations, if any are made, of any 2, 3, 4, or even 6 commissioners. Certainly the Congress did not bind the President to follow the advice of any group of members of the Tariff Commission. To have done so would have made a mere "rubber stamp" of the President. It is quite obvious also that in section 315 of the tariff act of 1922 the Congress did not intend or try to force the President to sign on the dotted line. Under section 315 the President is given the authority and the power to find the difference in costs of production in the United States and in foreign countries, and he alone is given authority to proclaim the duties necessary to equalize such cost differences within the limits prescribed by the act.

Now, I believe in scientific tariff making, and I believe we should determine the United States customs duties according to some definite national policy, based upon actual economic facts and conditions.

Chairman ROBINSON. Have you a conclusion as to what that policy ought to be?

Mr. BROSSARD. I have not yet. I am a protectionist, and I think for this Nation, that duties should be sufficient to adequately protect the industries that it is deemed desirable to protect at all, so that when they are efficiently and economically operated they can carry on business in the United States. That, roughly, is my position.

Chairman ROBINSON. What would you say is the correct standard for the tariff if written in the law by Congress? I am asking you that question to get your suggestion on this subject of the tariff.

Mr. BROSSARD. I have a definite statement a little further on about the present tariff law which will give the answer directly to your question, Senator.

Chairman ROBINSON. Very well. Proceed.

Mr. BROSSARD. If it does not answer it fully, I shall come back to your question and answer it.

The tariff act of 1922 was a step in the right direction. Section 315 has not had an adequate trial yet.

Chairman ROBINSON. Are you speaking of the general act, the Fordney-McCumber Tariff Act, or are you speaking of the flexible provision?

Mr. BROSSARD. I said section 315 has not had an adequate trial yet.

Chairman ROBINSON. Yes; but when you say that the act of 1929 is a step in the right direction, do you mean to commit yourself to the Fordney-McCumber Tariff Act?

Mr. BROSSARD. No, sir.

Chairman ROBINSON. You mean the flexible provision?

Mr. BROSSARD. I mean the flexible provision.

Chairman ROBINSON. That is what I thought you meant, although it was not quite clear.

Mr. BROSSARD. Yes; I see. There is room for that interpretation of that.

Chairman ROBINSON. Proceed.

Mr. BROSSARD. The statute has not been in use for a sufficient time to develop its possibilities. That is my honest conviction about it.

It should be permitted a longer time for trial before it is changed very much. It was a new venture. Nothing like it had ever been tried before in all the world. There were no precedents to guide Congress in framing the statute nor to guide the Tariff Commission in executing its injunctions, nor administering its provisions.

Chairman ROBINSON. Right there, do you subscribe to the statement that has been made by some witnesses, that the failure of the act to prove its value is due in large part, if not principally, to the dissensions and more or less personal differences, as well as the differences of views concerning the tariff, reflected by members of the commission?

Mr. BROSSARD. No, Senator; I think the real difficulties are not that. I think that while there have been differences of opinion, those differences of opinion usually have been based upon different interpretations of the law or differences in the application of the facts.

Chairman ROBINSON. Do you mean to say by that that you have not observed or felt any such condition among the members of the commission as might not reasonably appear in any other body where differences of opinion exist?

Mr. BROSSARD. Well, there have been very decided differences of opinion.

Chairman ROBINSON. Oh, I know that; but I am asking you the direct question whether the controversies among members of the commission have made it difficult, if not impossible, for the commission to function under section 315?

Mr. BROSSARD. No; I do not think that is true, that they have made it impossible. They have made it more difficult.

Chairman ROBINSON. You do not think that has had anything to do with it?

Mr. BROSSARD. I think that has slowed up the progress to some extent, but that has not been the principal cause of delay.

Senator REED. Let us understand that. There has been very perceptible personal hostility among some of the members of the commission; has there not?

Mr. BROSSARD. Yes; there has.

Senator REED. Has that interfered with or impaired the work of the commission?

Mr. BROSSARD. Yes; it has. I would not say that it did not have, but I say, however, that it was not the main reason—

Chairman ROBINSON. You do not regard that as important?

Mr. BROSSARD. I do. I think those differences are unhappy. Indeed they are.

Chairman ROBINSON. Well, the question I asked you is a direct one and I would like to have you answer it.

Mr. BROSSARD. I shall be glad to.

Chairman ROBINSON. The contention is made by many, at least by some, and facts have been stated to support that contention, that the commission has been in such a situation with reference to the attitude of the members of the commission toward one another, which attitude has grown out of such a disposition in the commission in connection with their labors, that they can not get along together

and function properly, and the commission has broken down because of that situation in the commission. Do you think there is any truth in that?

Mr. BROSSARD. There is some truth in it, but it is not the whole truth. I think that the differences in opinion, although they have been caustic and the personnel has been at cross purposes many times, that the fundamental difference has been due to a difference in interpretation of the act, which has caused these personal differences, largely. Does that answer your question?

Chairman ROBINSON. No; it does not.

Mr. BROSSARD. Well, I will be glad to answer it. I do not know how else to answer it.

Chairman ROBINSON. To what extent has the usefulness of the commission been impaired by the existence of factions in the commission, if you concede that there have been factions?

Mr. BROSSARD. Well, I do not concede that in the first place.

Chairman ROBINSON. I am not talking about a mere difference of opinion such as you and I have on the tariff, or Senator Reed and I have on the tariff.

Mr. BROSSARD. I understand that.

Chairman ROBINSON. But that situation which expresses itself in the fact that some members of the commission have questioned the sincerity and even the integrity of purpose of other members of the commission, and personal differences have grown out of that fact—not out of a mere difference of opinion as to interpretation of law, for those exist every day in the Senate itself, in the House itself, and in the courts; but do you see nothing in the situation that has prevailed in the commission to make it exceptional in that respect, and to impair the effectiveness of the commission under the law?

Mr. BROSSARD. I have seen some very personal differences which have arisen out of differences in interpretation.

Chairman ROBINSON. Do you think the functions of the commission could be improved by changing the personnel of the commission? Suppose you were the executive authorized to appoint a tariff commission, do you believe you could appoint a better working tariff commission than we have now? I do not ask that in any offensive sense. I ask that from a practicable standpoint, to get your opinion.

Mr. BROSSARD. I will say that you might get a better and you might get a worse commission.

Chairman ROBINSON. You think the chances are about equal that if the commission was reorganized, we would get a worse one than we have now, in the sense that it would be less effective than it is now?

Mr. BROSSARD. I would like to say that I think the Tariff Commission at the present time is in the strongest position that it has ever been since the flexible provisions began to be operative.

Chairman ROBINSON. Do you think it is fully effective?

Mr. BROSSARD. I think it is on the road to become thoroughly effective.

Chairman ROBINSON. Just how effective do you think it is?

Mr. BROSSARD. I see no objection to its becoming completely effective and operating under this statute, as we have established precedents to guide us, and as the members of our staff—this entire organization over there is composed of about 210 persons, and our

staff has learned problems, and know how to get costs, and they have the thing outlined for them so that they know what they are driving at and where to go to get it, and they have precedents established themselves. I think it will shorten our process, cut down the time required to make these investigations by a great amount, and that the commission will operate with much more precision and much quicker than it has done in the past.

Chairman ROBINSON. Do you regard it as a fact that there have been two factions in the commission?

Mr. BROSSARD. No, sir. I do not think there have been two "factions" during my membership.

Chairman ROBINSON. In your experience and service on the commission, you have not found the existence of two factions, one led by Mr. Marvin and the other by Mr. Costigan?

Mr. BROSSARD. No, sir.

Chairman ROBINSON. You have not seen any evidence of that at all?

Mr. BROSSARD. I have seen evidence of Mr. Costigan's opposition.

Chairman ROBINSON. Factionalism, but none on Mr. Marvin's part?

Mr. BROSSARD. No. I do not mean that. I mean of Mr. Costigan's disagreements with us, and I think his disagreements have been based upon an honest difference of opinion with the other members.

Chairman ROBINSON. I am not questioning the honesty of anyone.

Mr. BROSSARD. That was my interpretation of the difference there. Instead of making it a "factional" proposition, my idea of these differences of opinion is that they are honest differences of interpretation of these facts. The work of this commission is interpreted in its reports and in the records which it makes and in the work which it does. I should like to take every one of those reports of the Tariff Commission under section 315 and let the people see. I wish everybody could see, because I believe that is the crux of the situation. These reports of the commission will show. Let us see just where the difference of opinion comes and what the difference is.

Chairman ROBINSON. Do you say that in the proceedings of the commission since you have been a member the contests in the commission over business matters submitted to it have not been divided usually with three on one side and three on the other side, where there were six members of the commission?

Mr. BROSSARD. I do not think that has ever happened.

Chairman ROBINSON. Were you there when the question of the qualification or disqualification of members of the commission, Mr. Glassie and Mr. Culbertson, was under consideration?

Mr. BROSSARD. I was a member of the staff. I know nothing about that contention.

Chairman ROBINSON. What is your view about the question as to whether a member should be disqualified for interest or for interest upon the part of his family in the investigations of the commission?

Mr. BROSSARD. I think, in accordance with the amendment that was adopted, members should be disqualified.

Chairman ROBINSON. You think that Congress stated the correct rule?

Mr. BROSSARD. I think that is a good rule to apply to cases under section 316. I think, however, that there is another point of view——

Chairman ROBINSON. Oh, I know that. All I ask is your point of view. We have had both points of view, as a matter of fact. I am not asking for anybody else's point of view but yours. I want to get yours. You think that Congress stated the rule with approximate correctness when it inserted in the appropriation bill a provision forbidding payment of any portion of the money appropriated to a member who acted in an investigation in which he or any of his family were interested?

Mr. BROSSARD. Well, that was not what I answered specifically. May I explain my answer with respect to that?

Chairman ROBINSON. Yes; you may explain.

Mr. BROSSARD. The Tariff Commission, from my point of view, as I have just stated, is not a judicial establishment. Neither is it a court, and for that reason I can see where a man could participate in an investigation, in a research investigation, just as men do on the experiment station staffs and in the agricultural colleges who are interested in farming. They know more about it probably than anybody else. They go and get the data about farming, that a man unacquainted with it and who did not have any particular interest in connection with it, could not get. Therefore, it seems to me that with an institution of this kind, a rule of that kind might be a little bit severe.

Chairman ROBINSON. Now, let us understand just what you mean by that. Do you mean that the work which a tariff commissioner does is of such a nature that the ordinary rule of law which forbids one to pass upon a matter that is quasi judicial, in which he is interested or others close to him, should not be applied?

Mr. BROSSARD. Under section 315 I think that the work of the Tariff Commission is not quasi judicial.

Chairman ROBINSON. I understand you to say that. Now, I want you to tell me why you say you approved the rule that Congress adopted.

Mr. BROSSARD. I mean to say that for my own guidance there would be no question about disqualification because of that rule.

Chairman ROBINSON. Oh, I did not ask you anything about that.

Mr. BROSSARD. That rule being fair, there would be no doubt about that.

Chairman ROBINSON. I did not ask you anything about that. I asked you whether you thought a member ought to be disqualified because of alleged interest in the result of the investigation. What do you think about that? Do you think any rule of disqualification can properly be applied to a member of the Tariff Commission?

Mr. BROSSARD. Yes, I think so. I think if I had had an interest which would sway my judgment and make me biased in any way or partial to the industry or a partisan——

Chairman ROBINSON. Well, do you think you should be the sole judge——

Senator REED. Senator, you have not let him finish a single answer.

Mr. BROSSARD. If I had such an interest as would make me partial or biased or prejudiced in any way, I should certainly withdraw from any investigation under section 315 or any other investigation of the Tariff Commission, even the writing of one of these general surveys, in which I would have such an interest as to make me a distinct partisan on one side or the other. I should refrain from making the survey.

Chairman ROBINSON. The difficulty about that is that a man rarely recognizes himself as a partisan. A man is never conscious of his own prejudice unless he is an exceptional person. The question is, admitting that the rule of disqualification may be invoked, who shall determine when it shall be invoked? The person who is disqualified, or whose qualification is contested, or some other authority?

Mr. BROSSARD. Well, under the application of the rule in the courts, the person himself does. I think I am not misstating it, but in this case—

Chairman ROBINSON. I did not ask you for your legal opinion. I asked you for your opinion as a commissioner.

Mr. BROSSARD. Well, I have not figured out who should be the person to disqualify. I think it would be unfortunate, Senator, though, if the other members of the Tariff Commission should be permitted to vote on the disqualification of a colleague, because of the very nature of the investigations under section 315, and disqualify a colleague because of their vote, because the minute that one person is challenged and his right to sit in any investigation is challenged, that makes the commission an uneven number and gives a majority—the very thing that Congress did not intend to do, because they put six persons on there.

Senator REED. Do you think it is an advantage to have an even number?

Mr. BROSSARD. Well, it has its advantages and it has its disadvantages. It may be very difficult to get a majority vote.

Chairman ROBINSON. Well, which do you prefer?

Mr. BROSSARD. I have never decided the question.

Chairman ROBINSON. I am trying to get you to decide it now.

Senator REED. That is the kind of question we have submitted to us all day long.

Chairman ROBINSON. Were you there when the Culbertson case of disqualification was raised?

Mr. BROSSARD. Well, I don't know when that case was raised, really, from my own personal information. I have heard some one testify about it; I do not know it.

Chairman ROBINSON. Did you participate in the sugar report?

Mr. BROSSARD. No.

Chairman ROBINSON. I do not mean the sugar-beet report. I mean the sugar report proper.

Mr. BROSSARD. Did I participate in the sugar report?

Chairman ROBINSON. Yes.

Mr. BROSSARD. I considered some of the data; yes, sir; with respect to the cost of production of sugar beets.

Senator REED. Were you a commissioner at that time?

Mr. BROSSARD. No, sir.

Senator REED. Did you join in the report that went to the President, as a commissioner.

Mr. BROSSARD. No, sir. No, sir. I had nothing to do with that.

Senator REED. That is what Senator Robinson meant.

Mr. BROSSARD. I did not know what the Senator meant.

Chairman ROBINSON. Which report did you concur in, the majority or the minority report, in your opinion or conclusion? You were associated with the preparation of the report, were you not, or at least with the summarization of the data?

Mr. BROSSARD. No, sir. I did not have anything to do with it.

Chairman ROBINSON. What was your relationship to the sugar report?

Mr. BROSSARD. I was connected with the staff at the time the sugar report was under consideration as agricultural economist and had charge of the sugar-beet investigation. At numerous times the commissioners severally and jointly requested data on the cost of production of sugar beets. I think there are something like 21 or 22 memoranda that I submitted to the commission on the cost of production of sugar beets, most of which were submitted to them during the time that they were considering the sugar investigation.

In addition to that, I prepared some tabular material at the request of the different members of the commission. I prepared a table on investments for Mr. Lewis. I prepared a table showing the relationship of the price per ton of sugar beets to the acreage planted the following year in sugar beets. That was for Commissioner Lewis. I prepared for Chairman Marvin and Commissioner Burgess a summary of the 2-year average costs and a summary of the 3-year average costs, and submitted a large table showing for the different States the average cost of production of sugar beets in each State and in the United States per pound of sugar extracted from beets. Then there has been other material. If you want these, they might go in the record.

Chairman ROBINSON. I do not know of any occasion for putting them in the record.

Did you form or express any opinion as to which of the reports in the sugar case was correct—the majority or minority report?

Mr. BROSSARD. I may say now that I have never read the report of Commissioners Culbertson, Lewis, and Costigan. I have not to this day read it. I do not know the exact points of view that were taken there. I have not had a copy made available to me.

Chairman ROBINSON. Did you read the other report?

Mr. BROSSARD. I have never read the other report; no, sir. I have not had it. I have never read it, but I know something about the problems, because I talked to the experts on the staff of the commission.

Chairman ROBINSON. Well, did you have any opinion as to which was the better report, the more reliable?

Mr. BROSSARD. Well, I may say, Senator, that I think the study of the recent period was more in agreement with the purposes of the act than to go back to the years 1916 and 1917 and the war years and the after-war years, for purposes of comparison, under the act. There were two reasons for that, from my point of view as an economist, and I expressed them at the time to Doctor Bernhardt, who

was in charge of the sugar division. The recent period, I thought, would be more representative of the cost at the time that the President had to make the proclamation, and the war period was a very abnormal period in the sugar industry. As shown in the bulletins of the United States Tariff Commission published under Doctor Page's chairmanship, the statement will be found that the changes in the sugar industry were so abnormal in the period during the war and after the war as to make them unsatisfactory for purposes of comparison. From my point of view the more recent period, therefore, was more representative, because the war years were so abnormal, and I think statisticians generally and economists generally, when they select a base for purposes of comparison, either of prices or of costs, purposely avoid taking those war years into it. They even go back to 1913, and they say "We will take 1913 as a base or 1914," but they never include the war years as a base.

Chairman ROBINSON. Do I understand you to say you prefer Marvin's report, as distinguished from the other?

Mr. BROSSARD. I did not say which I preferred, for I have not read them.

Chairman ROBINSON. On that particular ground.

Mr. BROSSARD. On this particular point, I think that the recent years period is more representative of even conditions at the present time, and have been, as borne out by evidence and development in the sugar industry. The recent period has been more representative of the conditions of the sugar industry since the report was sent to the President.

Chairman ROBINSON. We must discontinue now. We will change our place of sitting over to the minority conference room in the Capitol to-morrow, and then we can go on a little later, if necessary, to conclude.

We will adjourn now until 10 o'clock to-morrow morning.

(Whereupon, at 12 o'clock noon, the hearing was adjourned until to-morrow, July 1, at 10 o'clock a. m.)

INVESTIGATION OF THE TARIFF COMMISSION

THURSDAY, JULY 1, 1926

UNITED STATES SENATE,
SELECT COMMITTEE ON INVESTIGATION,
OF THE TARIFF COMMISSION,
Washington, D. C.

The select committee met, pursuant to adjournment, at 10 o'clock a. m., in the minority conference room, Capitol.

Present: Senators Robinson (chairman), Wadsworth, and La Follette.

STATEMENT OF EDGAR B. BROSSARD—Continued

The witness, having been previously sworn, testified further as follows:

Chairman ROBINSON. We will go ahead, Doctor Brossard.

Mr. BROSSARD. Mr. Chairman, on Monday there were some requests for material to be prepared, and I said that I would have the material prepared and submitted in response to a request of your own and Senator Reed. I have that material this morning, and with your permission shall put it into the record.

Chairman ROBINSON. State what it is in a summary way.

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. You need not read it, but just summarize it.

Mr. BROSSARD. There is a statement here with respect to the question you asked me on rural credits, a statement in answer to that.

On Monday Senator Robinson asked me if I had any plan by which the rates of interest now paid on farm mortgages might be reduced. He was asking about a governmental plan, and I therefore answered that I did not at the moment have any plan in mind. Upon reading the testimony, however, I thought perhaps the Senator had in mind a farm plan. Had I interpreted the question this way on Monday my answer would have been yes. There is of course a system of farming which if followed will bring about the reduction of risk of farm failure and consequently the reduction of the interest rates required on farm mortgages and other farm loans. In the South, for example, Senator, there should be diversification of farm crops by the growing of peanuts, soybeans, cowpeas, corn, and sorghum, in rotation with cotton, and more hogs and other livestock should be produced. This diversification of crops by southern farmers should be encouraged as it makes for a more permanent and stable agriculture and rural population. One way the Congress might encourage this diversified type of farming in the South is to place an adequate customs duty on such crops as peanuts and soybeans.

The next is data submitted at the request of Senator Reed on the cost of production of sugar beets, proportion of farmers making and losing money.

On Monday Senator Reed asked me the following question:

Counting in the rental value of land and interest on other capital items, what proportion of the beet growers of the country got their money back in those three years? How many made a loss?

The necessary data to answer the question are not available for the three years. On Tuesday, however, I made an effort to get what data there were available on the subject. I find that all that we have at the commission that are thus arrayed are the sugar-beet cost data for the year 1922 as they are arrayed in Table 19, page 41, of part 1 of the Tariff Commission's Study of the Cost of Production of Sugar Beets. This table shows that for the United States as a whole for the year 1922 the average cost of production of sugar beets per ton was \$7.32, including land rental and 6 per cent interest on the other capital invested in sugar-beet production. For that same year 47.9 per cent of the beet farms, 44 per cent of the acreage, and 34 per cent of the tonnage of sugar beets was produced at a cost of \$7.50 per ton or more. In 1922 also there were 25.4 per cent of the farms that produced sugar beets at a cost of \$9 or more per ton.

The next is data submitted at the request of Senator Reed on the cost of production of sugar. His direct question was whether at 5 cents the producers or the factories were making any money, and he asked me to get the data on that.

Chairman ROBINSON. What does your statement in regard to that show?

Mr. BROSSARD. The direct answer to his question shows that on the average of two years, 1921 and 1922, which were the only two years for which we have at the commission or any place else available the cost of production of sugar beets and the factory costs of making the sugar, where the \$6 minimum price guaranty for sugar beets was in effect, if refined sugar sold for 5 cents per pound, neither the sugar-beet grower nor the factory made enough to cover their costs of production.

Chairman ROBINSON. Both operated at a loss, according to your conclusion?

Mr. BROSSARD. If they paid but \$6 per ton. The average cost of production of sugar beets was \$7.64, I think.

Chairman ROBINSON. Well, what did they pay? You have the facts, haven't you, in your report?

Mr. BROSSARD. Yes, sir. They did pay in 1922; I have the data for 1922, but I have not the data that they actually paid in 1921.

Chairman ROBINSON. All right. What was it in 1922?

Mr. BROSSARD. They actually paid \$10.14 in California, \$7.96 in Utah, \$8.28 in Idaho. There are no data here for Montana or Wyoming. In Colorado, \$7.79; Nebraska, \$7.79; Michigan and Wisconsin, \$7.22.

Chairman ROBINSON. Was it your conclusion from your investigation that both the producer of the sugar beets and the manufacturer of beet sugar in the United States lost money during the year 1922?

Mr. BROSSARD. Well, I did not draw any conclusion, Senator.

Chairman ROBINSON. Well, did you draw that conclusion?

Mr. BROSSARD. What was the question?
(The reporter read as follows:)

Chairman ROBINSON. Was it your conclusion from your investigation that both the producer of the sugar beets and the manufacturer of beet sugar in the United States lost money during the year 1922?

Mr. BROSSARD. No, sir. That was not the conclusion, because I did not make a comparison with the actual prices that were received. The price, you see, was fixed.

Chairman ROBINSON. Then the question of Senator Reed is merely hypothetical, and the answer has no intimate relationship to the actual facts? That is what I wanted to bring out.

Mr. BROSSARD. I was just preparing the data in direct answer to Senator Reed's request.

Chairman ROBINSON. I understand that. I thought it proper to show that the question was not based upon the actual facts in the industry. Have you other data that were called for?

Mr. BROSSARD. Then there was also data on the minimum guaranteed price of sugar beets for the various States, and the actual prices paid. That is what you are just calling for. There is a table showing that for a number of years and the prices of granulated sugar, so that you can see from the prices what the actual information is.

(The data submitted by Mr. Brossard are as follows:)

Senator Reed, on Monday, asked me the following questions:

"Senator REED. In the regions where that guaranty is in effect (referring to the \$6 minimum price for sugar beets) it is certain, isn't it, that with refined sugar at 5 cents, neither the grower nor the factory is making anything?"

The figures with which to answer the question were not then available to me. In response to your request, however, I asked the chief of the sugar division of the Tariff Commission to supply me with the necessary data, which he did.

These data show that in 1921 and 1922, the most recent period for which the commission has data on costs of manufacturing beet sugar, an average of 265.55 pounds of sugar was extracted from a ton of sugar beets. At \$6 per ton this amounts to 2.2592 cents per pound of sugar extracted. The weighted average factory cost of making beet sugar for the two years is 2.7819 cents per pound. The weighted average marketing cost is 0.8315 cent per pound. This makes the total cost 5.8726 cents per pound of beet sugar made.

This shows that the average wholesale price of beet sugar must be 5.8726 cents per pound to cover the \$6 per ton minimum price paid for sugar beets and the average costs of manufacturing and marketing beet sugar in the United States.

The average cost of production of sugar beets per ton for the two years of 1921 and 1922 was \$7.64.

On the average of the two years 1921 and 1922, where the \$6 minimum price guarantee for sugar beets was in effect, if refined sugar sold for 5 cents per pound, neither the sugar-beet grower nor the factory made enough to cover their costs of production.

If, in the above total cost, the actual cost of production of sugar beets is substituted for the \$6 per ton minimum price of beets, the total average cost of production and marketing of beet sugar for the two years is 6.4884 cents per pound of sugar. This shows that the average wholesale selling price of beet sugar must be 6.4884 cents per pound to cover the farmers' cost of production of sugar beets and the factory cost of manufacturing and marketing beet sugar in the United States.

The data submitted show also that if the price actually paid the farmers by the factories for sugar beets be used as the cost of the sugar beets that only 55 per cent of the sugar made was produced at a cost as low as 5.5108 cents per pound in 1921-22 and 6.1928 cents per pound in 1922-23. The cost groups ranged from 5.5108 cents to 10.0635 cents per pound. The two tables herewith submitted present the data in greater detail.

Cost of producing beet sugar and putting it on the market

	1921 (cents per pound)	1922 (cents per pound)	Average for two years (cents per pound)
Weighted average cost of production of sugar beets per pound of sugar extracted from the beet.....	2.9700	2.7800	2.8750
Weighted average factory cost of making beet sugar.....	2.5911	2.9728	2.7819
Cost of producing beet sugar including interest on investment.....	5.5611	5.7528	5.6569
Marketing cost.....	8979	.7652	.8315
Total cost of beet sugar put on the market.....	6.4579	6.5152	6.4884

Proportion of beet-sugar production in the United States produced at various costs per pound for the years 1921-22 and 1922-23

Approximate percentage of total production in each of the cost groups	Cost groups for the 1921-22 crop	Cost groups for the 1922-23 crop	Approximate percentage of total production in each of the cost groups	Cost groups for the 1921-22 crop	Cost groups for the 1922-23 crop
55.....	5.5108	6.1928	87½.....	6.6347	7.5858
65.....	5.7032	6.2883	90.....	6.9075	7.7129
70.....	6.0828	6.7145	92½.....	7.0596	8.0875
75.....	6.4465	7.0780	95.....	7.4588	8.1413
80.....	6.4544	7.3073	97½.....	10.0635	8.5619
85.....	6.5131	7.5838	100.....		

There is also submitted herewith in response to the request of Senator Reed two other tables. The one table shows the minimum guaranteed price of sugar beets and the price actually paid farmers for beets under the sliding-scale contract for the four years of 1922, 1923, 1924, and 1925 as far as the data are available.

The other table shows the average wholesale prices of granulated Hawaiian cane and California beet sugar at San Francisco and of western beet sugar at Chicago for the years of 1921, 1922, 1923, 1924, and 1925 as far as the data are available.

Minimum guaranteed price of sugar beets and price actually paid farmers under sliding-scale contract

[Dollars per ton of 2,000 pounds]

	1922		1923		1924		1925 ¹
	Minimum price guaranteed in contract	Price actually paid farmers under sliding scale	Minimum price guaranteed in contract	Price actually paid farmers under sliding scale	Minimum price guaranteed in contract	Price actually paid farmers under sliding scale	Minimum price guaranteed in contract
California.....	\$5.00	\$10.14	\$6.00	\$13.99	\$6.00	\$10.41	\$6.00
Utah.....	5.00	7.96	5.50	8.28	6.00	6.95	6.00
Idaho.....	5.50	8.28	5.50	8.57	6.00	8.31	6.00
Montana.....	5.50	(²)	6.00	(²)	\$5.50-6.00	8.19	\$6.00-6.50
Wyoming.....	5.50	(²)	6.00	(²)	5.50-6.00	8.17	6.00-6.50
Colorado.....	\$4.50-5.00	7.79	\$5.00-5.50	8.15	5.50	7.97	5.50-6.00
Nebraska.....	5.00	7.79	5.50-6.00	8.10	5.50	7.79	5.50-6.00
Kansas.....	4.50	(²)	4.50	(²)	5.50	(²)	5.50
Iowa.....	5.50	(²)	5.50	(²)	5.50	7.60	5.50
Minnesota.....	5.50	(²)	5.50	(²)	5.50	7.06	5.50
Wisconsin.....	5.00-5.50	7.22	6.00-6.50	8.72	6.00	7.10	6.00-7.50
Michigan.....	5.50-6.00	7.22	6.00-7.00	9.38	7.00-7.50	8.82	7.00-7.50
Ohio and Indiana.....	5.00	6.88	7.00	9.26	6.00-7.00	9.41	6.00-7.00
Illinois.....	(²)	(²)	(²)	(²)	7.00	7.76	7.00

¹ Actual prices paid farmers can not be determined until 1925-26 sugar crop all sold (Oct. 15, 1926).² No data.

*United States granulated sugar prices*⁴

[Cents per pound]

Months	Cane sugar ²		Beet sugar ³	
	1921	1922	1921	1922
January.....	7.66	5.275	7.53	4.675
February.....	7.51	5.45	7.56	4.90
October.....	5.80	6.935	5.10	6.55
November.....	5.70	7.46	⁴ 6.10	7.075
December.....	5.48	7.60	4.82	7.00

Months	Cane sugar ⁵			Beet sugar ⁶		
	1923	1924	1925	1923	1924	1925
January.....	6.75	8.48	6.13	6.60	8.28	6.03
February.....	7.38	8.90	6.00	8.08	8.73	5.90
March.....	9.07	8.60	6.05	8.97	8.45	5.95
April.....	9.75	8.09	5.75	9.53	8.05	6.65
May.....	9.90	6.99	5.65	-----	7.00	5.55
June.....	9.60	6.70	5.60	9.40	6.20	5.50
July.....	8.55	6.62	5.38	8.68	6.53	5.25
August.....	7.75	6.89	5.50	7.40	6.75	-----
September.....	8.87	7.32	5.47	7.55	7.13	5.37
October.....	9.00	7.40	⁷ 4.94	-----	7.20	4.92
November.....	8.94	7.30	5.23	8.64	-----	4.70
December.....	9.02	6.62	5.30	-----	6.52	5.20
Average for year.....	8.52	7.40	5.54	8.34	7.49	5.50

¹ Source: Willett & Gray, by telegraph. Figures were taken as quoted and totaled, then averaged for months.

² California and Hawaiian at San Francisco.

³ Western at Chicago.

⁴ All important best companies holding firm 5.10-cent basis Chicago territory.

⁵ California and Hawaiian sugar.

⁶ Great Western sugar.

⁷ Price was as low as 4.60 cents on Oct. 26, reached 4.90 cents, then dropped again to 4.60, Oct. 27.

Mr. BROSSARD (continuing). Then there was your request on the cost of keeping a horse a year. I did not have that actual data, and I remembered I told you that I would give it, and you asked me to get it; and it shows here in this table the cost of keeping a horse a year and the total hours worked, as found in that investigation.

Chairman ROBINSON. What does it show?

Mr. BROSSARD. And the rate per hour. It shows in Michigan it costs \$111.13, in Ohio \$111.13, in Nebraska \$115.98, in Colorado \$130.64, in Utah \$109.79, in Idaho \$100.47, and in California \$177.60.

Chairman ROBINSON. To keep a horse a year on a farm?

Mr. BROSSARD. To keep a horse a whole year. And I might say that in making this investigation we used the methods employed by the agricultural economists throughout the country.

Chairman ROBINSON. Was that the basis upon which the costs were actually figured?

Mr. BROSSARD. Yes, sir; and the total hours the horse worked on the farm was 721.6 for Michigan, 829.3 for Ohio, 1,026.4 for Colorado—

Chairman ROBINSON (interposing). How much did that make the cost for a horse per hour, if you did nothing but produce sugar beets?

Mr. BROSSARD. May I finish this statement?

Chairman ROBINSON. Yes. I did not intend to interrupt you.

Mr. BROSSARD. Nebraska 1,026.4, Colorado 1,036.8, Utah 914.9, Idaho 946.8, and California 1,096.3. That makes the cost rate per hour of horse labor, dividing the total costs of keeping the horse by the hours he worked, 15.4 cents in Michigan, 13.4 cents in Ohio, 11.3 cents in Nebraska, 12.6 cents in Colorado, 12 cents in Utah.

Chairman ROBINSON. How many hours did the horse work?

Mr. BROSSARD. In which State?

Chairman ROBINSON. In any State. Take any illustration.

Mr. BROSSARD. It ranged from 721.6, Senator, to 1,096.3. Continuing, the rate per hour was, in Idaho, 10.6 cents; California, 16.2 cents; Montana, 11.7 cents; and Wyoming, 12 cents.

Chairman ROBINSON. Mr. Brossard, how did you arrive at the conclusion that it cost \$177 a year to keep a horse in California on the farm?

Mr. BROSSARD. We went to the farmers in California.

Chairman ROBINSON. Did you get those figures from the farmer?

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. Did it occur to you that in no place in the United States, on a farm, does it cost anything like \$177 to keep a horse?

Mr. BROSSARD. No, sir.

Chairman ROBINSON. Unless it is some show place?

Mr. BROSSARD. No, sir. I think the figures are quite accurate.

Chairman ROBINSON. You do?

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. Do you really believe it costs \$177 a year in California on a farm to keep a horse?

Mr. BROSSARD. I have no reason for doubting the accuracy of these data.

Chairman ROBINSON. And yet you have lived on a farm.

Mr. BROSSARD. Yes; and grew up there.

Chairman ROBINSON. And know the conditions that exist there?

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. Well, we will pass to another subject.

(The data submitted by Mr. Brossard on the cost of keeping a horse are as follows:)

It will be noted that the figures for total cost of keeping a horse in Montana and Wyoming are missing and also the total hours worked per horse per year for these two States. These data have been mislaid in moving the files of the agricultural division of the commission and are not at present available. The rates per hour are available, however, as they were included in the tables of the beet reports now in the hands of the Government Printer.

The horse labor cost per acre in Michigan on the average for the three years 1921, 1922, and 1923 was \$13.25. These data are shown in Table 14, page 32 of the commission's sugar-beet report for Michigan. Monday I testified that the horse cost per acre of sugar beets was about \$13. I thought the members of the committee would be glad to have this accurate statement in the record instead of my approximation.

Total cost of keeping a horse, hours worked per horse per year, and cost of horse labor per hour, on sugar-beet farms of the United States, 1922

	Cost of keeping	Total hours	Rate per hour
	<i>Per horse</i>	<i>Per horse</i>	<i>Cents</i>
Michigan.....	\$111. 13	721. 6	15. 4
Ohio.....	111. 13	829. 3	13. 4
Nebraska.....	115. 98	1, 026. 4	11. 3
Colorado.....	130. 64	1, 036. 8	12. 6
Utah.....	109. 79	914. 9	12. 0
Idaho.....	100. 47	946. 8	10. 6
California.....	177. 60	1, 096. 3	16. 2
Montana.....			11. 7
Wyoming.....			12. 0

Mr. BROSSARD. The data submitted also at the request of Senator Robinson on the sugar factory contracts for the purchase of sugar beets from the farmers.

There is submitted herewith, according to the request of Senator Robinson, a table and statement showing the type of participating contracts based on sugar content of beets and price of sugar. This is representative of the contracts that have been in general use up to 1924.

There are also submitted herewith statements from the 1926 contracts of two companies representing the new type of contracts now in use in most of the sugar-beet producing regions.

The first statement gives the so-called 50-50 participating contract, and the second statement gives the so-called 45-55 contract used in contracting for the production of sugar beets. There are three tables here, Senator.

Chairman ROBINSON. All right; it will be submitted.

(The three statements referred to are as follows:)

PARTICIPATING CONTRACT BASED ON SUGAR CONTENT OF BEETS AND PRICE OF SUGAR

The price per net ton of beets will be based on the average sugar content and the average net return f. o. b. factory received for sugar manufactured and sold by the factories located in the Arkansas Valley in Colorado on the line of the Atchison, Topeka & Santa Fe Railway (subject to any tax affecting the net return received f. o. b. factory, not now but hereafter imposed by law), during the period of 12 months beginning September 1, 192-, as per the following table:

Averaged net return received for sugar	Per cent sugar in beets								
	20 per cent	19 per cent	18 per cent	17 per cent	16 per cent	15 per cent	14 per cent	13 per cent	12 per cent
12 cents.....	\$18. 52	\$17. 48	\$16. 44	\$15. 41	\$14. 37	\$13. 33	\$12. 31	\$11. 27	\$10. 23
11½ cents.....	17. 75	16. 75	15. 75	14. 77	13. 77	12. 78	11. 79	10. 80	9. 80
11 cents.....	16. 98	16. 02	15. 07	14. 13	13. 18	12. 22	11. 28	10. 33	9. 37
10½ cents.....	16. 21	15. 30	14. 39	13. 49	12. 58	11. 67	10. 77	9. 86	8. 95
10 cents.....	15. 43	14. 57	13. 70	12. 84	11. 98	11. 11	10. 25	9. 39	8. 52
9½ cents.....	14. 66	13. 84	13. 02	12. 20	11. 38	10. 36	9. 74	8. 92	8. 10
9 cents.....	13. 89	13. 11	12. 33	11. 56	10. 78	10. 00	9. 23	8. 45	7. 67
8½ cents.....	13. 12	12. 38	11. 64	10. 91	10. 18	9. 34	8. 71	7. 98	7. 24
8 cents.....	12. 35	11. 65	10. 96	10. 27	9. 58	8. 89	8. 20	7. 51	6. 82
7½ cents.....	11. 57	10. 92	10. 28	9. 63	8. 98	8. 33	7. 69	7. 04	6. 39
7 cents.....	10. 80	10. 20	9. 59	8. 99	8. 38	7. 78	7. 18	6. 57	6. 00
6½ cents.....	10. 03	9. 47	8. 91	8. 35	7. 79	7. 23	6. 67	6. 10	6. 00
6 cents.....	9. 26	8. 74	8. 22	7. 71	7. 19	6. 67	6. 15	6. 00	6. 00
5½ cents.....	8. 49	8. 01	7. 53	7. 06	6. 59	6. 11	6. 00	6. 00	6. 00
5 cents.....	7. 72	7. 28	6. 85	6. 42	6. 00	6. 00	6. 00	6. 00	6. 00
4½ cents.....	6. 94	6. 55	6. 16	6. 00	6. 00	6. 00	6. 00	6. 00	6. 00
4 cents.....	6. 17	6. 00	6. 00	6. 00	6. 00	6. 00	6. 00	6. 00	6. 00

Intervening fractions of sugar prices and beet tests in proportion.

Initial payment of \$6 per ton will be made on the 15th of each month for beets delivered during the previous calendar month and as much more as sugar returns warrant after taking into consideration deliveries and payments previously made, further payments to be made from time to time as the average net returns received for sugar sold may justify. Final adjustment showing net amount due grower from company, or due company from grower in event of previous overpayment, will be made not later than October 1, 192—, such adjustment, however, not to reduce the price to be paid for beets below the minimum payment of \$6 per ton.

50-50 PARTICIPATING CONTRACTS IN REGARD TO THE GROWING OF SUGAR BEETS

All beets delivered at factory or designated receiving station in good condition of 80 per cent purity or more and containing 12 per cent sugar or more will be paid for by the company on the following basis:

There will be appropriated to the growers one-half of the net returns received by the company from the sale of its entire output produced from beets grown under this contract, the net returns to be determined by deducting from the gross sales price all such charges and expenditures as are regularly and customarily deducted from the gross sales of price of sugar, in accordance with the system of accounting heretofore established, showing net returns from sugar sold.

For example: If the company manufactures 125,000 bags of sugar from 50,000 tons of beets purchased, the average extraction per ton would be 250 pounds. One-half, or 125 pounds, would be the grower's portion. If the average net return from sugar sold is 7 cents per pound, the grower would receive 7 cents multiplied by 125 pounds, or \$8.75 per ton for his beets.

Initial payment will be made on the 15th of each month for beets delivered during the previous month and will be as high as sugar returns warrant after taking into consideration deliveries and payments previously made. Further payments to be made from time to time as the average net returns received for sugar sold may justify, and final payment will be made not later than October 1, 192—.

45-55 PARTICIPATING CONTRACT IN REGARD TO THE GROWING OF SUGAR BEETS

The company shall pay the grower for each ton of beets delivered under this contract by the grower, subject to tare for dirt and improper topping, an amount equal to 45 per cent of the value of the sugar packed from an average net ton of all beets received by the Columbia Sugar Co., at its plant in Paulding, Ohio, said amount to be determined as illustrated by the following:

Example: If the total net tonnage received by the Columbia Sugar Co. (Paulding plant) is 50,000 tons and the granulated sugar packed is 12,000,000 pounds, the average extraction per ton of beets will be determined by dividing the total number of pounds of sugar packed by the total net tonnage received; 12,000,000 pounds divided by 50,000 tons equals 240 pounds extraction per net ton of beets; 45 per cent of 240 pounds equals 108 pounds. If the average net sales price arrived at as stated below is \$8 per 100 pounds of sugar, the amount to be paid to the grower for beets would be \$8.64 per ton of 2,000 pounds.

The net weight of beets delivered by each grower for this company shall be determined by the net tons registered on the records of the Columbia Sugar Co.

The value of the sugar packed per net ton of beets delivered for the purpose of this contract shall be ascertained by multiplying the average quantity of sugar packed per net ton of beets, as defined above, by the average net market price of beet sugar for the months of October, November, and December, 1926, and January, 1927.

The average market price of sugar shall be ascertained by adding the daily New York market net cash quotations on beet sugar covering the Central States territory (Michigan, Ohio, Indiana, and Illinois, for the period mentioned) as compiled or published by Willett & Gray, and dividing the total by the total number of days on which quotations were made.

Mr. BROSSARD. Then you asked me specifically for copies of typical contracts. I do not know whether you want those inserted in the record or not.

Chairman ROBINSON. Well, let us see first what the value of them is. Are they forms of contracts used in the various areas?

Mr. BROSSARD. Yes.

Chairman ROBINSON. Are they substantially the same throughout, or do they differ, and in what general important aspects do they differ?

Mr. BROSSARD. The contracts differ in the various regions depending to some extent upon the sugar content of the beets, and depending upon the sugar extracted from the beets, and also upon the tonnage of sugar beets that the farmers are able to produce per acre, I suppose.

Chairman ROBINSON. Does that relate to the form that is used?

Mr. BROSSARD. That relates to the contract.

Chairman ROBINSON. The substance. But the form is the same practically everywhere?

Mr. BROSSARD. The form is adjusted, of course, to the various local conditions, but there is some uniformity. There are, however, in nearly all cases differences.

Chairman ROBINSON. What I would like to have, if you are prepared to furnish it, are illustrative forms of contracts that would fairly reflect, those used in the various areas which you investigated.

Mr. BROSSARD. I can give you three of these. There is one here, from a Kansas factory, which would not be representative at all, because we did not take any records in Kansas. But I have here a contract for the Columbia Sugar Co. in Michigan and the Columbia Sugar Co. in Ohio, and the Amalgamated Sugar Co. used in Idaho.

Chairman ROBINSON. Very well. Let them go into the record. Will you mark on the tops of them, those to be printed in the record, the areas or States at least in which they are used, so that at a glance one can tell that?

Mr. BROSSARD. I will do so.

(The copies of contracts referred to are as follows:)

MICHIGAN—COLUMBIA SUGAR Co., BAY CITY PLANT, SUGAR-BEET CONTRACT
CONCERNING RAISING AND DELIVERY OF SUGAR BEETS FOR CAMPAIGN OF 1922

The undersigned hereby agrees to plant, cultivate, harvest, and deliver during the year commencing with the spring of 1922, to the Columbia Sugar Co. (Bay City plant), for its factory in Bay City, Mich., _____ acres of sugar beets on the following-described lands, to wit: _____ in section _____, township of _____, in the county of _____, State of Michigan.

At least 15 pounds of seed per acre shall be planted which seed shall be furnished by the Columbia Sugar Co. at 15 cents per pound and the cost of same is to be deducted from the first payments made for beets delivered. The title to said seed and to said crop of beets from the time when the same begin to grow shall be and remain in the company.

The beets are to be given due care, and the grower will follow instructions of the company in regard to preparing the soil, seeding, caring for, harvesting, and delivering the crop.

In case the grower does not give the said beets due care, or does not follow the instructions from the company regarding the caring for, or the harvesting

of the crop, then the company shall have the right to enter upon the lands above set forth, and to care for, cultivate, harvest, and retain the crop and charge the expense thereof to the grower.

All beets delivered under this contract shall be as free from dirt as possible, without weeds and leaves, and shall be properly topped by the grower by passing the knife under the lowest leaf mark at right angles to the longitudinal axis of the beet.

Said beets shall be harvested and loaded by the grower for the company on cars, or delivered at factory sheds, at such time and in such quantities as may be directed by the company. The company will not be liable to receive or pay for beets which do not test 12 per cent sugar, are rotten, or otherwise unfit or undesirable for making sugar.

It is understood and agreed that all beets delivered from wagons or trucks shall be unloaded as directed by the company, and if forked into piles, all beets scattered on ground by the grower shall be picked up by him and thrown on to pile before wagon or truck is moved.

Beets delivered under this contract and loaded on cars by the grower will be paid for subject to tare and dirt and improper topping, in accordance with the following table:

If the average price of beet sugar are hereinafter determined is \$5.25 per 100 pounds, the total compensation for beets will be \$5.50 per ton beets; \$5.50 per 100 pounds, \$5.75 per ton beets; \$5.75 per 100 pounds, \$6 per ton beets; \$6 per 100 pounds, \$6.25 per ton beets; \$6.25 per 100 pounds, \$6.75 per ton beets; \$6.50 per 100 pounds, \$7 per ton beets; \$6.75 per 100 pounds, \$7.25 per ton beets; \$7 per 100 pounds, \$7.75 per ton beets; \$7.75 per 100 pounds, \$8 per ton beets; \$8 per 100 pounds, \$9 per ton beets.

Fractional advances in the average price of beet sugar above \$5.25 per 100 pounds will be paid for in the same proportions as set out in the above table.

If, however, the average price of beet sugar as hereinafter determined is less than \$5.25 per 100 pounds, then the company will pay \$5.50 per ton for beets grown and delivered under this contract.

Preliminary payments to the grower will be made at the rate of \$5.50 per ton for beets grown and delivered under this contract and will be made on the 15th of each month for beets delivered up to and including the 15th of the preceding month.

If the average price of beet sugar as hereinafter determined exceeds \$5.25 per 100 pounds, then an additional price per ton above \$5.50 will be paid by the company on February 15, 1923, so that the total price paid per ton for beets grown and delivered under this contract shall be as set forth in the above table.

For beets delivered and unloaded by the grower in beet bins at the factory, an additional 75 cents per ton will be paid.

Said average price of beet sugar shall be determined from the official New York net cash market quotations of Willet & Gray covering the Central States territory (Michigan, Ohio, Indiana, and Illinois) during the months of October, November, and December, 1922, and January, 1923, by adding together the prices of beet sugar so quoted for the working days of the said period and dividing the total by number of days quoted.

All wagons or trucks used by the grower in the hauling and delivering of said beets shall have boxes with tight bottoms, also tight sides and ends for four inches above bottoms, and be free from holes and cracks of sufficient size for dirt to sift through. Beets must be forked from wagon or truck by grower with a regular beet fork, and all dirt remaining in wagon or truck must be weighed out with wagon or truck.

All samples for tare must be forked into tare baskets in the regular manner and must be a fair average of load.

This contract not valid until approved by an officer of the company or its field superintendent, and no agent of the company has any authority to change or alter the terms and conditions of this contract.

(Signature of grower)

COLUMBIA SUGAR CO. (BAY CITY PLANT),
Per -----,
Field Superintendent.

Date -----, 1922.

(On the back of contract)

Contract No. -----
Acres -----

COLUMBIA SUGAR Co., BAY CITY PLANT, SUGAR BEET CONTRACT, 1922

Grower: -----
R. F. D.: ----- P. O.: -----
Section: ----- Township: -----
Weight and tare at -----
County ----- State -----
Section ----- Township -----
Lives, miles: N. -----; E. -----; S. -----; W. ----- front -----
Total pounds seed wanted: -----
Is labor wanted (say "Yes" or "No") -----
(Agent) -----

REMARKS AND INSTRUCTIONS

Always select the very best land for sugar beets. Avoid hilly land that will wash.

Plow your land in the fall if possible; get down deep with your plow.

A little extra work in preparing the land will save lots of time and money when it comes to thinning and weeding.

Sow the seed as soon as the soil is warm and moist enough to germinate it.

Cultivate at least once a week; keep the ground loose and mellow.

Keep your beets clean and free from weeds. Thin to one beet in a place.

Do not harvest until beets are ripe.

To obtain a lower tare, beets should be topped squarely below lowest leaf growth.

COLUMBIA SUGAR Co., PAULDING PLANT, OHIO, SUGAR BEET CONTRACT, 1926,
CONCERNING RAISING AND DELIVERY OF SUGAR BEETS FOR CAMPAIGN OF 1926

1. The grower agrees to prepare the land for, plant, block, thin, and cultivate during the season of 1926, in compliance with the directions of the Columbia Sugar Co., hereinafter called the company, as may be given from time to time, and thereafter harvest and deliver ----- acres of sugar beets on the following described lands, situated in section -----, township -----, county of -----, State of Ohio.

2. That the seed used shall be only that furnished by the company, for which the grower shall pay 15 cents per pound, and not less than 15 pounds per acre shall be planted. The cost of the seed shall be deducted from the first payment made for beets delivered. The title to said seed and to said crops of beets from the time when same begin to grow, shall be and remain in the company.

3. The grower agrees to deliver to the company, as and when directed, at the factory, or on cars at designated receiving stations of the company, all beets grown by him under this contract.

4. The grower further agrees that all beets grown and delivered by him under this contract shall be properly topped at base of bottom leaf and shall be free from dirt, stones, trash, and foreign substances liable to interfere with the work at the factory, and shall be subject to proper deductions for tare, and that he will protect the beets from sun and frost after removal from the ground; but in no event shall the company be held liable in damages for any failure or partial failure of crop or any injury or damage to beets.

The company has the option of rejecting any diseased, frozen, or damaged beets, beets of less than 12 per cent sugar or less than 80 per cent purity, or beets that are deemed by the company to be not suitable for the manufacture of sugar.

5. In case the grower does not give the beets due care, or does not harvest and deliver the crop, then the company shall have the right to enter upon the

lands above set forth, and to care for, cultivate, harvest, deliver, and retain the crop and charge the expense thereof to the grower.

6. The company shall pay the grower for each ton of beets delivered under this contract by the grower, subject to tare for dirt and improper topping, an amount equal to 45 per cent of the value of the sugar packed from an average net ton of all beets received by the Columbia Sugar Co., at its plant in Paulding, Ohio; said amount to be determined as illustrated by the following:

Example: If the total net tonnage received by the Columbia Sugar Co. (Paulding plant) is 50,000 tons and the granulated sugar packed is 12,000,000 pounds, the average extraction per ton of beets will be determined by dividing the total number of pounds of sugar packed by the total net tonnage received: 12,000,000 pounds divided by 50,000 tons equals 240 pounds extraction per net tons of beets; 45 per cent of 240 pounds equals 108 pounds. If the average net sales price arrived at, as stated below, is \$8 per 100 pounds of sugar, the amount to be paid to the grower for beets would be \$8 64 per ton of 2,000 pounds.

7. The net weight of beets delivered by each grower for this company shall be determined by the net tons registered on the records of the Columbia Sugar Co.

8. The value of the sugar packed per net ton of beets delivered for the purpose of this contract shall be ascertained by multiplying the average quantity of sugar packed per net ton of beets, as defined above, by the average net market price of beet sugar for the months of October, November, and December, 1926, and January, 1927.

9. The average market price of sugar shall be ascertained by adding the daily New York market net cash quotations on beet sugar covering the Central States territory (Michigan, Ohio, Indiana, and Illinois for the period mentioned) as compiled or published by Willett & Gray, and dividing the total number of days on which quotations were made.

10. As soon as practicable, a certified public accountant licensed to practice in Ohio and Indiana and selected by the Ohio Savings & Trust Co. of Toledo, shall verify the figures of the Columbia Sugar Co. as to the amount of granulated sugar packed per net ton of beets received.

11. The company agrees that the minimum price of beets under this contract shall be \$6 per ton, which amount shall be paid on the 15th of the month for all beets delivered the preceding month. Any additional payments that may be due under this contract shall be made on the 15th of February, 1927: *Provided, however,* That the company shall be entitled to deduct from initial payments due hereunder, and from any other amounts that may be due on said contract price for beets delivered under this contract, and any and all indebtedness whatsoever which may be owing at any time by the grower to the company. For beets delivered and unloaded by the grower in beet sheds at the factory, an additional \$1 per ton shall be added.

12. This contract shall not be valid until approved by an officer of the company or its field superintendent, and no agent of the company has any authority to change or alter the terms and conditions of this contract.

(Signature of grower) -----

Approved:

COLUMBIA SUGAR CO. (PAULDING PLANT).

By -----

Field Superintendent.

Date -----, 1922.

(On back of contract)

Contract ----- No ----- Acres -----

COLUMBIA SUGAR CO., PAULDING PLANT, SUGAR BEET CONTRACT, 1926

Grower -----

R. F. D. ----- P. O.: -----

Section: ----- Township: -----

Weight and tare at -----

County: ----- State: -----

Section: ----- Township: -----

Lives, miles: N.: -----; E.: -----; S.: -----; W.: ----- from -----

Total pounds seed wanted: -----

Is labor wanted (say "Yes" or "No"): -----

(Agent): -----

REMARKS AND INSTRUCTIONS

Always select the very best land for sugar beets. Avoid hilly land that will wash.

Plow your land in the fall, if possible; get down deep with your plow.

A little extra work in preparing the land will save lots of time and money when it comes to thinning and weeding.

Sow the seed as soon as the soil is warm and moist enough to germinate it. Cultivate at least once a week; keep the ground loose and mellow.

Keep your beets clean and free from weeds. Thin to one beet in a place.

To obtain a lower tare, beets should be topped squarely below lowest leaf growth.



MEMORANDUM AND AGREEMENT BETWEEN----- (HEREINAFTER CALLED THE GROWER) AND THE AMALGAMATED SUGAR CO., IDAHO, FOR DELIVERY OF SUGAR BEETS-----RECEIVING STATION (HEREINAFTER CALLED THE COMPANY), STATE OF IDAHO, SEASON OF 1926

Witnesseth, That for and in consideration of the mutual covenants and payments hereinafter set out, the respective parties hereto mutually undertake and agree as follows, to wit:

1. The grower will prepare land for, plant, block, thin, cultivate, harvest, and deliver during the season of 1926, in compliance with the directions of the company, as given from time to time, ----- acres of sugar beets, to be grown on the following described land, to wit: ----- quarter, section -----, township -----, range -----, county of -----, State of Idaho.

2. The seed bed is to be approved by duly authorized agents or fieldmen of the company. Seed will be furnished by the company at a cost to the grower of 15 cents per pound, and such seed must be planted exclusively upon the above described land. Not less than 15 pounds of seed shall be planted upon each acre. Unused seed must be returned to the company in good condition for credit not later than July 1, 1926.

3. The grower agrees that at his own expense he will harvest and deliver to the company all sugar beets grown by him, when and as directed, either at the factory, or in cars at designated company receiving stations; that such beets will be properly topped at the base of bottom leaf; that knives will not be used for lifting beets, but hooks may be used, if they are properly driven into the top of the crown of the beet; that such beets will be protected from sun or frost after removal from the ground; that such beets will be delivered free from stones, trash, or other foreign substances which may interfere with factory work; that no loose dirt will be removed from beet-delivery wagon box, until it has been properly weighed back; and that all such beets shall be subject to the customary and proper deductions for tare. The grower agrees not to irrigate any part of his beet land after being notified to harvest his crop.

4. The company has the privilege at various times during the growing and harvesting season to ascertain the quality of the beets grown under this contract, by causing such beets to be sampled and polarized. At its option the company may reject any diseased, frozen, damaged, or improperly topped beets, as well as beets not suitable for the manufacture of sugar, or which contain less than 12 per cent sugar, or are of less than 80 per cent purity.

In no event shall the company be liable to the grower for partial or complete failure of crop, or for any injury or damage to beets.

5. The company will commence receiving beets as soon as they are thoroughly matured; provided, however, that prior to October 10 the company shall not be obliged to receive beets containing less than 15 per cent sugar nor less than 80 per cent purity. If after October 10, 1926, the company fails to order delivery of beets grown under this contract, the grower without further notice shall promptly proceed to harvest and deliver such beets and complete delivery on or before December 1, 1926. In the event of a shortage of cars after October 10, causing serious delay to the grower, the grower shall be allowed to and will, if requested, fork his beets into piles and will pile them 7 feet high on the company's piling ground and at receiving stations where high-line or mechanical dumps are established.

6. The company will pay for all beets delivered and purchased under this contract at the rate per ton set out in the following schedule, based on the average sugar content of beets as shown by the factories cossette test for the Idaho

district, comprising Burley, Paul, and Twin Falls; and on the average net amount per 100 pounds received by the company between October 1, 1926, and October 1, 1927, on all sales of sugar from the 1926 crops of beets.

Per cent sugar in Cossette	Net return per 100 pounds received for sugar from Oct. 1, 1926, to Sept. 30, 1927									
	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$7.00	\$7.50	\$8.00	\$8.50	\$9.00
14.....	\$6.00	\$6.00	\$6.00	\$6.96	\$6.30	\$7.32	\$7.84	\$8.17	\$8.80	\$9.41
14.5.....	6.00	6.00	6.00	6.54	7.09	7.63	8.18	8.72	9.27	9.81
15.....	6.00	6.00	6.25	6.81	7.38	7.95	8.52	9.08	9.65	10.22
15.5.....	6.00	6.00	6.50	7.09	7.68	8.27	8.86	9.45	10.04	10.63
16.....	6.00	6.14	6.75	7.36	7.98	8.59	9.20	9.82	10.43	11.05
16.5.....	6.00	6.37	7.01	7.64	8.28	8.92	9.55	10.19	10.83	11.47
17.....	6.00	6.60	7.27	7.93	8.59	9.25	9.91	10.57	11.23	11.89
17.5.....	6.16	6.84	7.53	8.21	8.90	9.58	10.26	10.95	11.63	12.32
18.....	6.38	7.08	7.79	8.50	9.21	9.92	10.63	11.34	12.04	12.75

Fractions of beets test and net receipts are to be computed in the same relative proportions.

It is further agreed that the company is hereby authorized to deduct from any moneys coming due for beets delivered under this contract the sum of 2 cents per ton on all beets delivered by the grower hereunder as service charge for the beet committee of the Idaho State Farm Bureau Federation for the year 1926, and to pay such sum to said committee, unless the grower notifies the company in writing at its office between the 1st and 31st days of August, 1926, inclusive, not to make such deduction.

7. Payments under the foregoing schedule will be made as follows: A first or initial payment of \$6 per ton on the 15th day of each month for beets delivered and received during the previous calendar month; subsequent intermediate settlements to be computed as of the following dates, and payments made 15 days thereafter: January 1, 1927, April 1, 1927, and July 1, 1927. Subsequent intermediate settlements shall be equal to at least 80 per cent of the full balance due up to each settlement date, on that proportion of beets received from the grower as the total sugar by the company to that date bears to its total production. Final settlement to be computed as of October 1, 1927, with final payment 15 days thereafter.

8. Advances by the company to the grower, either in seed money or otherwise, shall constitute part payment for beets grown and delivered under this agreement, and any moneys or other obligations payable from the grower to the company is and shall become, constitute, and remain a prior lien upon the crop of sugar beets herein referred to and shall be deducted from the initial or any subsequent payments to the grower. If the grower is a tenant, his check in payment for beets will be made jointly to the landlord and tenant unless previously thereto the landlord has made proper release in writing to the company.

9. The grower has the privilege, at his own expense, of selecting a man of reliable character, satisfactory to the company, to check the tares and weights of the beets grown under this contract at the receiving stations where such beets may be delivered; to check in the tare-room laboratory the polarization of any beets that may be refused because of inferior quality; and to check cossette tests in the factory laboratory. Previous to final settlement on October 1, 1927, the grower shall also have the privilege of selecting at his own expense a certified public accountant to check the net amounts received by the company from sugar sales made.

10. The price of wet pulp produced from 1926 sugar beets shall be 50 cents per ton during October, November, and December; 60 cents during January and February; and 75 cents thereafter, as weighed on the company scales at its pulp silo. Preference is to be given to the grower to purchase 20 per cent of the net weight of his beets in pulp for his own use, provided he makes application prior to October 1, 1926, and written contract with the company for such pulp prior to October 15, 1926.

11. No agent of the company is authorized to make any alterations, erasures, or additions to this printed form of contract.

12. This agreement shall be binding both upon the grower, his heirs, legal representatives and assigns, and upon the company, its successors and assigns.

and shall not be transferable by the grower without the written consent of the company, its successors and assigns.

Executed in duplicate originals this _____ day of _____, 1926.

_____, Grower.

_____, Grower.

The AMALGAMATED SUGAR Co.

Approved by the beet committee of the Idaho State Farm Bureau Federation.

By _____

Chairman ROBINSON. Was there anything further?

Mr. BROSSARD. In connection with my testimony on Monday, June 28, 1926, I should like to add one further comment on the investigation of the farm costs of production of sugar beets by stating specifically just what part I took in the planning of that investigation and in the field work.

Like the planning of the wheat investigation, the planning of the sugar-beet investigation was done by the agricultural experts and the economists of the staff of the commission, after consultation with authorities of the Departments of Agriculture and Commerce and the State agricultural colleges. The plans were made for the sugar-beet investigation before I became a member of the staff of the commission. Any changes in the plans as originally made were always discussed by all the experts and agreed to by them and the members of the commission, just as I explained in the wheat investigation. No changes of importance, however, were made, and the plans as originally made were carried out. I was in the field and helped the 10 or 12 other agricultural men to get the records for Michigan, Ohio, Nebraska, and Colorado. I had nothing to do with the taking of the records in Utah, Idaho, Wyoming, Montana, or California, except in a general supervisory way from the office here at Washington. At the time Doctor Bidwell and I had the conversation spoken of by me Monday, I was officially placed in charge of the sugar-beet investigation by the chief of the agricultural division, Mr. Zapoleon, and the chief investigator, Mr. Comer.

Again, on Monday, I testified concerning the land charges and other capital charges used in the commission's study of the cost of production of sugar beets. I have with me this morning copies of the reports of the commission on the costs of production of sugar beets in California, Montana, and Idaho; and I want to place in the record the land charges used in determining the costs in those States, which will make it complete.

Chairman ROBINSON. Those land charges were on the same basis that you have heretofore discussed?

Mr. BROSSARD. Yes, sir. The land charge on the net cash rental basis per acre for the areas studied in California in the Tariff Commission's sugar-beet investigation were on the average for the three years of 1921, 1922, and 1923 \$18.45 per acre, and 6 per cent interest on the other capital invested in beet production was \$1.22 per acre.

Chairman ROBINSON. Have you the land values there also?

Mr. BROSSARD. They are in here, if I can locate them. The average values of the land on which the sugar beets were grown in California were as follows: 1921, \$550 per acre; 1922, \$531 per acre; 1923, \$457 per acre; and for the three-year average, \$522 per acre.

Chairman ROBINSON. Necessarily, figuring the cost of keeping a horse a year at \$177 and land values as approximately \$500 to \$550

per acre, and other costs correspondingly high, the cost of producing sugar beets in California would be enormous, wouldn't it?

Mr. BROSSARD. I will tell you exactly what it was, Senator. The costs of production of sugar beets in California, as found in that investigation, were as follows: In 1921, \$86.71; in 1922, \$83.14; in 1923, \$84.67; and for the average of the three years, \$85.34, which is not very much higher than the other costs per acre.

Chairman ROBINSON. In what portions of the State do the California sugar-beet lands that you included in your investigation lie?

Mr. BROSSARD. The areas investigated in California in this investigation were grouped around Salinas, Oxnard, and Santa Ana, along the coast, or rather, close to the coast.

Chairman ROBINSON. Did you take note of the value of other plow lands? I believe that is the way you designated it.

Mr. BROSSARD. We had those data.

Chairman ROBINSON. In the same neighborhood?

Mr. BROSSARD. Yes, sir; in the same neighborhood, as we did the others.

Chairman ROBINSON. How about the values of other plow lands, compared with the sugar-beet land values in California?

Mr. BROSSARD. In some of these districts the other cultivated land in California, a large proportion of it, was very much higher in value than this. It amounted in some cases to \$1,000 and \$1,500 per acre.

Chairman ROBINSON. Farm lands?

Mr. BROSSARD. Fruit lands, yes, sir; and the sugar beets in the Santa Ana area, for example, were grown in areas near which there were many, many acres valued at \$1,000 and \$1,500 per acre, and that is true in a comparative sense in the other areas. There are lands right near these lands for which we have cost data, which have very low values. The values may run from \$25 an acre to \$1,500 an acre, even near where these data were taken, and some of the land right near is a total waste; it can not be used, the irrigation water is not on the land, you can not get it on the land, and it is too rough to be irrigated, and therefore can not be used.

Chairman ROBINSON. What gives that land any value at all for farming purposes?

Mr. BROSSARD. The production of crops.

Chairman ROBINSON. Do they produce crops without irrigation?

Mr. BROSSARD. Oh, no.

Chairman ROBINSON. I thought you said that they had no water there and could not get water.

Mr. BROSSARD. You mean the value of the \$25 land?

Chairman ROBINSON. Yes; the land that has a nominal value that lies right close.

Mr. BROSSARD. The land which has just a nominal value may produce some of the very light crops.

Chairman ROBINSON. Even though no water is used?

Mr. BROSSARD. Even though no water is used; for pasture or something of that kind, turning stock in, but the other land has to have water. It would have to have water to produce any crops.

Chairman ROBINSON. And the pasture lands run how high?

Mr. BROSSARD. I do not know specifically. I would say that good pasture land in California in this district would run, if it was

irrigated pasture, which all good pasture in these districts would have to be, would run around from \$300 to \$500 an acre.

Chairman ROBINSON. Again we say, "Wonderful California."

Mr. BROSSARD. We will have to admit that. In the State of Idaho also the land rental was found to be in 1921, \$16.30; in 1922, \$14; in 1923, \$11.83; and for the average of the three years \$14.01, and 6 per cent interest on the other capital invested in sugar-beet production on the average for the three years was found to be \$2.16 per acre.

For the State of Montana the costs per acre for the use of land were found to be as follows: In 1921, \$11.58; in 1922, \$9.89; in 1923, \$8.76; and on the average for the three years, \$9.95, and the interest on the other capital invested in sugar-beet production on the average for the three years was found to be \$1.69.

Senator, I should like to take about 10 minutes, or 5 minutes, to comment on some specific testimony which has been given with respect to me personally by the former witnesses before this committee.

Chairman ROBINSON. All right.

Mr. BROSSARD. It has been stated that during my connection with the commission as an expert on the staff of the Tariff Commission, I had come to be known around the Tariff Commission as a rather active partisan of the sugar-beet interests. One of the commissioners may have "suspected" or "heard" or started a "rumor" to that effect. There was not then, nor never has been, any foundation in fact for either such rumor or any such suspicion; nor has there been any evidence produced in this investigation to show that I have done anything at all to cause such suspicions or such rumors.

It has been stated also by a former witness that I came to the staff of the commission without the immediate personal meeting of the commissioners to which I would have been subject had the investigation in which I was brought in not been somewhat unusual. For a complete answer to this charge I refer the committee to the statement of my work and employment submitted by me on Monday.

This correspondence that was submitted shows also that no one had anything to do with my employment as agricultural economist on the staff of the Tariff Commission, except the Tariff Commission, who thought me qualified for the work, and President E. G. Peterson, of the agricultural college, who, in accordance with the request of the commission, merely asked me if I cared to go with the commission temporarily to work on the sugar-beet investigation, and who acted as intermediary in making the arrangements.

I want to say further that I have never at any time been employed in any way whatsoever by the sugar interests, nor do I nor does any member of my family have any financial interest in the sugar industry or any other industry, so far as I can find out, upon which there is a protective tariff.

I have furthermore never in any way been connected with the sugar lobby, so that my appointment in no way was connected with or a reward for any activity on my part in connection with the sugar lobby. I did not even know the Washington representatives of the sugar industry and had nothing whatsoever to do with any of them.

It has been stated also by a former witness before this committee—

Chairman ROBINSON (interposing). Would you mind inserting there the name of the witness? I think it would be helpful.

Mr. BROSSARD. Commissioner Dennis.

Chairman ROBINSON. Do that hereafter when you refer to witnesses, if you do not mind.

Mr. BROSSARD. Commissioner Costigan and Commissioner Culbertson referred to the other matters.

It has been stated by Mr. Dennis that "it has been the deliberate purpose of the majority members of the commission (Marvin, Glassie, Baldwin, and Brossard) to break the workings of the flexible tariff law."

I want to state that I am now and always have been in favor of the flexible tariff law. I believe that section 315 is workable, both for decreases as well as increases in the duties, and that it is possible, at least in a great majority of the cases, to determine the costs of production of articles in the United States and likewise for similar articles in the principal competing countries, for the purpose of equalizing the cost differences by customs duties.

I came on the commission with the definite desire to do all in my power to assist in expediting and making effective the work of the commission on investigations under section 315, as well as those under the general powers of the commission. I have not changed that desire nor my efforts at any time since I took the oath of office; and, furthermore, the records of my activities can not be construed in such a way as to show any action on my part that either has delayed or was calculated to delay or hinder or break the workings of the flexible tariff law.

This former witness cites one specific instance in which he charges that I contributed to the delay in the preparation of the cotton-hosiery report. His testimony is as follows, and it may be found on pages 390 and 391 of the printed report of the testimony before this committee:

Straightway Commissioner Brossard intervened to prevent immediate consideration of cotton hosiery by his motion that a committee consisting of the chairman, Commissioners Dennis and Baldwin be appointed to prepare a draft of the factual section of the cotton-hosiery report.

Now, let us turn to the record of the commission's meeting of that day and see exactly what happened. It will be found on page 365 of the published minutes of the commission. It must be remembered in this connection that the commission had under consideration the butter report and that the commission had had the butter report before it for a number of meetings. We had, I think, gone through the report up to something like page 40. We were getting to somewhat of a standstill because of differences of opinion that were being expressed, and it was hard for six of us there to express them all around the board and get any definite statement down in black and white.

Upon motion of Commissioner Dennis, therefore, it was voted that a committee be appointed to complete the draft of the factual section of the report on butter. The chairman appointed as members of the committee thus authorized Commissioners Glassie, Costigan, and Brossard.

I want to show you what that situation was. Here there are only six commissioners. Three of the commissioners by a vote of the

commission, had been assigned to work on the butter report. That work would employ these three commissioners morning and afternoon, because we are anxious to get the work done, we wanted to expedite it as fast as possible, and as fast as was consistent with a thorough job on that report.

That was the reason for appointing this committee to work on butter, and we three people were put on that committee because we viewed the facts differently and wanted to state them in different ways, and it was for that reason that the chairman appointed us three men on the committee. There could be no commission meetings, because three members of the commission were working in the committee outside, writing this report, as instructed by the commission.

It was under those circumstances that Mr. Dennis made this motion:

Moved, that pending submission of a report by the committee appointed to complete the draft of the factual section of the report on butter, the commission resume consideration of the report to be submitted to the President in the cotton hosiery investigation.

Now, it was obvious to every member on the commission that that was impossible, because every member on the commission knew that three of us had just been assigned to complete the factual statement on butter, and that we three would be held in committee meetings morning and afternoon, and that it was so recognized by all members of the commission is evidenced by the fact that upon my motion to submit the cotton hosiery report to a committee consisting of the other three members of the commission, that they might have something to do at the same time that we three men were working on butter, and in order that the cotton hosiery report might be expedited, I made the motion as a substitute for Mr. Dennis's, that a committee, to consist of the chairman and Commissioners Dennis and Baldwin, be appointed to prepare a draft of the factual section of the report on cotton hosiery, and that motion was passed unanimously, Mr. Dennis, Mr. Costigan, Mr. Glassie, Mr. Marvin, and Mr. Baldwin and myself voting for it, which is evidence that all the commissioners recognized the futility of attempting to hold commission meetings to discuss the cotton hosiery report when three commissioners had just been assigned to complete the factual statement in the butter report.

Chairman ROBINSON. In that connection, I do not know just how pertinent it is, but let me point out to you that nearly all Senators frequently have from one to three committee meetings a day while the Senate is in session. Of course, everyone realizes that that does not conduce to deliberate work. But I do not think it follows merely because three of you had been assigned to prepare a report in the butter case that all consideration of the cotton-hosiery schedule should be suspended in the meantime. If we only take up in a day here a bill, or give consideration to one bill for an indefinite length of time, we would never accomplish anything. It is undoubtedly true if one can concentrate on a particular subject, and with nothing else to engage him, he can do better and more satisfactory work. That is true of a lawyer also who has many cases on the calendar of the court. Country lawyers sometimes, however, have 25 cases on the docket which may come up on a single day. It would be

better if they had only to think about 1 case, because there is no question but that they could give better attention to 1 case than they could to 25. But I do not think it follows at all that merely because three out of six of the commissioners had been appointed upon a committee to consider the butter case, that everything else must stand in abeyance, and that they must give their entire time to the butter report and to nothing else. I merely point that out in passing.

Mr. BROSSARD. You understand the reason I gave this information was to show that I contributed in no way to the delay of the cotton-hosiery report; but, on the other hand, the motion was made and accepted by all the commissioners as being the thing which it was thought best to do to expedite the cotton-hosiery report.

Chairman ROBINSON. Why was there so much hurry about getting out the butter report?

Mr. BROSSARD. The butter report had been in process for over two years.

Chairman ROBINSON. I know the butter report had been in process for over two years, but so also had the cotton hosiery been in process for over two years.

Mr. BROSSARD. That is true.

Chairman ROBINSON. And you laid aside the cotton hosiery and took up the butter case, and you said there was a great hurry. Tell me why that was. I think we all know, subconsciously, but nobody has expressed it.

Mr. BROSSARD. I think there were two reasons.

Chairman ROBINSON. The real reasons, now? [Laughter.]

Mr. BROSSARD. Well, I do not know what you mean by that implication.

Chairman ROBINSON. I mean that there are reasons and reasons.

Mr. BROSSARD. Yes; I understand that. I will let you judge, however, after I have stated them, what the reasons are.

Chairman ROBINSON. All right.

Mr. BROSSARD. In the first place, the butter report, as I understand it, had been given precedence some time before.

Chairman ROBINSON. Why was that done?

Mr. BROSSARD. The Senate had passed a resolution requesting that the butter investigation be made.

Chairman ROBINSON. Yes.

Mr. BROSSARD. And the President had asked that such a butter report be made and be expedited, I understood also.

Chairman ROBINSON. And the wheat case was a similar instance?

Mr. BROSSARD. And the wheat case was a similar instance, but the butter report, when the factual statement was first made—in the spring, as I remember it, in the butter case—the preliminary statement was made in the spring, and then the butter case was held up because the commission then adjourned until fall; and as soon as the commission got back to business in the fall it took it up, not immediately, but after one or two other cases, I think; but as soon as they all got together the butter report was taken up in the fall, and it was expedited.

There was another reason, I think, also, which might have had some influence. I think it should not have any influence, Senator,

but this is one that has been given. I will tell you the other reason that has been given for expediting the butter report.

Chairman ROBINSON. Now, we will come to the real reason.

Mr. BROSSARD. I take exception to that, because I differ with you as to the real reason. You will see, before any pressure was brought to bear from Congress whatsoever, we were in the midst of this butter report and working on it. But some Members of Congress also got very much interested in it, because they said that there must be some unusual delay in that butter report, and so they did come down to the Tariff Commission in a body one day, seven or eight of them, I think, and visited each of the commissioners in their several offices, and asked them if there was not some way in which this butter report could be expedited. I think in each case they were politely told that we were all working on it as much as we could and as fast as we could; and every commissioner agreed that that was the proper thing to do, because we were in process of putting it through.

Chairman ROBINSON. We do the same thing up here. When we find a bill that we want to dispose of we take it up to the exclusion of other business and let other business go by.

Mr. BROSSARD. This was not to the exclusion of other business, because the cotton-hosiery report was being considered by a committee of three.

Chairman ROBINSON. And the three that were on the butter schedule could not be in on the cotton-hosiery matter?

Mr. BROSSARD. If the three that were on the cotton-hosiery case had worked as prodigiously as those on the butter schedule, we might have had a report at the same time, which was something like two weeks after that, in spite of the fact that Mr. Glassie was sick in bed for about 10 days and Mr. Costigan was away for about four days.

Chairman ROBINSON. By the way, what is the status of the cotton-hosiery schedule at this juncture?

Mr. BROSSARD. The cotton-hosiery report has been made by the committee to the commission and is on the docket, so to speak. There is no such a thing as a docket down at our place, because we do not have a court, and it is not a docket; but it is there on our list, and it is the first order of business in the way of reports, and whenever we get time to go back to our job again and hold sessions we will be glad to take it up.

Chairman ROBINSON. You may go ahead now with your statement.

Mr. BROSSARD. Senator Robinson, you asked the question one day of a former witness, something about my employment by Senator Reed Smoot. I want to say for your information that I have never been employed by Senator Reed Smoot in any capacity whatsoever, neither as his secretary nor in any other way.

It has also been stated, I think by Mr. Dennis and Mr. Costigan, that I have persistently and almost at all times voted with the chairman and that to a more or less extent I have been dominated by Chairman Marvin. I want to say that no man that I have ever had anything to do with in any way has ever been less domineering than has Chairman Marvin. I think sometimes he has leaned clear over

backwards in order to accommodate his enemies, rather than domineer over them. He has not in any way attempted to dominate my actions, nor has he dominated them, and I am glad to have the record as made in the minutes of the meetings stand as is, and also I shall be glad to have the motions upon which I have voted stand as an indication of my record.

I want to say that I have voted always upon my own initiative. I have come to my own conclusions independently of the chairman and Mr. Glassie or Mr. Baldwin or Mr. Costigan or Mr. Dennis in all cases and in all matters, and in all the investigations from which reports have gone to the President under section 315 I have made up my own separate summaries and if I have time before we are through I should like to submit especially in the butter case the summary which I prepared at the time for insertion in that report.

Chairman ROBINSON. Have you concluded your statement?

Mr. BROSSARD. I think that covers everything that is essential. Oh, there is one other thing that I might comment on here, probably. Commissioner Costigan in his testimony has suggested that it was improper for Commissioner Baldwin and myself to participate in the taximeter and the print roller investigations, in the drafting of the reports and the submission of the final summaries, because we had not sat in the public hearings. He forgot momentarily that he himself had participated in the halibut report, in which investigation he had not sat in the public hearing.

As a matter of fact, every word of testimony is reported and is available to every commissioner in all the investigations, and frequently two or more commissioners hold hearings for the commission, as was done at Seattle last summer in the log and halibut cases, and afterwards all commissioners participated in the report.

This whole matter is on record in the minutes of the commission meetings, and in the reports on taximeters and print rollers, respectively, and I do not make any apologies for my stand in those cases, for I am convinced that the statement of the facts made by the four commissioners—Marvin, Dennis, Baldwin, and Brossard—in the taximeter investigation, and by the five commissioners—Marvin, Dennis, Glassie, Baldwin, and Brossard—in the print roller investigation are sound and scientific and that they form every point of view, dispose of those cases in the most common-sense way and in accordance with the law and the intent of Congress.

There is just one other matter, and I will be through. Mr. Costigan has also made comments about the "zeal" with which I have acted in employing people from my home State. He mentions Mr. Woolley and Mr. Neilson.

Mr. Woolley has not resided in Utah for a great many years, I think about 15. For the past six years he has been a resident of Worcester, Mass., where he has voted and paid his taxes. He is a man of high standing. His former college professor, Dr. George Thomas, who is now president of the University of Utah, says that Mr. Woolley was the best student he ever had in any of his classes, and the record of how Mr. Woolley came to be employed by the Tariff Commission is all given as the last item of the published minutes of the commission. It indicates that Mr. Woolley came to the offices of the Tariff Commission and met personally every commissioner, and each commissioner had opportunity to question him

and judge as to his fitness. As a result of that meeting four commissioners, or two-thirds of the total number, voted to employ him. That employment, at a salary of \$4,800, was approved by the Bureau of the Budget, despite the objections that had been sent to the Bureau of the Budget over the signature of Commissioner Costigan. Commissioner Dennis did not join in the submission of the statements objecting to Mr. Woolley's appointment.

Mr. Preston Neilson was employed at the Tariff Commission and was assigned to the metals division. He is a university graduate in economics and business administration, and has had a thorough course in college statistics. He was employed to do rather routine statistical work. He took the place of a girl who had resigned, who had about a high-school education, and was doing this same work. Mr. Neilson took the place of this girl who resigned, at the same salary, despite the fact that he was put in the scientific and professional group 1 at the same salary that the lady was drawing who had resigned, upon motion of Commissioner Dennis, who is chairman of the personnel committee. The vote was unanimous at that time, Mr. Costigan, however, being in Colorado on his vacation.

That is all, Mr. Chairman, that I have, unless you desire that I put into the record some illustrations of the work I have done and my votes on the respective investigations.

Chairman ROBINSON. If you would like them to go in—

Mr. BROSSARD (interposing). They are all in these published minutes.

Chairman ROBINSON. Unless you desire them to go in, I will not ask to have them inserted.

Mr. BROSSARD. I think it might help, if some one wanted to look at them, to have them in here.

Chairman ROBINSON. Well, if you want them in—

Mr. BROSSARD. I will put them in. I think the titles are self-explanatory.

Chairman ROBINSON. Very well.

(The matters referred to by Mr. Brossard are as follows:)

SOME ILLUSTRATIONS OF SPECIFIC TASKS PERFORMED BY COMMISSIONER BROSSARD SINCE JULY 22, 1925, AS MEMBER OF UNITED STATES TARIFF COMMISSION IN THE PREPARATION OF REPORTS ON INVESTIGATIONS UNDER SECTION 315

LIVE BOBWHITE QUAIL

Commissioners Dennis, Baldwin, and I, on behalf of the commission, held the public hearing in the quail investigation, September 10, 1925, 10 a. m.

Subsequently thereto I read the report of the advisory board in the quail investigation and suggested such changes in the report as to me seemed necessary.

On September 15, 1925, the commission voted unanimously for the approval of the live bobwhite quail report. Those present and voting were Commissioners Marvin, Dennis, Baldwin, and Brossard.

TAXIMETERS

Between July 22 and September 10, 1925, I read the brief filed by parties interested in the taximeter investigation and also the transcript of the public hearing held February 12 and March 12, 1924.

In cooperation with the other commissioners around the board, I read, corrected, and approved the tentative report to the President on taximeters, submitted October 1, 1925. Those voting to approve the report were Messrs.

Marvin, Dennis, Baldwin, and Brossard. Commissioner Costigan wrote a dissenting statement. Commissioner Glassie did not participate. Commissioner Baldwin and I wrote the draft of the report on "Separate dissenting statement of Commissioner Costigan on the investigation of taximeters." This report was submitted November 16, and is shown on pages 12 to 18 of the printed report on taximeters.

PRINT ROLLERS

Between July 22 and September 10, 1925, I read the preliminary reports of the advisory board and the reports of the experts of the metals division that had been submitted to the commission in the investigation of the costs of production of print rollers. During this time I also read the transcript of the public hearings held in the print-rollers investigation, January 29, February 4, and February 5, 1924.

On October 6 I voted for the approval of the print-roller report. Those approving the report being Commissioners Marvin, Dennis, Glassie, Baldwin, and Brossard. Commissioner Costigan did not concur in the report and wrote a dissenting statement to which a reply was prepared by Chairman Marvin for the commission.

HALIBUT

I read the briefs filed by parties interested in the investigation and the transcript of the public hearings held August 10 and August 11, 1925. I also read the reports of the fish experts of the staff and of the advisory board and made such suggestions for changes as to me seemed advisable. I rewrote the sections on "classification" and "costs of production," as they appeared in the tentative draft of the advisory board report. I also wrote the summary which was finally adopted by the commission with some slight modifications.

The report to the President was considered by the commission on October 6, 12, 13, 14, 15, 17, 20, 21, 22, 23, and 24, and was finally sent to the President October 24, 1925, signed by the five commissioners—Marvin, Dennis, Glassie, Baldwin, and Brossard. Commissioner Costigan submitted a separate statement.

BUTTER

In the butter investigation I naturally had a considerable part. As a member of the staff I had helped plan the investigation and participated in the conferences on the cost schedules, selection of representative areas for investigation, personnel of field crews, and so on. When the field work was completed I was requested to review the outline of the report of the agricultural division to the advisory board and to pass upon the proposed statistical and cost tables to be included in the report. When the report of the agricultural division was submitted to the advisory board I participated in the conferences of the advisory board. I was the economist assigned to put the butter report in its final shape to go to the commission. But almost immediately after that assignment I was appointed to be a member of the commission and of necessity turned that part of the work over to another economist on the staff.

When the report of the advisory board came to the commission, however, I was appointed a member of a committee of commissioners to prepare the statement of facts for the report to the President. The three members of that committee were Commissioners Glassie, Costigan, and Brossard.

With the consent of the committee I want to review in some detail the work of the commission with that report and comment on some of the problems involved in order to show just how the commission does its work.

LIST OF COMMITTEES OF WHICH COMMISSIONER BROSSARD IS A MEMBER

July 23, 1925, Brossard appointed to personnel committee.

The chairman announced the appointment of Commissioner Brossard as a member of the personnel committee and that the chairman would serve as a member of the committee ex officio. Commissioner Dennis is chairman of that committee.

July 24, 1925, take up with Personnel Classification Board re commissioners' secretaries, etc.

The chairman requested Commissioners Baldwin and Brossard to take up with the Personnel Classification Board the question of further consideration

of the classification of the commissioners' secretaries and other employees of the commission in grade 6 of the clerical, administrative, and fiscal service.

July 24, 1925, material submitted by Commissioner Costigan re sugar beets.

The commission discussed the material submitted by Commissioner Costigan on July 1, 1925, for inclusion in the text of the report on the commission's investigation of the sugar beet industry.

It was agreed that the material be referred to Commissioners Costigan and Brossard for adjustment and inclusion in the report in such form as might be agreed upon by them.

September 12, 1925, presentation of facts re Herman K. Kopp to Veterans' Bureau.

Upon motion by the chairman, it was—

Voted: That Commissioner Brossard, the secretary, and Mr. H. H. Newton be appointed as a committee to present to the Veterans' Bureau the facts as known by the commission with regard to the physical condition of Mr. Herman K. Kopp as a basis for appropriate allotment to him under the law.

September 15, 1925, classification officer re classification of personnel.

Upon motion by the chairman, it was—

Voted: That Commissioner Brossard be designated as classification officer in connection with the classification of the personnel of the commission.

October 13, 1925, representation of commission with board of review re efficiency ratings.

Upon motion by the vice chairman, Commissioners Brossard and Baldwin were designated to act for the commission with the board of review in reviewing the efficiency ratings of employees of the commission before their submission for final action by the commission.

October 25, 1925, preparation of reply to separate statement by Commissioner Costigan re taximeters.

Upon motion by Commissioner Brossard, it was—

Voted: That the commission prepare and submit to the President replies to each of the separate statements submitted by Commissioner Costigan to accompany the commission's reports to the President in reference to taximeters and print rollers, respectively.

Upon motion by Commissioner Brossard, it was—

Voted: That the chairman be authorized to appoint committees to prepare and submit to the commission the replies referred to in the foregoing resolution.

The chairman announced the following committees in accordance with the foregoing resolution.

* * * * *

Commissioners Baldwin and Brossard to prepare the reply in reference to taximeters.

October 27, 1925, criticism of manuscript of tariff information survey on woven fabrics of wool.

The secretary laid before the commission a memorandum from the chief of the textile division submitting the manuscript of a tariff information survey on woven fabrics of wool and recommending that the manuscript be submitted to representatives of the woolen industry for criticism and that when approved by the commission the survey be printed and published.

The manuscript was referred to Commissioners Costigan and Brossard for consideration and recommendation.

November 10, 1926, preparation of report to commission on paintbrush handles.

Upon motion by the chairman, it was—

Voted: That Commissioners Baldwin and Brossard be appointed a committee to consider and report to the commission on the pending investigation (No. 11) for the purposes of section 315 of the tariff act of 1922, with respect to paintbrush handles.

January 26, 1926, factual section of report on butter.

Upon motion by Commissioner Dennis, it was—

Voted: That a committee be appointed to complete the draft of the factual section of the report on butter.

The chairman appointed as members of the committee thus authorized; Commissioners Glassie, Costigan, and Brossard.

February 16, 1926, cost schedule.

The chairman announced the appointment of Commissioners Brossard and Costigan as members of the committee on cost schedule to succeed former Commissioners Lewis and Burgess.

April 17, 1926, plans for obtaining further information on linseed oil.

The chairman called the attention of the commission to a report, submitted by the advisory board under date of March 3, upon plans for obtaining further information in connection with the investigation with respect to costs of production of linseed oil.

The report was referred to a committee consisting of Commissioners Costigan and Brossard for examination and report to the commission.

June 3, 1926, outline of plans for investigation of oriental rugs.

The chairman laid before the commission a report dated May 12, 1926, from the advisory board submitting for the consideration of the commission an outline of plans for an investigation for the purposes of section 315 of the tariff act of 1922, with respect to oriental rugs.

The report was referred to Commissioners Dennis and Brossard as a committee to consider and report with recommendations thereon to the commission at as early a date as might be practicable.

VOTES OF COMMISSIONERS ON INSTITUTION OF INVESTIGATIONS UNDER SECTION 315

(From the date that Doctor Brossard entered on duty as commissioner to the present date, July 22, 1925, to June 25, 1926.)

JULY 23, 1925.

Present: Messrs. Marvin, Costigan, Baldwin, Brossard.

After discussion, it was by the chairman—

Voted: That an investigation be instituted by the United States Tariff Commission for the purposes of section 315 of the tariff act of 1922, with respect to the differences in costs of production of granite; and that in submitting for consideration by the commission a plan for such investigation the advisory board include a report upon the feasibility of using invoice prices as evidence of cost of production in lieu of actual book costs if imported granite.

After discussion of the subject, the motion went over for further consideration.

It was, by the chairman—

Moved: That an investigation be instituted by the United States Tariff Commission for the purposes of section 315 of the tariff act of 1922, with respect to glue and edible gelatin.

The motion went over for further consideration.

It was, by the chairman—

Moved: That an investigation be instituted by the United States Tariff Commission for the purposes of section 315 of the tariff act of 1922, with respect to the differences in costs of production of methanol.

The motion went over for further consideration.

It was, by the chairman—

Moved: That an investigation be instituted by the United States Tariff Commission for the purposes of section 315 of the tariff act of 1922, with respect to the differences in costs of production of sodium silicofluoride.

The motion went over for further consideration.

JULY 24, 1925.

Present: Messrs. Marvin, Costigan, Baldwin, Brossard.

The commission resumed consideration of the motion submitted by the chairman on July 23, 1925, in reference to the institution of an investigation of the costs of production of granite.

* * * * *

As a substitute for the chairman's motion, it was, by Commissioner Costigan—

Moved: That an investigation be instituted by the United States Tariff Commission, under its general powers, with respect to granite.

Upon the foregoing motion the votes of the commissioners were as follows:

In favor of the adoption of the motion: Mr. Costigan.

Against the adoption of the motion: Messrs. Marvin, Baldwin, Brossard.

The substitute motion was therefore rejected.

The question being upon the original motion by the chairman, it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 45 BY THE UNITED STATES TARIFF COMMISSION FOR THE PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

GRANITE

(Order of investigation follows:)

The votes of the commissioners on the foregoing resolution were as follows:
In favor of the adoption of the resolution: Messrs. Marvin, Baldwin, Brossard.

Against the adoption of the resolution: Mr. Costigan.

The commission resumed consideration of the motion submitted on July 23, 1925, by the chairman in reference to the institution of an investigation of the costs of production of glue and edible gelatin.

After discussion of the subject, it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 46 BY THE UNITED STATES TARIFF COMMISSION FOR THE PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

GLUE

(Order of investigation follows:)

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 48 BY THE UNITED STATES TARIFF COMMISSION FOR THE PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

EDIBLE GELATIN

(Order of investigation follows:)

The commission resumed consideration of the motion submitted on July 23, 1925, by the chairman in reference to the institution of an investigation of the costs of production of methanol.

After discussion of the subject, it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 48 BY THE UNITED STATES TARIFF COMMISSION FOR THE PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

METHANOL

(Order of investigation follows:)

The votes of the commissioners on the foregoing resolution were as follows:

In favor of the adoption of the resolution: Messrs. Marvin, Baldwin, Brossard.

Against the adoption of the resolution: Mr. Costigan.

The commission resumed consideration of the motion submitted on July 23, 1925, by the chairman in reference to the institution of an investigation of the costs of production of sodium silicofluoride.

After discussion of the subject it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 49 BY THE UNITED STATES TARIFF COMMISSION FOR THE PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

SODIUM SILICOFLUORIDE

(Order of investigation follows:)

The votes of the commissioners on the foregoing resolution were as follows:

In favor of the adoption of the resolution: Messrs. Marvin, Baldwin, Brossard.

Against the adoption of the resolution: Mr. Costigan.

It was by Commissioner Costigan—

Moved that an investigation be instituted by the United States Tariff Commission for the purposes of section 315 of the tariff act of 1922, with respect to the differences in costs of production of cotton cloths dutiable under paragraphs 903 and 906 of the tariff act of 1922.

The foregoing motion went over by unanimous consent for further consideration.

JANUARY 8, 1926.

Present: Messrs. Marvin, Dennis, Costigan, Glassie, Baldwin, Brossard.

The commission resumed the consideration of advisory board reports upon applications received by the commission for the purposes of section 315 of the tariff act of 1922.

* * * * *

The first report considered was that with reference to barium carbonate.

It was, by Commissioner Brossard—

Moved that an investigation be instituted by the United States Tariff Commission for the purposes of section 315 of the tariff act of 1922, with respect to the differences in costs of production of barium carbonate.

By Commissioner Costigan: The Tariff Commission for an indefinite period has pursued a drifting yet directed policy with respect to both applications filed with it and reports to the President under section 315. Before commissioners are asked to vote upon applications relating solely to increase in rates of duty I request and—

Move that in advance of action on the foregoing motion by Commissioner Brossard one or more meetings of the commission, to be given precedence and to be held at the earliest practicable date or dates, be devoted as far as necessary exclusively to the consideration, with the chief of the economics division and the chief investigator, of the status of all applications filed with the commission under section 315 and of reports thereon.

By Commissioner COSTIGAN. This request and motion are made so that the commission may have before it instead of a program of piecemeal voting on investigations the possibility of organizing and pressing a systematic and constructive plan for carrying on its work under section 315 in accordance with the intent of the framers of that section.

By the CHAIRMAN (statement in regard to Commissioner Costigan's above motion).

By Commissioner BROSSARD. The above motion was made by me without attempting to prejudge the outcome of the investigation and was made after consideration of the recommendation concerning the investigations submitted to the commission by the advisory board and the chief investigator, and after oral statements had been made by them giving the reasons for such investigation.

At the request of Commissioner Glassie the chairman of the advisory board and the chief investigator submitted the following list of reports from the advisory board, now pending, recommending institution of formal investigations for the purposes of section 315 of the tariff act of 1922:

(List.)

At the request of Commissioner Costigan the following list of investigations for the purposes of section 315 now pending before the commission was submitted:

(List.)

The chairman stated that the pending question is upon the motion in the form of a substitute offered by Commissioner Costigan, as follows:

Moved: That in advance of action on the foregoing motion by Commissioner Brossard, one or more meetings of the commission, to be given precedence and to be held at the earliest practicable date or dates, be devoted as far as necessary exclusively to the consideration with the chief of the economics division and the chief investigator of the status of all applications filed with the commission under section 315 and of reports thereon.

By the CHAIRMAN. In connection with this substitute motion offered by Commissioner Costigan, I would like to state that by agreement of the commission reports by the advisory board upon barium carbonate, fluespar, cream of tartar, tartaric acid, and oriental rugs were assigned for special consideration by the commission at its meeting on January 5; that after consideration at that meeting, at which the chairman of the advisory board and the chief investigator participated, further consideration of the reports went over until January 8.

The proper time, in my opinion, for the motion now made by Commissioner Costigan was when agreement was asked for the assignment of the reports mentioned for the consideration of the commission. There is no objection to setting apart any special date or dates for the consideration of any number of reports that the commission may select; there is, however, before us a definite assignment for consideration of certain subjects. After full consideration of the report on barium carbonate, Commissioner Brossard moved that a formal investigation be instituted. I believe that action should be taken on Commissioner Brossard's motion and that later, if the commission desires, a date be set for the consideration of matters referred to in Commissioner Costigan's substitute motion.

By Commissioner GLASSIE. Commissioner Costigan's motion calling for a detailed consideration of all pending applications and reports, in so far as it is intended to secure general consideration of all pending applications and reports is obviously a motion that might have been made at any time heretofore. In so far as it would postpone the consideration of the matter now regularly before the commission pursuant to a special setting for consideration, it would apparently amount to a rather indefinite postponement of the matter now immediately before the commission. For that reason I am constrained to vote against it.

By Commissioner DENNIS. While not attempting to prejudice the merits of new applications, as a matter of principle, I hereby express myself as preferring to refrain from voting for new applications for higher duties until certain long-pending cases based on applications for lower duties are given due consideration and brought to a conclusion.

By Commissioner BROSSARD. I believe that the advisory board in making its recommendations to the commission has given the same consideration to applications for decreases in duties as to those for increases.

By Commissioner DENNIS. I am in exact accord with Commissioner Brossard in his statement. My divergence of opinion is based not on action of the advisory board, but upon the handling of subjects by the commission after receiving them from the advisory board.

The question being upon the substitute motion by Commissioner Costigan, the votes of the commissioners were as follows:

In favor of the adoption of the substitute motion: Messrs. Dennis, Costigan.

Against the adoption of the substitute motion: Messrs. Marvin, Glassie, Baldwin, Brossard.

The substitute motion was therefore rejected.

The question reverting to the motion submitted by Commissioner Brossard for the institution of a formal investigation under section 315 of the tariff act of 1922, with respect to barium carbonate, the votes of the commissioners were as follows:

In favor of the adoption of the motion: Messrs. Marvin, Glassie, Baldwin, Brossard.

Against the adoption of the motion: No votes.

The motion was therefore agreed to.

Commissioner Dennis and Commissioner Costigan did not vote.

By Commissioner GLASSIE. I make the following statement in connection with my vote on the foregoing resolution: The report of the advisory board, signed by Mr. Fox, chief of the economics division; and by Mr. Comer, the chief investigator; by Mr. McNabb, chief of the legal division; and by Mr. DeLong, chief of the chemical division, contains the following statement:

"Not only has the volume of imports been large and steadily increasing, but their average invoice value has declined. The invoice value per ton was \$41.82 in 1923; \$34.20 in 1924; and \$20.46 in August, 1925. In the first nine months of 1925 it was \$23.78."

The commission thereupon proceeded to the consideration of the advisory board report with respect to fluorspar.

By the CHAIRMAN. Whereas the advisory board, after considering the applications for an investigation for the purpose of section 315 of the tariff act of 1922, and the available facts set forth in the experts' preliminary report, is of the opinion that a cost of production investigation is warranted; and

Whereas the report of the advisory board has been before the commission for discussion and consideration, and the commission has been assisted further by the oral statements and explanations by the chairman of the advisory board and the chief investigator, I

Move: That a formal investigation for the purposes of section 315 of the tariff act of 1922 be instituted with respect to fluorspar.

On the foregoing motion the votes of the commissioners were as follows:

In favor of the adoption of the motion: Messrs. Marvin, Glassie, Baldwin, Brossard.

Against the adoption of the motion: No votes.

The motion was therefore agreed to.

On the foregoing resolution Commissioners Dennis and Costigan did not vote. Commissioner Dennis, under obligation to leave the meeting, asked that his vote be recorded in the negative in case the report with respect to cream of tartar and tartaric acid should come to a vote in his absence.

The commission adjourned until 2.30 o'clock p. m.

The commission reconvened at 2.30 o'clock p. m.

Present: Messrs. Marvin, Costigan, Glassie, Baldwin, Brossard.

The commission proceeded to the consideration of the advisory board report with respect to cream of tartar and tartaric acid.

* * * * *
During the discussion it was, by the chairman—

Moved: That the recommendation of the advisory board that no investigation for the purposes of section 315 of the tariff act with respect to cream of tartar is warranted at the present time, be approved.

The chairman further stated that after disposition of the foregoing motion he would offer a motion to the following effect:

That an investigation under the general powers of the commission be authorized in respect of calcium tartrate, cream of tartar, and tartaric acid.

As a substitute for the chairman's motion it was, by Commissioner Brossard—

Moved: That an investigation be instituted by the United States Tariff Commission for the purpose of section 315 of the tariff act of 1922 with respect to tartaric acid and cream of tartar.

On the foregoing motion the votes of the commissioners were as follows:

In favor of the adoption of the motion: Messrs. Baldwin, Brossard.

Against the adoption of the motion: Messrs. Dennis, Glassie

The motion was therefore rejected.

On the foregoing motion the chairman and Commissioner Costigan did not vote.

The commission proceeded to the consideration of the advisory board report with respect to oriental rugs.

Upon motion by Commissioner Glassie it was—

Voted: That the consideration of the advisory board report with reference to applications for an investigation for the purposes of section 315 of the tariff act of 1922, with respect to oriental rugs, shall be the special order of business at the meeting of the commission to be held on January 15, 1926.

JANUARY 13, 1926.

Present: Messrs. Marvin, Dennis, Costigan, Baldwin, Brossard.

The secretary submitted a draft of an order instituting an investigation for the purposes of section 315 of the tariff act of 1922, in respect of the costs of production of barium carbonate, pursuant to the resolution of the commission adopted January 8, 1926.

After discussion of the subject it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION NO. 50 BY THE UNITED STATES TARIFF COMMISSION FOR THE PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

BARIUM CARBONATE

(Order of investigation follows:)

The secretary submitted a draft of an order instituting an investigation for the purposes of section 315 of the tariff act of 1922, in respect of the costs of production of fluorspar, pursuant to the resolution of the commission adopted on January 8, 1926.

After discussion of the subject it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 51 BY THE UNITED STATES TARIFF COMMISSION FOR THE
PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

FLUORSPAR

(Order of investigation follows:)

JANUARY 15, 1926.

Present: Messrs. Marvin, Dennis, Costigan, Glassie, Baldwin, Brossard.

Commissioner Marvin stated that in view of the vote of January 8 upon the motion by Commissioner Brossard for the institution of an investigation for the purposes of section 315 of the tariff act of 1922, with respect to cream of tartar and tartaric acid, he desired to withdraw his motion for which the motion by Doctor Brossard was proposed as a substitute.

Commissioner Marvin thereupon withdrew his motion, as follows:

"Moved: That the recommendation of the advisory board that no investigation for the purposes of section 315 of the tariff act of 1922 with respect to cream of tartar is warranted at the present time, be approved."

MARCH 2, 1926.

Present: Messrs. Marvin, Dennis, Costigan, Glassie, Baldwin, Brossard.

The commission proceeded to the consideration of Senate Resolution No. 146, of February 17, 1926, as laid before the commission on February 19, 1926.

* * * * *

After discussion of the subject, Commissioner Glassie made the following motion:

Whereas the Senate of the United States by resolution has requested the Tariff Commission to make, under the provision of section 315 of the tariff act of 1922, an inquiry into the costs of production of cream and of milk, sweet or sour, or buttermilk, in the United States and in those countries from which our importations of these dairy products come.

Moved: That the Tariff Commission institute, in the usual form, under the provisions of section 315 of the tariff act of 1922, an investigation of the costs of production of milk, fresh; sour milk and buttermilk; and cream.

Commissioner Costigan was not present during the foregoing proceedings.

After further discussion of the subject and upon motion by Commissioner Brossard, it was—

Voted: That the foregoing motion by Commissioner Glassie go over until a meeting of the commission to be held on March 4, 1926, for further consideration.

MARCH 4, 1926.

Present: Messrs. Marvin, Dennis, Costigan, Glassie, Baldwin, Brossard.

The commission proceeded to the consideration of the motion submitted by Commissioner Glassie on March 2, 1926, in reference to the institution of an investigation with respect to costs of production of milk and cream.

After discussion of the subject, it was—

Voted: That an investigation for the purposes of section 315 of the tariff act of 1922 with respect to milk and cream be instituted in the usual form.

Upon motion by Commissioner Glassie, it was—

Voted: That in the order instituting the investigation (No. 52) with respect to the costs of production of milk and cream, notice be given of a public hearing to be held at the office of the Tariff Commission, in Washington, on March 25, 1926, with reference to the method and scope of the investigation, such notice to be in form as follows:

Ordered further: (Order for hearing.)

It was thereupon—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 52 BY THE UNITED STATES TARIFF COMMISSION FOR THE
PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

MILK AND CREAM

(Order of investigation follows:)

The commission proceeded to the consideration of the report from the advisory board with respect to tartaric acid and cream of tartar.

After discussion of the subject, and upon motion by Commissioner Baldwin, it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 53 BY THE UNITED STATES TARIFF COMMISSION FOR THE
PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

TARTARIC ACID

(Order of investigation follows:)

Upon motion by Commissioner Baldwin, it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 54 BY THE UNITED STATES TARIFF COMMISSION FOR THE
PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

CREAM OF TARTAR

(Order of investigation follows:)

MARCH 8, 1926.

Present: Messrs. Marvin, Dennis, Costigan, Glassie, Baldwin, Brossard.

Upon motion by Commissioner Brossard, it was—

Voted: That the advisory board be requested to report to the commission at the earliest practicable date on the pending applications for an investigation for the purposes of section 315 of the tariff act of 1922, with respect to the costs of production of peanuts.

JUNE 3, 1926.

Present: Messrs. Marvin, Dennis, Costigan, Baldwin, Brossard.

Voted: That the following actions taken by the commission informally are hereby ratified and approved.

* * * * *

(e) On May 26, 1926, the chairman laid before the commission a report dated May 18, 1926, by the advisory board upon applications for an increase of the duty on peanuts, not shelled and shelled, recommending that an investigation with respect thereto be instituted for the purposes of section 315 of the tariff act of 1922.

(f) The chairman also laid before the commission a resolution (S. Res. 230) adopted by the United States Senate on May 25, 1926, as follows:

(Resolution relative to soybeans, peanuts, and cottonseed.)

Upon consideration of the resolution, it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 55 BY THE UNITED STATES TARIFF COMMISSION FOR THE
PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

PEANUTS, SHELLED AND NOT SHELLED

(Order of investigation follows.)

It was also—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 56 BY THE UNITED STATES TARIFF COMMISSION FOR THE PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

SOYA BEANS

(Order of investigation follows.)

Voted: That the following order is hereby adopted by the United States Tariff Commission:

INVESTIGATION No. 57 BY THE UNITED STATES TARIFF COMMISSION FOR THE PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

COTTONSEED

(Order of investigation follows.)

TARTARIC ACID AND CREAM OF TARTAR

MEETING JANUARY 8, 1926—AFTERNOON SESSION

Present: Messrs. Marvin, Costigan, Glassie, Baldwin, and Brossard.

As a substitute for the chairman's motion it was, by Commissioner Brossard,

Moved: That an investigation be instituted by the United States Tariff Commission for the purposes of section 315 of the tariff act of 1922, with respect to tartaric acid and cream of tartar.

On the foregoing motion the votes of the commissioners were as follows:

In favor of the adoption of the motion: Messrs. Marvin, Baldwin, Brossard.

Against the adoption of the motion: Messrs. Dennis and Glassie.

The motion was therefore rejected.

On the foregoing motion the chairman, Mr. Marvin, and Commissioner Costigan did not vote.

MARCH 4, 1926.

Present: Messrs. Marvin, Dennis, Costigan, Glassie, Baldwin, Brosard.

After discussion of the subject, and upon motion by Commissioner Baldwin, it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

(Order No. 53 on tartaric acid is as follows.)

Public notice or investigations by the United States Tariff Commission under the provisions of section 315 of Title III of the tariff act of 1922.

INVESTIGATION No. 53 BY THE UNITED STATES TARIFF COMMISSION FOR THE PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

TARTARIC ACID

The United States Tariff Commission, on this 4th day of March, 1926, for the purpose of assisting the President in the exercise of the powers vested in him by section 315 of Title III of the tariff act of 1922 and under the powers granted by law and pursuant to the rules and regulations of the commission, hereby orders an investigation of the differences in costs of production of, and of all other facts and conditions enumerated in said section with respect to, the articles described in paragraph 1 of Title II of said tariff act, namely:

Tartaric acid, being wholly or in part the growth or product of the United States, and of and with respect to like or similar articles wholly or in part the growth or product or competing foreign countries.

Ordered further, that all parties interested shall be given an opportunity to be present, to produce evidence, and to be heard at a public hearing in said investigation to be held at the office of the commission in Washington, D. C., or at such other place or places as the commission may designate on a date hereafter to be fixed, of which said public hearing prior public notice shall be given by publication once each week for two successive weeks in Treasury Decisions published by the Department of the Treasury, and in Commerce Reports published by the Department of Commerce, copies of which said publica-

tions are obtainable from the superintendent of documents of the Government Printing Office in Washington, D. C.

And ordered further, that public notice of said investigation shall be given by posting a copy of this order for 30 days at the principal office of the commission in the city of Washington, D. C., and at the office of the commission at the port of New York, and by publishing a copy of this order once a week for two successive weeks in said Treasury Decisions and in said Commerce Reports.

I certify that the foregoing is a true copy of an order of the United States Tariff Commission passed on the 4th day of March, 1926.

JOHN F. BETHUNE, *Secretary.*

Upon motion by Commissioner Baldwin, it was—

Voted: That the following order is hereby adopted by the United States Tariff Commission:

(Order No. 54, on cream of tartar, is as follows:)

Public notice of investigations by the United States Tariff Commission under the provisions of section 315 of Title III of the tariff act of 1922.

INVESTIGATION NO. 54 BY THE UNITED STATES TARIFF COMMISSION FOR THE PURPOSES OF SECTION 315 OF THE TARIFF ACT OF 1922

CREAM OF TARTAR

The United States Tariff Commission, on this 4th day of March, 1926, for the purpose of assisting the President in the exercise of the powers vested in him by section 315 of Title III of the tariff act of 1922, and under the powers granted by law and pursuant to the rules and regulations of the commission, hereby orders an investigation of the differences in costs of production of, and of all other facts and conditions enumerated in said section with respect to the article described in paragraph 9 of Title I of said tariff act, namely:

Cream of tartar being wholly or in part the growth or product of the United States, and of and with respect to like or similar articles wholly or in part the growth or product of competing foreign countries.

Ordered further, that all parties interested shall be given opportunity to be present, to produce evidence, and to be heard at a public hearing in said investigation to be held at the office of the commission in Washington, D. C., or at such other place or places as the commission may designate on a date hereafter to be fixed, of which said public hearing prior public notice shall be given by publication once each week for two successive weeks in Treasury Decisions published by the Department of the Treasury, and in Commerce Reports published by the Department of Commerce, copies of which said publications are obtainable from the Superintendent of Documents of the Government Printing Office, in Washington, D. C.

And ordered further, that public notice of said investigation shall be given by posting a copy of this order for 30 days at the principal office of the commission in the city of Washington, D. C., and at the office of the commission at the port of New York, and by publishing a copy of this order once a week for two successive weeks in said Treasury Decisions and in said Commerce Reports.

I certify that the foregoing is a true copy of an order of the United States Tariff Commission passed on the 4th day of March, 1926.

JOHN F. BETHUNE, *Secretary.*

Senator LA FOLLETTE. Mr. Brossard, did you see any of the drafts of the minority opinion in the sugar report made under section 315 at any time before it was transmitted to the President?

Mr. BROSSARD. The drafts of the completed report?

Senator LA FOLLETTE. The drafts of the minority opinion?

Mr. BROSSARD. I saw parts of it; yes, sir.

Senator LA FOLLETTE. What parts did you see?

Mr. BROSSARD. Well, I do not remember just now. I submitted some statements to the chairman and to Commissioner Burgess, which I offered for the record the other day, Senator La Follette.

Senator LA FOLLETTE. Will you read my question?
(The reporter read as follows:)

Senator LA FOLLETTE. Mr. Brossard, did you see any of the drafts of the minority opinion in the sugar report made under section 315 at any time before it was transmitted to the President?

Mr. BROSSARD. I saw the drafts and knew what they were, Senator La Follette, but I did not read the completed final report. I saw it lying on the chairman's desk, and I do not know but what I saw it—I think that is the only place I ever saw the completed draft of the report.

Senator LA FOLLETTE. Did you see any sections or paragraphs of the minority opinion of the sugar report referred to in my preceding question?

Mr. BROSSARD. Identically I am not sure that I did; no, sir—the identical paragraphs. I can not say.

Senator LA FOLLETTE. Well, did you see any of the tentative drafts of sections or paragraphs before they were incorporated in the minority opinion which was transmitted to the President?

Mr. BROSSARD. I saw, Senator La Follette, material which had been submitted as tentative to go in the report which was submitted, but I am not sure whether it was submitted and whether it was included in the final report of the minority.

Senator LA FOLLETTE. Were you consulted, either directly or indirectly, by the commissioners who signed the minority opinion with regard to its content?

Mr. BROSSARD. I was asked to submit certain specific tables with respect to it, yes, Senator. I had instructions, as a member of the staff, to prepare for Chairman Marvin and for Commissioner Burgess certain tables which I offered in evidence the other day.

Senator LA FOLLETTE. I am not talking about those tables; I am talking about the content of the minority opinion.

Mr. BROSSARD. Will you read the question again, please? I did not get it.

Senator LA FOLLETTE. Were you consulted either directly or indirectly by the commissioners who signed the minority opinion with regard to its content?

Mr. BROSSARD. Is my answer responsive?

Senator LA FOLLETTE. I do not think it is.

Mr. BROSSARD. Well, I did not discuss the question of what should go in either report, if that is what you are asking about. I never did go before those people and tell them what I thought ought to be in that report; no, sir.

Senator LA FOLLETTE. I did not ask you if you went before them. I asked you if you were consulted either directly or indirectly by either one or all of the commissioners who signed the minority opinion, with regard to its contents.

Mr. BROSSARD. No, sir. I was not consulted about the content of the minority opinion by either of the commissioners.

Senator LA FOLLETTE. You were not?

Mr. BROSSARD. Not that I remember of.

Senator LA FOLLETTE. Were you consulted, either directly or indirectly by the commissioners who signed the minority opinion in the sugar report, in regard to the phraseology of any part or parts of the draft before it was submitted to the President?

Mr. BROSSARD. No, sir.

Senator LA FOLLETTE. With regard to the halibut case, were Commissioners Marvin and Dennis instructed by the commission to hold a hearing on behalf of the whole commission?

Mr. BROSSARD. Yes, sir; Senator, and Commissioner Costigan was also included in that motion, but found that he was unable to go, but I think subsequently he did participate in the investigation, nevertheless.

Senator LA FOLLETTE. Was that course followed in the taximeter and print-roller cases?

Mr. BROSSARD. No, sir; but let me state that every word of testimony, Senator—

Senator LA FOLLETTE. I understand that. I have heard your testimony.

Mr. BROSSARD. In all the investigations was available to all commissioners, and we read it all.

Senator LA FOLLETTE. I understand that. I think that is all.

Chairman ROBINSON. Did you, yourself, dictate any portion of the minority sugar report?

Mr. BROSSARD. I did not.

Senator LA FOLLETTE. Then you wish to leave this committee with the impression that the only part which you had with regard to the minority opinion in the sugar report was the submission of the tables to which you referred in your testimony yesterday?

Mr. BROSSARD. As an agricultural expert on the staff of the commission; yes, sir, Senator.

Chairman ROBINSON. Mr. Brossard, reverting a moment to the sugar-beet investigation, what percentage of the farm area in the United States producing sugar beets was taken into consideration in that investigation?

Mr. BROSSARD. The nine States produced 94 per cent of the total beet tonnage, and included 92 per cent of the acreage of sugar beets harvested in the United States in 1922. The area investigated produced 12.1 per cent of the total tonnage, and was 10.4 per cent of the total acreage planted in sugar beets in the United States that year.

Chairman ROBINSON. Were the sugar-beet factories in the United States prosperous during the three years for the period of the investigation?

Mr. BROSSARD. I have no information on that, Senator, at all.

Chairman ROBINSON. You never went into that subject?

Mr. BROSSARD. No, sir. I never had anything to do with it.

Chairman ROBINSON. Can you state where these areas were situated that proved the most unprofitable in the sugar-beet production in the 3-year period?

Mr. BROSSARD. On which basis do you desire the information, Senator? On the basis of the production per acre or production per ton or production per pound of sugar extracted from the sugar beets?

Chairman ROBINSON. On the basis of the cost of production as compared with the profits or losses experienced.

Mr. BROSSARD. Well, the profits and losses vary, depending upon the basis you use. In one area your profits might be great per ton but small per pound of sugar extracted, because of the high extraction.

Chairman ROBINSON. Well, just discuss that a moment, please.

Mr. BROSSARD. If you want, I will give it on all three bases.

Chairman ROBINSON. All right, if it will not take too long.

Mr. BROSSARD. On the average for the three years the State of Montana showed the largest profits per acre of sugar beets grown.

Chairman ROBINSON. What was that?

Mr. BROSSARD. \$20.91. For the 3-year average, the State in which the profits were least was Michigan, which showed a loss of \$8.02.

Chairman ROBINSON. Per acre?

Mr. BROSSARD. Per acre. Does that answer it on the acreage basis, or do you want it more in detail?

Chairman ROBINSON. That will do.

Mr. BROSSARD. On the basis of per ton of sugar beets harvested, Montana also showed the highest profit per ton of sugar beets, showing \$1.76. Michigan, again, shows the greatest loss, being 84 cents per ton of sugar beets.

On the basis of the pounds of sugar extracted from the beets, the data show again that Montana shows the greatest net profit per pound of sugar extracted, being 62 cents, and, again, Michigan shows the greatest loss per pound of sugar extracted, being 36 cents.

Chairman ROBINSON. Have you any data on sugar-beet production in those areas since your investigation was closed?

Mr. BROSSARD. No, sir. No cost of production data.

Chairman ROBINSON. I mean with respect to quantity production.

Mr. BROSSARD. I think I can get it.

Chairman ROBINSON. How does the quantity production in Michigan compare, after the years of investigation, with the investigation period?

Mr. BROSSARD. The acres planted in Michigan in 1921 were 164,000; in 1922, 106,000; in 1923, 131,000; in 1924, 174,000. That is the latest I have.

Chairman ROBINSON. How do you account for the large quantity production, if the conclusion of your investigation is correct, that from every standpoint the Michigan beet-sugar growers were losing heavily?

Mr. BROSSARD. Upon this fact, Senator, that in 1921 the Michigan growers lost \$23.10 per acre. In 1922 they lost \$2.91 per acre. In 1923 they made \$8.71 per acre, and since then I don't know what has happened, but I suppose that the profits encouraged them, and they planted their beets.

Chairman ROBINSON. Can you, with equal promptness, make a comparison with respect to production in Nebraska, say?

Mr. BROSSARD. Yes, sir; in Nebraska the acreage planted in 1921 was 72,000 acres; in 1922, 55,000 acres; in 1923, 60,000 acres; in 1924, 67,000 acres. You will note that after the year 1921 there was a considerable falling off in acreage, and the acreage in 1923 had not reached the plantings in 1921. The acreage in 1924 was still under the plantings of 1921 by something like 5,000 acres.

Chairman ROBINSON. Can you make a comparison, now, in Ohio?

Mr. BROSSARD. Do you want the corresponding cost figures for Nebraska for the record?

Chairman ROBINSON. I will be glad to have them.

Mr. BROSSARD. In 1921 the farmers of Nebraska lost \$5.06 per acre on sugar beets. In 1922 they made \$38.32 per acre.

Chairman ROBINSON. State that again, please.

Mr. BROSSARD. \$38.32 per acre.

Chairman ROBINSON. How do you account for that enormous difference of nearly \$40 per acre?

Mr. BROSSARD. That particular year they had good yields and got a good price for their sugar beets, because the price of sugar, I suppose, was high and they made money.

Chairman ROBINSON. What was the price of sugar that year, approximately; do you remember?

Mr. BROSSARD. I do not know. I think the data are all submitted in that table in the record.

Chairman ROBINSON. It can be easily ascertained?

Mr. BROSSARD. Yes, sir; it is in the table which I put in this morning. In 1923 they made \$17.43—about half of what they made the previous year. For the 3-year average it shows \$14.89 profit.

Now, you asked for Ohio?

Chairman ROBINSON. Yes; take Ohio next.

Mr. BROSSARD. In Ohio in 1921 the acreage planted was 36,000; in 1922, 28,000; in 1923, 46,000; in 1924, 48,000. The profits per acre in Ohio, as shown by the study of cost of production in Ohio, were minus \$16.41 in 1921, or a loss of \$16.41 per acre; a gain of 51 cents per acre in 1922, and a gain of \$20.96 per acre in 1923.

Chairman ROBINSON. To what extent is Mexican labor employed in the production of sugar beets?

Mr. BROSSARD. I can not tell you the percentage of employment, but I can describe it.

Chairman ROBINSON. Well, take Utah, for instance.

Mr. BROSSARD. None.

Chairman ROBINSON. Where is it principally employed?

Mr. BROSSARD. In Michigan, I think.

Chairman ROBINSON. Is none employed in Colorado?

Mr. BROSSARD. There may some in the southern part of Colorado but I doubt it. Not that I know of. There is foreign labor employed in Nebraska, to some extent, and in some sections of Colorado—Austrians and Hungarians.

Chairman ROBINSON. How are they secured?

Mr. BROSSARD. Well, I do not know how they are secured. I know that the same families in Nebraska, for example—I have been there a number of times—and the same families are there year after year and stay there the year round.

Chairman ROBINSON. You mean persons of foreign birth?

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. You do not mean foreigners who are imported?

Mr. BROSSARD. Oh, no.

Chairman ROBINSON. To what extent are Mexicans imported for sugar-beet labor? Have you gone into that?

Mr. BROSSARD. I think recently there has been very little Mexican labor imported in this country at all. At one time during the war, or just after the war, I think Michigan did import some Mexican labor. We are told that they did, when we were there making this study in Michigan, but they said they had discontinued doing it to a large extent. I do not know whether it has been entirely discontinued now or not.

Chairman ROBINSON. In a former statement I think, which you made a day or two ago, you referred to the healthful and wholesome nature of sugar-beet labor.

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. And to the fact that it was healthful for children.

Mr. BROSSARD. Of certain ages; yes.

Chairman ROBINSON. What ages do you include?

Mr. BROSSARD. I think the thinning of sugar beets is a good occupation, much better than lying around in the streets and doing nothing, for any child that is over 12 or 13 years old.

Chairman ROBINSON. I was not talking about idleness. I was talking about the healthfulness of the labor as compared with other farm labor.

Mr. BROSSARD. Oh, of course, a child that age can not do any kind of farm labor, but there are a certain lot of things, ordinary things that a child might do in a garden round a home, such as pulling weeds.

Chairman ROBINSON. Pulling tops?

Mr. BROSSARD. They do not pull the tops. They take the little beets that are about 2 inches out of the ground, when they have two to four leaves, and they pull those out.

Chairman ROBINSON. The children do not pull the tops?

Mr. BROSSARD. No, sir; they do not pull the tops; that is, not children of that age. Children probably 15 or 16 years of age do pull the tops. As far as I know, young children do not do the lifting of the beets.

Chairman ROBINSON. Well, have you gone into an investigation of the labor situation?

Mr. BROSSARD. Not personally; no sir, I have not. Just from my personal observation is all I know about it.

Chairman ROBINSON. When did you observe it personally?

Mr. BROSSARD. I have been connected with it all of my life, and of course we went right into the fields in these investigations throughout the country.

Chairman ROBINSON. Have you taken any note of it since the period of your investigation?

Mr. BROSSARD. No, sir.

Chairman ROBINSON. Have you taken any note of the Mexican labor relationships?

Mr. BROSSARD. No, sir.

Chairman ROBINSON. Before concluding, what was the average wholesale price of sugar in 1921?

Mr. BROSSARD. I think the reporter has taken that table that I had. I can not give it to you, but the information is in that table.

Chairman ROBINSON. The information with respect to 1921 and 1922 is already in the record?

Mr. BROSSARD. Yes, sir. As I remember it, it takes it as far back as we got it. I think it is 1921, 1922, 1923, and 1924, if I am not mistaken.

Chairman ROBINSON. Do you know whether the wholesale prices were identical at New York for those years?

Mr. BROSSARD. I do not know. I made no comparisons at all. I just took the data as they were handed to me by the chief of the sugar division and put them in the record.

Chairman ROBINSON. Have you been asked about your appointment and your indorsements for membership in the commission?

Mr. BROSSARD. I have not.

Senator WADSWORTH. I will be glad if those circumstances would be inquired into.

Chairman ROBINSON. Did you apply for membership on the commission?

Mr. BROSSARD. I made no application. I had conversations with a number of people.

Chairman ROBINSON. You did not file any formal application?

Mr. BROSSARD. No, sir. I was recommended for appointment by Senator Reed Smoot, from my home State of Utah, and by the Secretary of Agriculture, Dr. W. M. Jardine, from my native State of Idaho, whom I have known personally all of my life, and by others.

Chairman ROBINSON. I have always associated Mr. Jardine with Kansas.

Mr. BROSSARD. He has been president of the Kansas Agricultural College for about 15 years. He was born in Idaho on a cattle ranch.

Chairman ROBINSON. Did you file indorsements, Mr. Brossard?

Mr. BROSSARD. No, sir; I did not.

Senator WADSWORTH. Who else recommended you?

Mr. BROSSARD. Why, I don't know how many others went. I do know some others who went. Shall I tell you all I know?

Senator WADSWORTH. Yes.

Mr. BROSSARD. I have been informed, for example, that ex-Gov. William Spry and both Congressmen from Utah recommended me, and also that Congressman Addison T. Smith, of Idaho, recommended me. I have heard also that Secretary Work, of the Interior Department, recommended me. Also Secretary Hoover. I am telling you what I have heard now. I do not know.

Chairman ROBINSON. Were any written indorsements filed by any of those gentlemen?

Mr. BROSSARD. I can not say anything about that. This is just what I have heard about it. I do not know.

Chairman ROBINSON. You do not know whether there were any written indorsements or not?

Mr. BROSSARD. No, sir. I also heard that Senator Warren, of Wyoming, recommended me. I do not know as to any of these.

Chairman ROBINSON. But you do know that Senator Smoot and Secretary Jardine recommended you?

Mr. BROSSARD. I do know that Senator Smoot and Secretary Jardine recommended me; yes, sir.

Senator WADSWORTH. This occurred when?

Mr. BROSSARD. Well, I can not tell you when it occurred.

Senator WADSWORTH. Refresh my recollection, please. When was the date of your first appointment?

Mr. BROSSARD. I took the oath of office July 22, 1925, but the appointment was made by President Coolidge July 9, 1925.

Senator WADSWORTH. Did you have any conversation with the President at that time?

Mr. BROSSARD. No, sir. He was at Swampscott, Mass., at that time.

Senator WADSWORTH. Have you discussed the business of the commission with him, personally, since?

Mr. BROSSARD. Commissioner Baldwin and I just went over and paid a casual visit one day when he came back last summer. I did not discuss the business of the commission with him then. I just told him "We were here to do the work," and appreciated his appointing us. That is all there was to it. He advised us to go ahead and appreciated our undertaking the responsibilities, and he hoped we would be successful and do a good job on the commission.

Chairman ROBINSON. Did Mr. Marvin indorse you or recommend you?

Mr. BROSSARD. I do not know, sir.

Chairman ROBINSON. You never heard?

Mr. BROSSARD. No, sir. I have understood that he did not.

Chairman ROBINSON. From whom?

Mr. BROSSARD. I just heard it. I do not know where.

Chairman ROBINSON. From whom?

Mr. BROSSARD. I do not remember who it was from.

Senator WADSWORTH. Mr. Marvin is present. He can answer that question.

Chairman ROBINSON. Can you answer that question, please, Mr. Marvin?

Mr. MARVIN. Senator, I do not recall writing to the President in regard to Doctor Brossard's appointment. In fact, I only knew very incidentally that his name was under consideration, and I thought that another man in the West was going to get the appointment until I saw that Doctor Brossard was appointed, the afternoon of July 9, I think.

Chairman ROBINSON. You say you do not remember writing to the President. Did you recommend Mr. Brossard verbally?

Mr. MARVIN. I did not speak to the President in regard to Doctor Brossard.

Chairman ROBINSON. Then, you did not recommend him?

Mr. MARVIN. I have no recollection of writing him, and I know that I did not speak to the President in regard to him.

Chairman ROBINSON. Were any written indorsements filed with the commission by anyone, recommending the indorsement of Doctor Brossard?

Mr. MARVIN. No, sir; none that I know of at all.

Chairman ROBINSON. All indorsements were verbal then?

Mr. MARVIN. I do not know that they were.

Chairman ROBINSON. As far as you know?

Mr. MARVIN. As far as I know.

Chairman ROBINSON. You know there were none filed with the commission?

Mr. MARVIN. I know there were none filed with the commission, as far as I know.

Chairman ROBINSON. Have you been called upon to express your opinion or make recommendations with respect to the appointment of other members of the commission?

Mr. MARVIN. No, sir; I never conferred with the President about it, and never knew of the appointment until it was publicly announced.

Chairman ROBINSON. I am speaking now of the other commissioners.

Mr. MARVIN. That is what I mean, sir, in the case of other commissioners that had been appointed.

Chairman ROBINSON. Very well.

Mr. BROSSARD. Mr. Chairman, in talking with Senator Smoot, he said he thought my education and experience as an investigator of the business side of farming qualified me particularly well for the position of Tariff Commissioner, since, under section 315, the commission would make numerous investigations of the costs of production of agricultural products.

In talking with Secretary Jardine, he asked me who the members of the commission were at that time and what professions they represented. I told him that the commissioners were as follows: Chairman Marvin, a Republican of Massachusetts, a tariff expert, a writer, and former editor; Vice Chairman Dennis, a Democrat of Maryland, a political economist, and a writer on economic subjects; Commissioner Costigan, a Progressive or Independent from Denver, Colo., a lawyer; and Commissioner Glassie, a Democrat of Maryland, a lawyer.

Secretary Jardine said there ought by all means to be an agricultural economist on the Tariff Commission because of the agricultural economic problems connected with the many agricultural investigations that the commission had made and would make in the future and that he would like to recommend me to the President for appointment to the Tariff Commission. He said he thought my technical training and experience in agricultural economic research work on the staff of the agricultural experiment station and on the staff of the Tariff Commission was an excellent preparation for a member of the Tariff Commission. He made the further comment that my appointment would help to give the proper economic and geographic balance to the Tariff Commission, and would make it more representative of the United States as a whole.

Chairman ROBINSON. Is that what Secretary Jardine told the President or told you?

Mr. BROSSARD. I don't know what he told the President. That is what he told me.

Chairman ROBINSON. Did you request or solicit the recommendation of Senator Smoot and Mr. Jardine, or did they volunteer it?

Mr. BROSSARD. I had a conversation with them.

Chairman ROBINSON. You went to them?

Mr. BROSSARD. Yes, sir. I went to them.

Chairman ROBINSON. I think that is all, unless you have some further questions, Senator Wadsworth.

Senator WADSWORTH. I do not think of anything now.

Mr. BROSSARD. Mr. Chairman, I was going to ask if I might put into the record a summary of the chronological record of the butter investigation, and my summary statement which I wrote at that time. I asked some time ago if I might do that.

Chairman ROBINSON. I do not see any objection to it.

Mr. BROSSARD. The reason I am asking for it is because I was alone in the vote and in my summary conclusions in that investigation, and I would like to have this statement go in to show why I took the stand I did.

Chairman ROBINSON. Very well. It may go in. The statements are as follows:

BUTTER—CHRONOLOGICAL RECORD OF INVESTIGATION

SUMMARY

Elapsed time of butter investigation from date of order to report to the President, 19½ months.

	Approximate time required (months)
Expert's preparation of report on application-----	1
Advisory board's consideration of expert's report (partly coincident with expert's work)-----	1
Preparation of cost schedules and plan of investigation-----	1
Domestic field work-----	2½
Foreign field work-----	1
Tabulation of cost and other data-----	5½
Hearing ordered Mar. 6, 1925; held Apr. 21-22, 1925-----	1½
Preparation of final report to commission-----	5
Commission's consideration of report to President-----	2
	20½

Time of office and field work (in part carried on simultaneously)--- 20½

DETAILED RECORD

First application, March 10, 1924.

Senate Resolution 226 requesting investigation (calendar date May 19, 1925), received May 21, 1924.

Expert's reports to advisory board on applications:

There were about three different expert's reports submitted at about this time, which undoubtedly were considered by the advisory board simultaneously. The first report of May 26 contained 13 pages and covered the regular subjects contained in reports and applications. On June 20 a report of 12 pages was submitted, dealing with the scope of the proposed investigation on butter, and on July 7 a 4-page report was submitted which was largely a supplementary report to the one mentioned above of May 26.

Advisory board's consideration of expert's reports, June 5, 1924, to July 9, 1924.

Advisory board's first report to commission upon application (dated June 5, 1924), June 27, 1924.

Advisory board submitted the expert's report with minor changes.

Investigation ordered July 14, 1924.

Tentative plan of investigation submitted to commission, June 6, 1924.

Tentative plan submitted to the commission in a 2-page memorandum by Mr. Comar, in addition to the plan as submitted in the expert's report; also a 4-page statement signed by Doctor Turner and Mr. Zapoleon relating to the butter investigation.

Cost schedule approved July 25, 1924.

Domestic field work (691 farm records, 161 factory records), August 1, 1924, to October 5, 1924.

Foreign field work (220 farm records, 22 factory records), August 23, 1924, to September 20, 1924.

Tabulation of cost data, October 1, 1924, to March 13, 1925.

Advisory board's consideration of statement of information, February 12, 1925, and February 26, 1926.

We have not in our files a copy of the original statement transmitted to the advisory board, as of February 12, 1925.

Advisory board's draft of statement of information submitted to commission, February 12, 1925, and February 26, 1925.

This statement consisted of two parts, namely, a factual statement of 77 pages and an appendix of 87 pages. This statement was approved by the commission without any changes.

Commission's consideration of statement of information, February 26, 1925, to March 13, 1925.

Hearing ordered March 6, 1925.

Statement of information issued March 13, 1925.

Public hearing held April 21-22, 1925.

Briefs submitted May 8 and 11, 1925.

Expert's confidential report to advisory board, June 30, 1925.

Report by Mr. Zapoleon. This report was largely that of Mr. Zapoleon's, although parts of it consisted of statements made by Doctor Simpson, Mr. Lewis, and Mr. Juve.

Economist's report in re cost of producing butter, August 10, 1925.

Report submitted on August 10 was largely the work of Doctor Blackley, Mr. Lewis, and Mr. Juve.

Advisory board's consideration of expert's draft of report, October 1, 1925, to December 15, 1925.

Advisory board's drafts of report to commission, November 27, 1925, and December 18, 1925.

This report consisted of 102 pages (a factual report) and an appendix. This report was prepared largely by Mr. Fox and Mr. Juve. In addition to the main report individual statements were made by the following: Statement by Mr. Fox, containing 2 pages; Doctor Simpson, containing 3 pages; Doctor Blackley, 4 pages; Mr. Lewis, 2 pages; and Mr. Juve, 14 pages.

Commission's consideration of report to President, December 18, 1925, to February 25, 1926.

Report to President, February 25, 1926.

President's proclamation, March 6, 1926.

SUPPLEMENTARY SUMMARY STATEMENT OF THE BUTTER INVESTIGATION BY COMMISSIONER BROSSARD

In the judgment of the undersigned commissioner, the following findings are warranted in this investigation of the cost of production of butter in the United States and the principal competing country for the purposes of section 315 of the tariff act of 1922.

1. PRINCIPAL COMPLETING COUNTRY

Denmark is the principal competing country. This conclusion is based upon the following conditions:

(a) The investigation by the Tariff Commission of the costs of production of butter was ordered July 14, 1924. At that time imports of butter from the principal competing countries were as follows: Total imports in 1923, 23,741,247 pounds; in 1924, 19,404,816 pounds. Imports from Denmark in 1923 were 8,822,031 pounds; for 1924, 7,192,414; from Canada in 1923, 5,931,531 pounds, for 1924, 2,806,700 pounds; from New Zealand in 1923, 4,708,031 pounds for 1924, 4,312,507 pounds.

The period for which detailed costs of production of butter were ascertained in the United States and Denmark for purposes of cost comparison is as follows: (a) United States, farm costs, May 1, 1923, to April 30, 1924; creamery costs, for the same or nearest accounting year. (b) Denmark, farm costs, May 1, 1923, to April 30, 1924; creamery costs, for the nearest accounting year or November 1, 1922, to October 30, 1923.

During the cost period of this investigation, 1923-24, and for the four years preceeding that year, the butter imports from Denmark greatly exceeded those from any other country.

For the first year following the period covered by the investigation, the year 1925, imports of butter from Denmark were 501,767 pounds; from Canada, 3,626,051 pounds; from New Zealand, 2,395,788 pounds. The year of 1925 was quite abnormal in that the butter imports during that year from both Canada and New Zealand, respectively, exceeded imports from Denmark (see Table 7, p. 26). This was due to an abnormal decrease in imports of Danish butter rather than to any considerable increase in imports from Canada or New Zealand.

The average annual imports from Denmark during the last three years, 1923, 1924, and 1925, were 5,505,404 pounds, while for this same period the average annual imports from Canada and New Zealand, respectively, were 4,121,427 and 3,805,442 pounds.

(b) At the time of the public hearing on butter before the commission, April 21, 1925, and at the time of filing briefs, May 11, 1925, Denmark was recognized as the principal competing country by all parties in interest who appeared at the public hearing and who filed briefs.

(c) Denmark is the chief potential competitor in the butter markets of the United States because Denmark is the chief butter exporting nation of the world. Between 30 and 40 per cent of the world's exports of butter come from this one country. New Zealand, the second largest butter exporter, ships just slightly more than half as much butter as Denmark, while Canada exports slightly more than 5 per cent as much butter as Denmark. Since Denmark's total butter exports in 1924 were 272,000,000 pounds, while the Canadian total exports were but 13,600,000 pounds, it may well be expected that at any time in the future when conditions are favorable more pounds of butter may again be imported into the United States from Denmark than from Canada.

(d) The abnormally low imports of butter from Denmark in 1925 may represent only temporary conditions. Only future developments can determine that fact. Present indications are that in the near future butter imports from Denmark may again be greater in volume than those from any other country. Germany, to which was shipped a large part of Danish butter during 1925, is now making every effort to increase her domestic butter production and to supply more of her home demand by butter produced on German farms. To aid this program, Germany, by the German tariff law, effective October 1, 1925, put a customs duty on butter imports of 22.50 marks per 100 kilograms. At the present exchange rate (23.80) this duty is equal to 2.4 cents per pound of butter. From August 1, 1914, until the passage of this recent act, butter was imported into Germany free of duty. This German tariff will naturally tend to turn the Danish butter from the German to other markets, including the United States. With New Zealand, Australian, and other butter offering keener competition with Danish butter for the London market, and Russia and other European countries recovering their pre-war production, Danish butter in large volume may again be turned to the United States market.

(e) Imports of Danish butter, although abnormally low during 1925, affected the domestic prices of the better grades of butter more, in the judgment of the undersigned commissioner, than did the butter imports from any other country. This effect on the prices of the higher grades of butter was undoubtedly reflected in the prices of all other grades of butter because the price of 92-score butter is the standard to which the prices of the other grades tend to be adjusted. The butter imported from Denmark is of a high standard quality comparable with 92-score domestic butter. Practically all of the imported Danish butter enters the New York market. New York is the largest butter market in this country. Prices of domestic butter are largely determined by the New York market conditions. Canadian imports enter through a widely diffused border trade and consequently their effect on prices is greatly diminished. New Zealand butter enters through a number of different ports and its effect on general butter prices is also diffused and reduced.

(f) Should any country other than Denmark be considered the principal competing country, a new investigation would be necessary to determine the difference in costs of production of butter as between that new chief competing country and the United States. Such a course is provided for in section 315 and such a new investigation may be made at any time in the future if it is warranted and if proper application for it is made to the Tariff Commission. But such a new investigation should not be the cause for delaying action in the present investigation.

2. THE EXCHANGE RATE USED FOR CONVERTING DANISH COSTS INTO UNITED STATES CURRENCY

The use of exchange rates is the most practical method of translating costs of production expressed in terms of the currency of a foreign country into the monetary values of the United States, for purposes of comparison of costs of production under section 315 of the tariff act of 1922. The commission has used exchange rates for converting foreign costs into United States monetary values

in all of its investigations under section 315 up to the present time. In all of these investigations the commission has used the exchange rates current during the cost period.

In this investigation of the cost of production of butter, however, the commissioners are not all of the same opinion with respect to the length of period for which the exchange rates are to be averaged for use in converting Danish costs of production of butter, expressed in Danish kroner, into United States monetary values. Some of the commissioners hold the view that these Danish costs should be converted to United States monetary values by applying to the costs for the one year, 1923-24, the average exchange rate for the three years, 1921-22, 1922-23, and 1923-24. In the judgment of the undersigned commissioners, however, Danish costs of production for the year 1923-24, which are used in the cost comparison, should be converted to the United States monetary values at the average rate of exchange for the period corresponding to that for which Danish costs were ascertained for comparisons, namely, the farm-accounting year of 1923-24, in order to make them comparable with the United States costs of production ascertained for that same year, 1923-24, for the following reasons:

(a) In the international butter trade, actual daily transactions are consummated at the current rates of exchange. The accounting records of parties buying and selling Danish butter naturally show the amounts actually paid and received at the time of such transactions. The commission, however, in this butter investigation found it impracticable to apply this strict accounting method of using the exact exchange rates at which the transactions took place. The use of the average exchange rate for the period 1923-24 concurrent with the actual cost period, to convert the costs of that year, 1923-24, conforms more closely to the strict accountancy method and also more closely to the practice in the international butter trade than does the use of the 3-year average exchange rate.

(b) The advantages and disadvantages in competition in the markets of the United States of the Danish butter imports during 1923-24 are only accurately expressed by conversion of Danish cost figures into United States monetary values at the current exchange rates for the year 1923-24. Prices of Danish butter adjust themselves quickly to current exchange rates. Importations of Danish butter tend to affect the Danish exchange rates in New York, and vice versa—Danish exchange rates in New York affect the importations of Danish butter.

(c) The relationship in 1923-24 of kroner costs of production of butter in Denmark and the Danish exchange rates for that year does not seem to be abnormal when compared with the relationship of these two factors for the period of six years, 1919-20 to 1924-25. A comparison of the exchange rates presented in Table 30, page 53, shows that in 1919-20 and 1924-25 two of the six farm-accounting years for which data are shown in the table, the average exchange rate was lower than in 1923-24, the cost period in this investigation. Furthermore, the average monthly Danish exchange rate for the 72 months of the six years, May 1, 1919, to April 30, 1925, was 18.38 cents per krone, while the average exchange rate for the farm-accounting year 1923-24 was 17.38 cents per krone and for the conversion cost period was 18.72 cents per krone for the farm-accounting year, or but 1 cent per krone less for the farm-accounting year of 1923-24 and .34 cent per krone more for the conversion cost period than the average for the six years. This shows that the farm-accounting year 1923-24, for which costs are compared, was fairly representative of the six-year period with respect to the yearly average of the monthly exchange rates.

(d) The commission has costs of production of butter per pound in Denmark for the three years 1921-22, 1922-23, and 1923-24. It has been urged that the 1923-24 costs expressed in United States currency were abnormally low when compared with costs for 1922-23. However, when compared with the year 1921-22 the costs of production in Denmark for the year 1923-24, used in the cost comparison, were 16 per cent less when expressed in kroner and 20 per cent less when expressed in United States currency. In other words, the relationship between costs of production and exchange rates in 1923-24 was not very different from that relationship that existed in 1921-22. In this respect the year 1922-23 was abnormal and therefore should not be used as a basis in determining the normalcy of this relationship in 1923-24.

(e) Danish exchange rates affect directly the Danish costs of production of butter. When Danish exchange rates rise Danish costs tend to fall, and when Danish exchange rates fall Danish costs tend to rise. To apply any rate of exchange other than that current in the cost period, therefore, necessitates an

adjustment of Danish butter production costs, and also, in order to make the data comparable, it necessitates an adjustment of the domestic butter production costs. The commission knows no way of measuring accurately the effect on Danish costs resulting from changes in Danish exchange rates. There are so many other varying factors that affect both costs of production and exchange rates that it is an impractical, if not impossible, task to measure the effect of the one variable factor, exchange rate, on each of the other varying factors. To make such an alteration in costs as would be required if the three-year average exchange rate were used is therefore impracticable if not impossible.

(f) To use a three-year average exchange rate to convert costs for one year is to introduce into the cost of comparison an artificial factor which makes the results inaccurate. The Danish exchange rate is only one of many factors affecting Danish costs of butter production. If an average of three years is used for exchange rates, which is only one factor of cost, an average for three years for all cost factors should be used. Otherwise the results may be quite unreliable. This is especially true with the factor of Danish exchange, because of its direct effect on other factors of cost of production of butter in Denmark, such as imported dairy feeds. The Danish exchange rate is not a factor that can be separated from cost, because it is one of the factors of cost, and it is such a factor of cost that it affects not only the relative but the absolute magnitude of a number of other factors of cost in Danish butter production. It would be more reasonable to substitute for the wages of 1923-24 an average of the wages for the three years 1921-22, 1922-23, and 1923-24, or to use a three-year average for any other single factor of cost, because any one of these other factors may be singled out and its effect on cost can be measured, but the exchange rate affects all of the other cost factors and its effect can not be measured, and therefore the exchange rate can not be treated alone.

The commission has domestic costs for but one year, 1923-24. The commission has also Danish costs for that year, 1923-24. The comparison made is between Danish and domestic costs for that one year. Consequently the Danish costs should be converted at the average exchange rate for the year for which costs are compared, 1923-24.

3. COST OF PRODUCTION OF BUTTER

In this investigation the average cost of production of the butter produced in Denmark by the farmers' cooperative societies, including farm costs of production of butterfat, is compared with the average cost of production of the butter produced in the United States by the cooperatives and independents including farm costs of production of butterfat.

About 90 per cent of the butter produced in Denmark in 1923 was made in farmers' cooperative creameries. This butter is of high grade, comparable with the domestic butter of 92-score or better. Most of the domestic butter of 92-score grade or better is produced by the domestic farmers' cooperative creameries and by the small independent creameries.

The domestic cost ascertained for the purpose of comparison with the Danish butter cost is limited to the production in the cooperative and independent territory, because the quality of butter produced in the large western centralizer territory is, on the whole, not directly comparable with the high-grade Danish butter. The farm costs of production of butterfat were also limited for this same reason to the cooperative and independent territory.

It is impossible to make a fair comparison of the costs of production of butter in Denmark and in the United States for purposes of section 315 of the tariff act of 1922 without including the farm costs of production of the raw material, butterfat. The farm cost of production of butterfat is about 90 per cent of the total cost of production of butter. Prices paid for butterfat can not logically be used in the cost comparison as the cost of production of the butterfat for three reasons: First, they do not equal farm costs of production of butterfat as shown in this investigation; second, butterfat prices are determined by the price received for butter, and third, in the case of the cooperatives in both Denmark and United States, there is no competitive market price of butterfat, as the returns from butter are distributed among the cooperating farmers on the patronage basis. Because the farm cost of production of butterfat forms so large a part of the total cost of production of butter and because of the cooperative type of organization so prevalent in the butter industry in Denmark and in the United States it is neces-

sary to include such farm costs in the costs of production of butter. (See pp. 5 to 8, 19, and 22, and 23 to 26.)

The cost of butter produced by the large western centralizers of the United States (for which the price paid for butterfat and not the farm cost of production of butterfat is included as the cost of the raw material) are not included in the average domestic butter-production cost for two reasons: First, only a very small part of the butter produced by them is of a quality comparable with the Danish butter, and second, representative farm costs of production of butterfat were not ascertained in the areas which supply cream to these large western centralizers. (See pp. 23 to 26.)

Had the farm costs of production of butterfat been ascertained in the areas that furnish cream to the large western centralizers, such costs would, probably, have been found to be higher than the farm cost of production of butterfat in the cooperative and independent territory. This is indicated by Table 15, page 36. In that table columns 2, 3, 4, and 5 show the costs of conversion of the large western centralizers combined with the farm costs of production of butterfat as ascertained for the cooperative and independent territory. These butter-production costs are slightly higher, regardless of the farm cost used, than are the butter-production costs for the cooperative and independent territory.

Because of the type of farming practiced there, the Nebraska area, for which farm-cost data were obtained by the commission, is probably representative of a greater part of the large western centralizer territory than all the other cooperative and independent areas included in the investigation combined. The Nebraska area is characterized by more general and less intensive farming, low costs of butterfat production per cow, and high costs of butterfat production per pound of butter, which is the result of low production per cow. This indicates that, if representative farm costs of production had been ascertained in the centralizer territory where conversion costs were obtained, the result would have been a higher cost of butter production per pound than in the cooperative and independent territory.

The farm and factory costs for the Nebraska area, for which both farm and factory costs were ascertained, are included in the average cost of the domestic butter, because in the judgment of the undersigned commissioner they represent the costs of the butter produced by the independent creameries located in that area and are directly comparable with the costs of production of the independent creameries located in Indiana, Ohio, and Michigan.

Nebraska ranks fifth among the States of the United States in butter production, with a factory output of 81,000,000 pounds in 1924. That is more butter than was produced in either Indiana or Ohio. The average output of the factories for which the commission obtained cost data in the Nebraska area was considerably less than the average for the large western centralizers, and in the judgment of the undersigned commissioner was more representative of the independents than of the centralizers. The fact that the Nebraska costs per pound of butter are slightly higher than costs in the other independent territory is not a sufficient reason for excluding the Nebraska costs from the final cost comparison.

The cost of production of butter in the United States for the cooperative and independent areas in Minnesota, Iowa, Wisconsin, Michigan, Indiana, Ohio, and Nebraska, including farm costs of production of butterfat, for the farm-accounting year 1923-24 is 54.65 cents per pound, not including transportation costs, and 56.06 cents per pound, including transportation costs to New York. (See Table 32, p. 58.)

The costs of production of butter per pound in Denmark, including farm costs of production of butterfat, for the farm-consuming year 1923-24, converted at the average exchange rate for that year, was 39.61 cents per pound of butter on board ship in Danish ports and 41.11 cents per pound, including ocean freight and other expenses to New York (c. i. f., New York ox. duty, see Table 32, p. 58.)

The costs of production of butter per pound in the United States are higher than in Denmark by 15.04 cents per pound, not including transportation costs, and by 14.95 cents per pound, including transportation costs to New York, of both the foreign and domestic butter.

This difference in costs of production warrants a maximum increase in the duty on butter, or an increase from 8 to 12 cents per pound, irrespective of the factor of transportation.

Respectfully submitted.

E. B. BROSSARD, *Commissioner.*

Chairman ROBINSON. Very well. That will conclude the proceedings of the committee for the present, at least until after the adjournment of Congress, unless the committee finds it convenient to call one or two other witnesses prior to that time, with respect to the sugar-beet investigation. I am not impressed at this time that we will be able to have any more, on account of the pressure of other public business.

The committee will stand adjourned, subject to the call of the chairman.

Whereupon, at 11.30 o'clock a. m., the committee adjourned, subject to the call of the chairman.)

INVESTIGATION OF THE TARIFF COMMISSION

MONDAY, JANUARY 10, 1927

UNITED STATES SENATE,
SELECT COMMITTEE ON
INVESTIGATION OF TARIFF COMMISSION,
Washington, D. C.

The select committee met, pursuant to call, at 10 o'clock a. m., in the minority conference room, Capitol, Senator Joseph T. Robinson (chairman), presiding.

Present: Senators Robinson (chairman), Wadsworth, and La Follette.

Chairman ROBINSON. The select committee will resume its hearings this morning, with the expectation that all hearings will be concluded within a few days.

Is Mr. Fox present?

STATEMENT OF A. M. FOX, CHIEF OF ECONOMICS DIVISION AND CHAIRMAN OF ADVISORY BOARD, UNITED STATES TARIFF COMMISSION

(The witness was duly sworn by the chairman and was examined and testified as follows:)

Chairman ROBINSON. Senator La Follette, will you examine the witness?

Senator LA FOLLETTE. Mr. Fox, will you please state your name and your connection with the Tariff Commission?

Mr. FOX. A. A. Fox, Chief of the Economics Division and chairman of the advisory board.

Senator LA FOLLETTE. What education had you had? What was your occupation before you joined the staff of the Tariff Commission?

Mr. FOX. I hold a degree from Cornell University and master of arts from New York University. I have done graduate work in economics at Michigan, Columbia, and New York University.

Senator LA FOLLETTE. At what time did you join the staff of the commission and in what capacity, approximately?

Mr. FOX. Well, I remember it distinctly. It was May 31, 1923. I remember it because I discovered that May 31 was not on the pay calendar of the Government. I joined as an economist under Dean John R. Turner, chief economist.

Senator LA FOLLETTE. How long did you serve before you were promoted to the position of chief economist?

Mr. FOX. I do not hold the title of chief economist. I am Chief of the Economics Division. Dean Turner resigned in September.

1924, and I was acting in charge from September until some time in the spring of 1925, when I was officially put in charge of the Economics Division and made chairman of the advisory board.

Senator LA FOLLETTE. What were your original duties?

Mr. Fox. Those of any economist on the staff—studying reports, analyzing reports, preparing statements and reports on various subjects.

Senator LA FOLLETTE. When you were made chief of the Economics Division, was that in the nature of the creation of a new position? As I understand it, Doctor Turner was called "chief economist."

Mr. Fox. Yes.

Senator LA FOLLETTE. Is there any difference in the duties which you perform and Doctor Turner performed?

Mr. Fox. None.

Senator LA FOLLETTE. Then, as I understand it, it is merely a change in the title?

Mr. Fox. And a difference in salary.

Senator LA FOLLETTE. Would you care to state what the difference in salary is?

Mr. Fox. I receive \$6,000. My predecessor received \$7,500.

Senator LA FOLLETTE. Yet you perform the same functions which your predecessor performed?

Mr. Fox. I believe I do. I hope I do.

Senator LA FOLLETTE. In the discharge of your duties as Chief of the Economics Division have you had a good deal to do with the supervision of reports made to the commission?

Mr. Fox. Pardon me.

Senator LA FOLLETTE. In the discharge of your duties as Chief of the Economics Division have you had much to do with the supervision of reports from that division to the commission?

Mr. Fox. Yes; a great deal.

Senator LA FOLLETTE. Could you give a list of the reports which you have supervised the preparation of?

Mr. Fox. Every report?

Senator LA FOLLETTE. You go over every report before it is made to the commission?

Mr. Fox. Not only every report, but every version of it; every draft of it before it reaches its final stage; before it gets to the commission.

Senator LA FOLLETTE. One of the subjects of interest to this commission is the procedure of the Tariff Commission. Has that procedure changed under your supervision as Chief of the Economics Division, as contrasted with the procedure which was in vogue under Doctor Turner as chief economist?

Mr. Fox. Slightly.

Senator LA FOLLETTE. Could you briefly point out the difference?

Mr. Fox. The rules of the commission call for the composition of the advisory board to be made up of chief of the economics division, chief investigator, chief of the legal division, chief of the commodity division whose subject is being considered, an economist who has been working upon the subject, and another economist who may be assigned. In other words, officially, by the rules, the advisory board consists of six members under the rule of

section 8 of the rules of July 20, 1923. Of course, anyone who has something to contribute or who may have information along any line in which the advisory board is interested is called in as a participant, but not officially as a member of the advisory board. The last two years we have gotten away from that, slightly. We have attempted to correct some of the defects which appeared to develop in the reports, and which seemed to develop from the fact that the economist did not have the opportunity of getting into the investigation in the early stages. So that instead of having two economists, sitting, necessarily, as a matter of formality and signing the report, the last two years the economists have been assigned to the investigation from the very beginning. They have gone out in the field to do preliminary work with the commodity men, if such was necessary. They have helped in drawing up the plans of investigation. They have assisted in getting up the schedules. They have gone out with the crews doing the work for a while, and then, as the work was proceeding, they would keep in touch with it, and then when the time came for tabulations, they would look over the form to be used, to see that the significant information was being brought together and then when the report was prepared—the report usually originates in the commodity division—they would cooperate in the preparation of the report, rather as in former days when the economist would get in at the eleventh hour, and merely act as a destructive critic. In other words, the economist now sitting in the advisory board sits as an intelligent member who has participated in every stage of the investigation, from the very beginning, and you can readily see that with the limited staff, it would be difficult to literally carry out this provision of having two economists do the work in just that fashion in all of these cases.

Senator LA FOLLETTE. Mr. Fox, do you recommend any changes or improvements with respect to the advisory board or the material submitted by it to the commission?

Mr. Fox. I should hope there would be room for improvement.

Senator LA FOLLETTE. I mean have you any specific suggestions to make.

Mr. Fox. Well, my aim has been to strengthen the work of the advisory board, making it more thorough, and, of course, that is only possible by having the most capable men on the board and having the work carried through very carefully. In other words, the opportunity for improvement comes in time. Those improvements that have been made in the last two years have been made as the result of the advisory board's experience with the operation of section 315, and changes have been made at those points as would strengthen the work of the board. I believe the major change would be in recognizing the fact that the work of the Tariff Commission involves economic problems, and secondarily, and only incidentally, technical problems. Perhaps the major change would be one of emphasis, making certain that that phase of the work which seems to be in the fore should receive the greatest emphasis. In other words, less emphasis upon the technical data and more upon the economic phase of it.

Senator LA FOLLETTE. Have any efforts been made since you have been chief of the economics division, by commissioners or outside.

persons, to interfere with your handling of the advisory board's reports or material?

Mr. Fox. None.

Senator LA FOLLETTE. Is the advisory board, in your opinion, adequately supplied with such expert aid of qualified economists and others as it should be to adequately perform the arduous duties that are imposed on it?

Mr. Fox. Why, everybody can always use as many strong men as they possibly can get. I should be more than happy if my force would be doubled or trebled, but, of course, one has to consider the funds of the commission and the requirements of the various divisions. May I also say that changes toward improvement are being made all the time?

Senator LA FOLLETTE. I realize that this question may be somewhat embarrassing; and if so, I do not press you to answer it. Would you describe the men on the staff, economists, as men of outstanding ability and training?

Mr. Fox. In the main; yes.

Senator LA FOLLETTE. Would you say that they are equally paid with respect to their ability?

Mr. Fox. Mr. Senator, I do not determine the pay of the members of the staff.

Senator LA FOLLETTE. I understand that.

Mr. Fox. I think that is a commission problem; that is a relative problem.

Senator LA FOLLETTE. Perhaps I had better put my question a little more bluntly. Are the positions on the economic staff of the commission filled entirely upon the basis of ability and training, or does so-called political influence or preferment enter into the selection and the salaries paid to men on the staff of the Economics Division?

Mr. Fox. I frankly confess I would not be a very good judge, because my experience in politics is rather short; only the last three and a half years, so I could not say.

Senator LA FOLLETTE. I am not asking you for your opinion as to whether or not politics interfere more or less with the Tariff Commission than with other commissions, but what I am trying to get at is whether or not the members of the staff of the Economics Division are chosen entirely on their merits and their training as economists or whether there is political influence and preferment given to men, regardless of their training and ability to perform the work.

Mr. Fox. Mr. Senator, that question involves my passing judgment upon my superior officers. I believe that it involves relative matters. I believe that they pass upon the appointments and that they take into consideration such factors as they believe are pertinent.

Senator LA FOLLETTE. I realize your reluctance to answer such a question, but it seems to me it is very important to this committee to know whether or not the economics staff of the commission is made up entirely of men who are chosen for their ability and their fitness for the work that they are doing, because, after all, a great deal of the work of the commission must be based upon the sort of reports that are turned in from the Economics Division. It seems to me also that, assuming for the moment they are not selected upon the

basis of their training and ability, it must have an unfortunate effect upon the morale of the entire staff of the Economics Division. I am not asking the question in order to embarrass you, but what I am trying to get at, I think you will see, is whether or not this question of political influence and selection of men for the staff is working in the direction of building up the staff of experts and disinterested men who are qualified to do the work or whether political influence is tending to prevent that sort of a staff being built up.

Mr. Fox. It seems to me, if I analyze your question correctly—and I am very anxious to answer it as far as I can—your question would involve my interpretation of the motives of the commissioners when they are considering the applicants, and it does not seem I would be in a position to understand what motives were uppermost in their minds. Merit and ability, of course, are, after all, relative matters. The members of my own division are not all of equal ability. Some are much stronger than others. Some are much more reliable than others, some are much more thorough than others. Sometimes we expect a certain man to be very strong upon his paper merits, and he turns out to be very poor. We have instances of that. We had an instance of that only recently. Other times men appear to give rather a poor impression and turn out to be very good.

Senator LA FOLLETTE. Has the morale of the staff improved since you have been Chief of the Economics Division, or has it not?

Mr. Fox. I hope my being chief has not affected it.

Senator LA FOLLETTE. That inference was not intended, of course; but you are in charge of this work and you are observing the situation of the staff all the time. What I would like to know is whether, in your opinion, the morale of the staff has improved since your knowledge and acquaintance with it, or whether it has not improved.

Mr. Fox. It has not improved.

Senator LA FOLLETTE. Is the morale of the staff lower than it was formerly?

Mr. Fox. I should say, on the whole, somewhat.

Senator LA FOLLETTE. Can you tell us why?

Mr. Fox. Well, it would be rather difficult for me to say.

Senator LA FOLLETTE. That must be a matter of some concern to you.

Mr. Fox. It is a matter of very grave concern.

Senator LA FOLLETTE. Do you not feel that the effectiveness of the work of the commission is very much wrapped up with the morale of the staff and the situation that exists in the Economics Division?

Mr. Fox. The uncertainties in the commission in the last few years, of course, have been such as to naturally create uncertainty in the staff.

Senator LA FOLLETTE. This committee, before the summer adjournment, heard a great deal of testimony about the sugar report which was originally submitted to the President on August 1, 1924. Other material was sent to the President in response to further requests from him in the fall of 1924. Were you connected with the commission during the period of the preparation of the report for the President?

Mr. Fox. The sugar report?

Senator LA FOLLETTE. Yes.

Mr. Fox. Yes, sir; I was.

Senator LA FOLLETTE. What were your duties at that time?

Mr. Fox. Those of an economist. I also served a considerable portion of that time as investigator. I was sent to Hawaii in connection with sugar. I was also sent to New York, and assisted in getting the Cuban data; also getting the sugar refining data. At such times, I suppose, technically, by the rules of the commission, I was under the chief investigator.

Senator LA FOLLETTE. Did you take part in the preparation of any portion of the commission's report to the President?

Mr. Fox. I did.

Senator LA FOLLETTE. There were two reports submitted, one on behalf of the commission prepared by Mr. Lewis, Mr. Costigan, and Mr. Culbertson, and another report which has come to be known as the minority report, prepared by Mr. Marvin and Mr. Burgess. Do you know how those respective reports were prepared or how either one of them was prepared?

Mr. Fox. I know nothing about how the Costigan-Culbertson-Lewis report was prepared. I know something about how the other report was prepared.

Senator LA FOLLETTE. Will you state your knowledge as to what occurred, with particular reference to the members of the staff who actually participated in the preparation of that report.

Mr. Fox. I should like to make it clear that all reports of the commission originate, with few exceptions, with the staff; prepared either in the commodity division or by the commodity expert assisted by the economists, perhaps with the assistance of many men. They are reviewed, many times revised, at times entirely rewritten by the advisory board. Then they go to the commission. The commission, having, of course, final authority, makes those determinative decisions which it deems necessary, and it then becomes, of course, their report. Just as a report is sometimes called the advisory board's report before it goes to the commission, simply because the advisory board has authority to make changes, so, after it leaves the advisory board and goes to the commission, the commission has authority to decide what changes are to be made, after which it becomes a commission report.

As I recall, during the sugar investigation, the sugar report was not referred to the advisory board. I believe it is one of the few, if not the only instance, where that was done. I am not certain about that, but it was one instance. While the report prepared by the chief of the sugar division was being considered by the commission with certain experts sitting in with the commission, various memoranda were being prepared. I was very busy, because I was interested in the sugar investigation. I participated in the field work. I prepared a number of memoranda. My associate, Doctor Mixter, I believe, prepared some. Dean Turner prepared many. Doctor Brossard, I believe, prepared some. This was going on for some time. Finally it was decided to prepare a draft of the final report. I believe that decision was reached sometime around July 22. I imagine it was at the time when the consideration of the report by the commission was nearing completion. The matter was discussed by my chief, Chief Economist Dean Turner, and myself and some others, and we decided to start work that day. We worked along from that time until the report was submitted. There were

a number of drafts made, and the report took the same course as other reports, for instance, as the butter report except that the butter report went through the advisory board.

Senator LA FOLLETTE. You say that about the 22d of July it was decided to prepare a report?

Mr. Fox. Oh, I do not know the exact date.

Senator LA FOLLETTE. But approximately sometime in July it was decided to prepare a final draft?

Mr. Fox. The draft. We had been working on all sorts of memoranda.

Senator LA FOLLETTE. You say that Dean Turner and Doctor Mixter—

Mr. Fox. I believe Doctor Mixter prepared some.

Senator LA FOLLETTE. Were there any others associated with you in this work?

Mr. Fox. Well, Doctor Brossard prepared some; Dean Turner and myself. We are not associated, in a way. I was working independently. I was interested, for instance, in the years to be used. I was interested in certain tests that the chief of the sugar division was using upon the early years of the sugar data. I was interested in certain other phases. What Doctor Mixter was working on I do not know. Then, as I recall it, Doctor Brossard worked on memoranda, and I believe for a short period before we started, Doctor Brossard and Dean Turner worked together.

Senator LA FOLLETTE. At any time during the preparation of this draft report were there any conferences held by those who were working specifically on it?

Mr. Fox. Upon that date when we began working on the draft, then, of course, we went into conference. We organized and went to it—a period that I would not want to go through again. When we started out I made arrangements for a room, because of possible interruptions in the chief economist's office, and the chairman was kind enough to let us use his small anteroom. We worked there during the day and at night we worked in the office of the chief economist.

Senator LA FOLLETTE. Have you in your possession or are there available to you copies of any material contributed to the report by you or Doctor Brossard or Doctor Turner or any other member of the commission's staff.

Mr. Fox. I have drafts which I believe were contributed, but it was a very hectic period, and we did not stand upon ceremony. At the present time, when a report is prepared, it is usually addressed to the commission or the advisory board or some one else from so and so, and it is signed, but, during those hectic days those formalities were not observed.

I have a number of memoranda, as I look through my file, that I believe I prepared; one that Doctor Mixter prepared. I have one, I believe, that Doctor Brossard prepared; one that Doctor Brossard and Dean Turner prepared, and I have a lot of miscellaneous material.

Senator LA FOLLETTE. Have you those papers with you?

Mr. Fox. But, may I say this; it would be impossible to trace anyone's contribution, because when we began the drafting of the

report, we drew up a rough draft, taking something here, something there, using all of the available information. And then Dean Turner, who is a very, very careful man, would distate. As sections were completed they would be reviewed and revised many, many times, so that, even at the time when the first draft was ready, the language was different. Some of the ideas were modified. It was then practically impossible to trace the contribution of any one individual.

SENATOR LA FOLLETTE. I understand, but, you have just stated in your previous answer that you had certain data or memoranda which you believe were prepared by different individuals.

MR. FOX. But, those I just——

SENATOR LA FOLLETTE. Will you produce those for the committee please?

MR. FOX. Here is one that is marked "J. R. T." All of these papers were not kept.

CHAIRMAN ROBINSON. Who is "J. R. T."?

MR. FOX. Dean Turner.

SENATOR LA FOLLETTE. Let us mark that as an exhibit. I do not think it needs to be included in the hearings.

(The document referred to was marked "Exhibit 1" and filed with the committee. See p. 1095.)

MR. FOX. Here is something that is in Dean Turner's handwriting. I see Doctor Mixter has three words on here.

(The document referred to was marked "Exhibit 2" and filed with the committee. See p. 1096.)

MR. FOX. Here is one marked "A. M. F." That is mine.

SENATOR LA FOLLETTE. Mark that as an exhibit.

(The document referred to was marked "Exhibit 3" and filed with the committee. See p. 1097.)

MR. FOX. Here is one that has no name on it, but written at the top is "Doctor Mixter."

SENATOR LA FOLLETTE. Let that be filed as an exhibit.

(The document referred to was marked "Exhibit 4" and filed with the committee. See p. 1097.)

MR. FOX. Here is one on the basis of costs. Who prepared it I do not know. I see some one's handwriting marked "Basis of costs." That is written by Mrs. Garland. I notice two words by Dean Turner.

SENATOR LA FOLLETTE. Let that be marked as an exhibit.

(The document referred to was marked "Exhibit 5" and filed with the committee. See p. 1099.)

SENATOR LA FOLLETTE. Have you any idea who prepared that?

MR. FOX. You see we all had been preparing memoranda for a period of a month or two months. The ideas were supplied by many people. They were often rewritten.

Here is one of mine, "Memorandum on sugar report."

SENATOR LA FOLLETTE. File that as an exhibit.

(The document referred to was marked "Exhibit 6" and filed with the committee. See p. 1100.)

MR. FOX. Here is one of May 29, 1924, "Comments on sugar report." That refers to the report written by Doctor Bernhardt.

(The document referred to was marked "Exhibit 7" and filed with the committee. See p. 1103.)

Mr. Fox. Here is another one of mine, "Relative position of Cuban sugar companies. Comments on tests to establish the representative character of the few companies for which data are available for the early years," under date of July 7, 1924.

Senator LA FOLLETTE. File that as an exhibit, please.

(The document referred to was marked "Exhibit 8" and filed with the committee. See p. 1110.)

Mr. Fox. Here is one "Raw or refined basis." I think that was prepared jointly by Dean Turner and myself one Sunday.

(The document referred to was marked "Exhibit 9" and filed with the committee. See p. 1111.)

Mr. Fox. Here is one "Why sugar beets compared?" It has at the top in Mrs. Garland's handwriting "Doctor Brossard's statement," and contains, in Dean Turner's handwriting a number of comments.

Senator LA FOLLETTE. Those portions in pencil are in Dean Turner's handwriting?

Mr. Fox. Yes, sir.

Senator LA FOLLETTE. File that as an exhibit.

(The document referred to was marked "Exhibit 10" and filed with the committee. See p. 1112.)

Mr. Fox. Here is one on "Advantages and disadvantages." This was prepared, I believe, jointly by Dean Turner and myself on a Sunday when I was writing it down in long hand. This is not signed.

Senator LA FOLLETTE. Let it be filed as an exhibit.

(The document referred was marked "Exhibit 11" and filed with the committee. See p. 1113.)

Mr. Fox. Here is another one that is not signed, but it has "J. R. T." and "E. B. B.," written by Mrs. Garland.

Chairman ROBINSON. To whom do those initials refer?

Mr. Fox. John R. Turner and E. B. Brossard. It has in pencil, corrections made in Dean Turner's handwriting.

Chairman ROBINSON. Let it be filed as an exhibit.

(The document referred to was marked "Exhibit 12" and filed with the committee. See p. 1115.)

Senator LA FOLLETTE. You said that related to advantages and disadvantages.

Mr. Fox. Not this one, no sir.

Senator LA FOLLETTE. Pardon me. What is the subject matter of that memorandum?

Mr. Fox. It deals first with the fact that the advisory board was not consulted in the consideration of the sugar report, and sets forth the method of procedure, the usual procedure, and the reasons that a report which does not follow such procedure would be unsatisfactory. It also deals with the fact that the commission was not properly balanced for the consideration of the report by reason of the withdrawal of Commissioner Glassie from consideration of the report. It has a section here on sugar beets. It has another section on prices, and then the balance deals with the inadequacy of the early data.

Senator LA FOLLETTE. From your familiarity with the procedure and the general making of this report—was that memorandum to which you have just referred intended to be submitted for consideration to be included in the report?

Mr. Fox. I could not say, sir. I suppose so. I could not be definite.

Senator LA FOLLETTE. Have you any other papers there?

Mr. Fox. I have plenty of papers here.

Senator LA FOLLETTE. You understand to what I refer?

Mr. Fox. Here are some work sheets. Here are some tables that I notice in Mr. Brossard's handwriting. Here is a table made of costs by States, "E. B. B."

Senator LA FOLLETTE. File it as an exhibit.

(The document referred to was marked "Exhibit 13" and filed with the committee. See p. 1119.)

Mr. Fox. Here is another table and written on the top of it is "Brossard." I think that is my handwriting.

(The document referred to was marked "Exhibit 14" and filed with the committee. See p. 1120.)

Mr. Fox. Here are some tables in my handwriting. Some tables, I believe, that finally went into the report; costs of production of sugar.

Senator LA FOLLETTE. File that as an exhibit.

(The document referred to was marked "Exhibit 15" and filed with the committee. See p. 1121.)

Mr. Fox. I have here what I believe is a copy of the first draft of a report under date of July 26, 1924.

Chairman ROBINSON. By whom was that prepared?

Mr. Fox. That was prepared by the staff members, Doctor Turner, Doctor Brossard, and myself, sitting in conference.

Chairman ROBINSON. Does that appear on the face of the memorandum, or do you state that from memory?

Mr. Fox. I state that from memory.

Senator LA FOLLETTE. That is the first draft of a report of the majority or the minority, which?

Mr. Fox. I do not like, personally, the terms "minority" and "majority."

Chairman ROBINSON. Well, then define it in your own way. You know there were two reports. Please make clear which report it was.

Mr. Fox. The Marvin-Burgess report.

Senator LA FOLLETTE. Let that be marked as an exhibit, please.

(The document referred to was marked "Exhibit 16" and filed with the committee. See p. 1122.)

Senator LA FOLLETTE. You made reference to another draft.

Mr. Fox. I have here a draft of July 30, 1924.

Senator LA FOLLETTE. By whom was that prepared?

Mr. Fox. By the same group, incorporating further suggestions.

Senator LA FOLLETTE. By whom?

Mr. Fox. By the same group, Dean Turner, Doctor Brossard, and myself.

Senator LA FOLLETTE. Let that be marked as an exhibit.

(The document referred to was marked "Exhibit 17" and filed with the committee. See p. 1129.)

Senator LA FOLLETTE. Have you another draft?

Mr. Fox. I have here what I believe to be, although I am not certain, a draft as revised by Commissioners Marvin and Burgess, after the draft of July 30 was submitted to them.

Senator LA FOLLETTE. You are not positive of that fact?

Mr. Fox. I believe it is. I notice it has corrections in my handwriting.

Senator LA FOLLETTE. To the best of your knowledge and belief it is?

Mr. Fox. I believe it is.

Senator LA FOLLETTE. Mark that as an exhibit.

(The document referred to was marked "Exhibit 18" and filed with the committee. See p. 1124.)

Senator LA FOLLETTE. Now you were requested or commanded in the subpoena to produce papers and data of this character which we have been discussing. Are these all of the papers which you have in your possession or that are available to you?

Mr. Fox. Oh, no. These are all sugar [indicating], and those represent only a small part of the file of material available at the time.

Senator LA FOLLETTE. Have you any other drafts of the report?

Mr. Fox. Here is one on the calendar-year comparison, prepared by Doctor Brossard. Shall I submit all of these?

Senator LA FOLLETTE. I prefer to have you submit them, as you are being examined, so that we can question you about them. What is the first paper you refer to there?

Mr. Fox. "The calendar-year comparison. Description of method. Criticism." There is written in my handwriting, I believe, "prepared by Doctor Brossard."

Senator LA FOLLETTE. Will you submit that as an exhibit?

Mr. Fox. Yes, sir.

(The document referred to was marked "Exhibit 19" and filed with the committee. See p. 1157.)

Mr. Fox. Of course, these notations were made after the preparation of the report, I believe, and when this rough material was all filed in the economics division.

Here is one that has some tables and the handwriting looks to me like Doctor Brossard's "Reply to inquiry No. 1." I believe that is in answer to a request by the President for supplementary information. He made a number of inquiries, and this seems to be tables along that line.

Senator LA FOLLETTE. Will you submit that as an exhibit?

(The document referred to was marked "Exhibit 20" and filed with the committee. See p. 1159.)

Mr. Fox. Most of these are single sheets of paper, no handwriting.

Senator LA FOLLETTE. Do not put in any of which you are not certain.

Mr. Fox. Do you want me to describe these?

Senator LA FOLLETTE. Those that you are sure of as to who prepared them, I would like to have you refer to them as you go over them, and we will decide whether they should be made exhibits or not.

Mr. Fox. Here is a short statement from Mr. Comer to Doctor Turner, the subject of which is—it reads:

Early next week much of the preliminary data on sugar will be available for examination. It is requested the economics division examine these data and hold conferences with Doctor Bernhardt and myself—

Senator LA FOLLETTE. I do not think that needs to go in. It does not bear on the preparation of the report.

Mr. Fox. Here is one on advantages and disadvantages. That is Dean Turner's and mine.

Senator LA FOLLETTE. Can you be certain which?

Mr. Fox. Well, I believe the abstract of the statement previously submitted dealing with advantages and disadvantages was prepared on Sunday. On Monday we abstracted a part, and I believe this part went into the report.

Senator LA FOLLETTE. You say "we." Who do you mean?

Mr. Fox. Dean Turner and I.

Senator LA FOLLETTE. I think that should be marked as an exhibit.

(The document referred to was marked "Exhibit 21" and filed with the committee. See p. 1160.)

Chairman ROBINSON. May I ask a question to be clear? What was the object of the preparation of these various memoranda to which you are referring? At whose direction were they prepared and what use was made of them?

Mr. Fox. The memoranda that I prepared were made at the direction of the chief economist, some of them, and some of them were made on my own initiative. Others I could not say. It is usual as reports are going through now—most certainly I, as chief of the division, request the preparation of such reports.

Chairman ROBINSON. What was the object of them? For what purpose were they prepared?

Mr. Fox. Those that I prepared were prepared because of my association with the sugar investigation and my keen interest in the various phases of the subject which were being considered, such as the years to be considered, the question of using early data, and others.

Chairman ROBINSON. What was the object of those prepared by Doctor Brossard and other members of the staff?

Mr. Fox. I could not say, sir.

Chairman ROBINSON. Did this matter of the preparation of these memoranda take the same or similar course as that which is taken in all important cases, or was it an unusual course?

Mr. Fox. I believe the same course as is being taken.

Senator LA FOLLETTE. These draft reports, for instance, were not submitted to the whole commission?

Mr. Fox. Oh, the draft reports—I understood the chairman—

Chairman ROBINSON. No. I was not referring to the draft reports alone. I was referring to the various memoranda, but what I am getting at is whether this was in pursuit of the established custom of the commission or whether there was something unusual about the procedure of various members of the staff preparing memoranda, some of it, after the report had been made.

Mr. Fox. This was before the report was made.

Chairman ROBINSON. Well, there are memoranda here which you said Doctor Brossard and others prepared which were evidently made after the report, because it says:

The sugar report has not been so conducted as to lay before the President a full and fair presentation of the facts and principles involved.

Mr. Fox. I believe that was prepared while the report was being considered by the commission.

Chairman ROBINSON. But after the report had been prepared. On its face, it shows that.

Senator LA FOLLETTE. That was prepared, was it not, with the intention of it being included in the report?

Mr. Fox. In order that I may not personally be confused, may I make it clear that there were really three documents. One was the report prepared by the chief of the sugar division, Doctor Bernhardt, which might ordinarily be called the sugar report, or in the case of butter, the butter report, initiated and originated in the division in which the subject was involved.

Chairman ROBINSON. May I ask you a question in that connection? I am trying to get it clear in my own head. Was it the object of most of these memoranda to assist the commission in arriving at a report?

Mr. Fox. I could not answer that. The sugar report itself was not sent to the advisory board. The sugar report prepared by Doctor Bernhardt went directly to the commission and was considered by the commission, with certain experts sitting with them, as I recall it, Mr. Bernhardt and Dean Turner. My name was left off the order for some reason or other. I sat in with the commission a number of times. I think Doctor Simpson and Doctor Rutter sat in also and Doctor Townsend, too. I do not recall who else.

Chairman ROBINSON. I understand that pretty much everybody on the staff of the commission was preparing memoranda about this sugar report, and there was a very hectic condition there, whatever you may mean by that. Now, I want to know if you can tell me how it happened that that condition existed, what caused everybody to turn themselves to the preparation of memoranda about this sugar report, unless it was to be used in the preparation of the report? What was the reason for that and what was the object?

Mr. Fox. In that respect it is nothing unusual, when a subject matter is under consideration, especially one of great importance like sugar, or even butter, when members of the staff who thought they had certain ideas, would attempt to develop those ideas.

Senator LA FOLLETTE. As a matter of fact, Mr. Fox, these drafts of opinion, when prepared, were they not for the consideration and the assistance of Mr. Marvin and Mr. Burgess in the preparation of their report?

Mr. Fox. I can only speak for myself. When I prepared those memoranda I had no idea in the world what use was going to be made of them. All I knew was that I was one who claimed to be and hoped he was scientific, and who had had very close touch with the actual field work of the investigation, and who thought he knew some of the problems of the investigation, who was spending his time studying those problems intimately to make certain of his own position. What use was going to be made, if any, of them I could not say.

Senator LA FOLLETTE. But at this time in July, when you say it was decided to prepare the report, there was a tremendous amount of pressure evidently on those who were interested in it, and just tell the committee what was done, for instance, with the data that you prepared? To whom did you turn that over when you had finished with it? You said you were working nights and days on this material. What was done with it?

Mr. Fox. Nothing was done with it until the latter part of July, when it was decided to prepare the draft or what might become the draft of the Marvin-Burgess report.

Senator LA FOLLETTE. Exactly.

Mr. Fox. We organized, and when I say that—

Senator LA FOLLETTE (interposing). You say "we organized." Who organized?

Mr. Fox. Dean Turner and myself.

Senator LA FOLLETTE. Anyone else?

Mr. Fox. Doctor Brossard, too, was present.

Senator LA FOLLETTE. You say that you decided to organize to get out this report?

Mr. Fox. Yes.

Senator LA FOLLETTE. Now, you were not working on something that you did not know what was going to be done with, were you?

Mr. Fox. That is happening all the time.

Senator LA FOLLETTE. No, but you say that you organized to get out the draft of this report.

Mr. Fox. Oh, then we knew.

Senator LA FOLLETTE. For whom was it intended?

Mr. Fox. That draft? Chairman Marvin and Mr. Burgess, to serve as the draft.

Senator LA FOLLETTE. So that is the basis of their report?

Mr. Fox. Yes.

Senator LA FOLLETTE. That is correct, isn't it?

Mr. Fox. Yes, and we used all of these memoranda prepared—that is, all I prepared. I said honestly I had no idea what use might be made of them. I just stated each of the studies that I was interested in, and then we arranged during that conference, Dean Turner was to do all of the dictating, I examined all of the material available prepared by the various men, sorted it out, arranged it in logical order, examined it to see where it fitted in—I acted as sort of a handy man.

Senator LA FOLLETTE. And what was Doctor Brossard's work?

Mr. Fox. I do not recall that any special function was assigned to him. I personally took care of everything that went into that report.

But toward the end I believe Dean Turner and I requested Doctor Brossard to check the figures, because at that time I was getting to a point where I was not as sure of myself, as I had been at the beginning.

Chairman ROBINSON. What does he mean by that?

Mr. Fox. I mean that when we prepared this draft Dean Turner did the dictating and I took the responsibility of every figure that went in there, whenever a figure had to appear in a table.

Senator LA FOLLETTE. And you say that Doctor Brossard was present during the preparation of this draft?

Mr. Fox. With certain exceptions. He was not there some evenings. He was not there the first evening. He was not there another evening. He was not there Sunday, and then the very last night we worked pretty late.

Senator LA FOLLETTE. How late did you work?

Mr. Fox. Dean Turner, Doctor Brossard and Mrs. Garland left at 3.30. I stayed all night, tying up the loose ends, getting ready

for the last spurt in the morning, and personally preparing all the charts to go into the report.

Senator LA FOLLETTE. Did Doctor Brossard contribute to the preparation of this draft report?

Mr. Fox. It is difficult to answer that.

Senator LA FOLLETTE. There were three men there, all of you working on this thing, and each one must have known what the other was doing.

Mr. Fox. Oh, yes. We used all the ideas that were available.

Senator LA FOLLETTE. Then you can answer my question, can't you, Mr. Fox?

Mr. Fox. I would not be able to identify what Doctor Brossard did.

Senator LA FOLLETTE. I am not asking you to identify it; I am asking you the question as to whether or not he contributed to the preparation of this draft report.

Mr. Fox. In a measure, I suppose.

Senator LA FOLLETTE. Can you state how?

Mr. Fox. He had prepared such memoranda as we all did. We tried to use as much of that as we could. His contribution, as I recall it—his definite contribution, as I recall it—arose from the fact that as we were proceeding with the report Dean Turner had assigned to one of the economists, Doctor Mixter, the preparation of a statement setting forth the economic bases for comparing Cuban sugar with United States beets, and when we came to that point and examined Doctor Mixter's statement, as I recall it, it appeared that it would not fit into the report or the draft being prepared. I believe that was a Thursday night—I would not be certain. We broke up rather early that evening, and the next day we decided perhaps the best thing to do was to have Doctor Brossard, because of his familiarity with the subject of sugar beets, prepare a statement setting forth every reason that he could think of from his own memorandum and elsewhere, the why of beet sugar—why sugar beets or beet sugar should be used in the comparison. I believe that was the reason that statement was prepared to which I referred here, that 4-page statement. Then we went through and we picked out, you will notice in Dean Turner's hand writing, such ideas as it seemed would fit into the report.

Senator LA FOLLETTE. Are there any records showing who worked upon this report, either in or out of office hours?

Mr. Fox. Of course in office hours, the only thing I can think of would be the monthly reports. Each division submits to the Secretary each month a statement of the work done by each member. I have in the last few weeks a statement of work done by my own members each week. In addition to that, when we enter the building outside of office hours, we all sign up.

Senator LA FOLLETTE. That is, you sign as you come in and go out?

Mr. Fox. Yes. No; we sign as we go in, recording the time, and then the time we leave.

Senator LA FOLLETTE. What do these records with regard to hours outside of the regular office hours show at this period?

Mr. Fox. Why, I suppose the record itself, the register, would show.

Senator LA FOLLETTE. Have you a copy of the records of the register?

Mr. Fox. Not of the register.

Senator LA FOLLETTE. Where is it available? Where are they kept?

Mr. Fox. They are kept with, I think they call him, the captain of the guard in the building.

Senator LA FOLLETTE. Have you any reason to suppose that your files, with copies of papers and data and memoranda prepared for this minority draft report for Mr. Marvin and Mr. Burgess, have ever been tampered with?

Mr. Fox. No.

Senator LA FOLLETTE. Or that anyone has ever attempted to tamper with them?

Mr. Fox. Not to my knowledge.

Senator LA FOLLETTE. Has there ever been any effort made to find out through your office exactly what your records or files showed with regard to the preparation of the data for this draft report?

Mr. Fox. Our files in the economic division are often consulted.

Senator LA FOLLETTE. Has any particular effort been made to ascertain what your files showed with regard to the preparation of data for this draft report?

Mr. Fox. Yes. Doctor Brossard has called for the files, but that is not anything unusual. I think Mr. Marvin has looked at the files.

Senator LA FOLLETTE. Well, I asked you whether or not the inquiry had been made with particular reference to the data in the files concerning the draft report.

Mr. Fox. Doctor Brossard, as I recall it—if my memory is correct—asked to see what papers in the files showed drafts that Doctor Brossard had worked upon.

Senator LA FOLLETTE. When was that request made, to the best of your recollection?

Mr. Fox. I think Doctor Brossard's request was made last week. I believe it was Monday he had the files for a very short time—very short. And may I explain, because of the fact that these files are called for so many times by people and I have found that some men, some men in my division, are rather careless about the documents and because of the importance of the documents we have devised a scheme in our division whereby every single document in the report is documented and there is a number which appears upon it, so that when anyone takes the files we just keep this (the folder) in the office and let them have that (indicating the contents). That is the rule when I take the material out of the files; for the commissioner or any member of the staff, there is the same rule, in order to make certain where the material is. We have had a number of documents in other connections mislaid.

Senator LA FOLLETTE. When this request was made by Doctor Brossard, did he make the request of you?

Mr. Fox. Yes; to me personally.

Senator LA FOLLETTE. Will you state to the best of your recollection the conversation which took place?

Mr. Fox. I believe he said that he understood or that he thought perhaps the Senate hearings might be reopened, and that he might go back on the stand, and he wanted to be certain of his connection

or of his participation; that he was very anxious to correct any mis-statements he might have made; that he did not want to take the credit for anything that he did not do; that he was ready to take the responsibility and he wanted to see the files to see just what he had done, as far as my files would disclose.

Senator WADSWORTH. It was to refresh his memory?

Mr. Fox. That is the impression I had. That is the understanding I had; yes, Senator.

Senator LA FOLLETTE. Did Commissioner Marvin ever make any request for the files showing the data used in the preparation of this draft report?

Mr. Fox. As I recall it, he came to my office and asked for the sugar files and looked them over right in my outer office.

Senator LA FOLLETTE. To the best of your recollection, when did that occur?

Mr. Fox. It was one of the days Doctor Brossard testified, perhaps the last day. That was, I suppose, on the 1st or 2d or 3d day of July.

Senator LA FOLLETTE. Since this investigating committee closed its hearings last summer, what reports have been made to the President under section 315?

Mr. Fox. Three, I believe—methanol, paintbrush handles, and cotton hosiery.

Senator LA FOLLETTE. The committee at its previous sessions heard considerable testimony about the alleged delay in making the cotton-hosiery report. How long a period, if you recall, after the investigation of cotton hosiery was instituted, elapsed before the report was made to the President?

Mr. Fox. Oh, a period of two or three years—oh, two and one-half years.

Senator LA FOLLETTE. Assuming that the figures of the commission in the cotton-hosiery report were correct, what was the conclusion formally reached in the advisory board with respect to whether those figures pointed to higher or lower duties on cotton hosiery?

Mr. Fox. We are very careful, Senator, in the advisory board to avoid any emphasis about upward or downward. We are concerned primarily with the accuracy of the data, with the proper presentation of the material. We are concerned that everything that was done shall be set forth so that it can be understood and we avoid, as much as it is humanly possible to avoid, drawing any conclusions.

Senator LA FOLLETTE. One of the subjects that has come up during the investigation is the method adopted by the commission for determining the principal competing country as the basis of the President's determination of the tariff rate which is to be proclaimed by him. In your judgment has a consistent course been followed in determining the principal competing country?

Mr. Fox. I believe so. Usually there is very little leeway. One country is so clearly the country from which the imports come or the principal source of the imports that there is not any choice in the matter at all. In some cases there is some doubt. The conclusion may be one thing if you rest your decision on quantity of imports. Your conclusion may be something else if you base it upon quality of imports and character of imports. Again I suppose one must observe whether the imports have been temporary or consistent over a considerable period.

SENATOR LA FOLLETTE. You have been with the commission a considerable time now. Have you any affirmative suggestions to make to this committee with regard to improving the work of the Tariff Commission, particularly with regard to making its work more scientific in character?

MR. FOX. If the uncertainties of the Tariff Commission can only be eliminated, I think we would go a considerable distance toward getting upon a better working basis.

SENATOR WADSWORTH. What do you mean by uncertainties of the Tariff Commission?

MR. FOX. Well, the fact, as I recall it, during the period of the sugar consideration there was a majority and minority attitude, which of course is not conducive to scientific work, because after all the work of the Tariff Commission is not determined by majority opinion or minority opinion. It is a fact-finding body, and the value of its conclusions is based upon their absolute accuracy and whether they are signed by four members, three members, or two members is in my opinion of little consequence. We follow the same policy in the advisory board. We are anxious all the time that we have the proper premise and that we proceed logically that our work is accurate. We are not very much concerned about how many might sign this view or that view. The only thing we are anxious to do is to make clear all points that arise and to see that they are clearly set forth for decision of the matter by the commission, in whom the final authority rests.

Then the change in personnel of the commission, that is the frequent change, and its uncertainty, I imagine naturally has affected the institution; just as any business institution would be affected if the president and other officers are frequently changed—and the uncertainty as to who was in and who was out. In other words, a working organization must be firmly established.

This is a question, Senator, that I really hesitate to discuss, not that I really have not views. I would be unworthy of my responsibility if I did not observe the many difficulties in the operation of section 315, practical difficulties, and opportunities for correction: the fact that improvements have been made and are now being made all the time. There is further room for improvement. It would be very unnatural if there were not, because after all the flexible provisions are an experiment. It is one of development. I think personally, if I may express an opinion, that one of the difficulties is the attitude which has been assumed toward the commission, which would not be assumed toward any business institution undertaking a new policy. In other words, it takes time, in spite of all care and precaution, in inaugurating a new policy, and a new idea, to have it work smoothly. Before it had an opportunity to get under way difficulties arose, personal differences, which made the experiment rather difficult.

I am certain that we know far more about the institution of investigations now and the procedure in carrying these investigations through and how to handle them, than we did three years ago. I personally, speaking for myself now, know that I can go through a report and observe more in a day than I could three years ago in a month, or two weeks, and I think it is true throughout the staff. We have profited by our mistakes.

Senator LA FOLLETTE. Those are all the questions I have.

Chairman ROBINSON. Have you any suggestions as to amendments which should be made to the law? Do you feel qualified to speak of them, or do you desire to speak of them.

Mr. Fox. I do not.

Chairman ROBINSON. Were you present before the committee when Mr. Brossard testified with respect to his connection with the sugar report?

Mr. Fox. I was.

Chairman ROBINSON. Did you hear his testimony?

Mr. Fox. I did.

Chairman ROBINSON. How many times have you discussed his testimony or any phase of it, particularly his statement that he had nothing to do with the preparation of the Marvin-Burgess sugar report, since his testimony?

Mr. Fox. With whom?

Chairman ROBINSON. Mr. Brossard.

Mr. Fox. On a few occasions.

Chairman ROBINSON. How many?

Mr. Fox. Three or four, or half a dozen.

Chairman ROBINSON. When was the first time, if you recall?

Mr. Fox. I believe it was some time in September, 1926. It was after my return from the field. I was in the field in connection with the milk and cream investigation.

Chairman ROBINSON. When did you get away from Washington prior to that conversation?

Mr. Fox. I left Washington, I believe, July 3 or 4—July 4, I believe.

Chairman ROBINSON. Do you remember when the hearings here were suspended—the hearings before this special committee? That was about the 1st of July, I will state that.

Mr. Fox. Yes.

Chairman ROBINSON. I do not remember myself, exactly. You went, then, about the 3d or 4th, and came back when?

Mr. Fox. I was back a few days, but I was away a good part of the time between then and September.

Chairman ROBINSON. The first time that Mr. Brossard talked to you about his testimony before this committee was in September, when you returned from the field?

Mr. Fox. As I recall it.

Chairman ROBINSON. What did he say to you then?

Mr. Fox. He asked me if I heard his testimony and what were my reactions toward it.

Chairman ROBINSON. All right. What did you tell him?

Mr. Fox. I was rather reluctant to discuss it.

Chairman ROBINSON. Why? [After a pause.] Why are you so long in answering? Why don't you go ahead and answer my question?

Mr. Fox. It was not a subject matter that I felt free to discuss.

Chairman ROBINSON. Why?

Mr. Fox. Well, as I told you that first time, it was a matter—it involved a matter of opinion. He probably had certain things in mind. In other words, when he answered those questions he answered with certain interpretations.

Chairman ROBINSON. Notwithstanding your reluctance, did you talk to him about it?

Mr. Fox. I did. He stated that he had no purpose but to tell the truth; that if he had the opportunity he would have told everything about his sugar story.

Chairman ROBINSON. Did he indicate or did you infer from what he said that he was denied the opportunity to tell all about what he had to do with the writing of the draft of the sugar report? You knew, as a matter of fact, when you heard him testify, that he had assisted in the preparation of the draft, didn't you?

Mr. Fox. In—that is a relative thing.

Chairman ROBINSON. No; it is not a relative thing. It is a direct question, and you can answer it yes or no.

Mr. Fox. In a measure; yes.

Chairman ROBINSON. Now, you can explain what you mean by "in a measure."

Mr. Fox. Well, I attempted to set forth as fully as I knew how just what was done. We started work on the 22d. We organized.

Chairman ROBINSON. Whom do you mean by "we"?

Mr. Fox. Dean Turner was to do all of the dictating. I examined all the material which was available, the memoranda, sorted out the ideas, arranged it in logical order, saw that things were running smoothly, and acted as handy man, and at most of these meetings, except those on certain evenings and on Sunday, Doctor Brossard was present. Sometimes, when we came to a difficult part, we all, in spite of the fact that Dean Turner did the dictating, we all took a hand in it, and, of course, the official version of it was handled by Dean Turner, because he was the chief of the division.

Chairman ROBINSON. Can you state approximately how many meetings you held in the preparation of that first draft of the Marvin-Burgess report?

Mr. Fox. We started, as I recall it, Tuesday afternoon. That evening Dean Turner and Mrs. Garland and myself worked. Tuesday we were at it morning and afternoon. On one worked in the evening.

Senator WADSWORTH. You do not mean Tuesday. Don't you mean Wednesday?

Mr. Fox. Wednesday, the next day.

Chairman ROBINSON. Who were associated with the work that day?

Mr. Fox. Wednesday Dean Turner was present, Doctor Brossard and I.

Chairman ROBINSON. How many hours did you put in that day, approximately?

Mr. Fox. We worked in the morning and in the afternoon.

Chairman ROBINSON. But not at night?

Mr. Fox. Not at night.

Chairman ROBINSON. Go ahead.

Mr. Fox. Thursday we worked morning, afternoon, and evening—Dean Turner, Doctor Brossard, I—and I believe we used another stenographer, Miss Braswell. On Friday—

Senator LA FOLLETTE (interposing). To whom was Miss Braswell usually assigned?

Mr. Fox. At that time I think she was assigned to the pool, the stenographic division. She is now assigned, I believe, to the chairman's office.

Friday we worked morning, afternoon, and evening—Dean Turner, Doctor Brossard, I, and Mrs. Garland.

Saturday we worked morning, afternoon, and evening—Dean Turner, Doctor Brossard, I, and Mrs. Garland.

Sunday, Dean Turner and I alone.

Monday, Dean Turner, Doctor Brossard—no—yes—Dean Turner, Doctor Brossard, and I, morning and afternoon; Dean Turner, Mrs. Garland, and I in the evening.

Tuesday, Dean Turner, Doctor Brossard, and I, and two stenographers—Miss Braswell and Mrs. Garland. Miss Braswell left, I believe, a little after midnight. Dean Turner, Doctor Brossard, and Mrs. Garland left a little after 3. I stayed there all night, with the exception of a short walk on Pennsylvania Avenue.

Chairman ROBINSON. Now, with respect to the second draft, did you have a number of meetings, the three of you who had been collaborating in the preparation of the first draft?

Mr. Fox. Well, this was really both drafts—the twenty-sixth draft and the thirtieth draft.

Chairman ROBINSON. That covered the meetings that the three of you had, and sometimes two of you, which have been specified according to your recollection?

Mr. Fox. Yes.

Chairman ROBINSON. Now, after your return in September and Doctor Brossard talking to you about his testimony before the committee with respect to this subject—when did you next talk to him, as you recall it?

Mr. Fox. It would be very difficult for me to say exactly. I should say some time after—I believe it was in connection with another investigation, the maple-sugar investigation which we were conducting—and some question came up of the delay which I was causing in having the men go out into the field; not being satisfied that we were quite ready to go I delayed the work somewhat, and I was called on for an explanation.

Chairman ROBINSON. Were you willing or reluctant to discuss it with him the second time? [After a pause.] I expect you to just answer promptly, yes or no.

Mr. Fox. Frankly, I was not very keen to discuss it.

Chairman ROBINSON. You preferred not to discuss it. Did you indicate that to him?

Mr. Fox. I did not.

Chairman ROBINSON. What?

Mr. Fox. I did not.

Chairman ROBINSON. What did you say to him?

Mr. Fox. I just—

Chairman ROBINSON. You will have to come through here. You had just as well go ahead and tell all about it now.

Mr. Fox. Senator, for the first time this year I have jotted down certain notes not only in connection with my interviews with Doctor Brossard but with Doctor Dennis and Mr. Costigan, those few times I have seen Mr. Costigan.

Chairman ROBINSON. You have got the memorandum-keeping habit at last, have you? All right; state how many times you have talked with Doctor Brossard about his testimony before this committee with respect to whether he had anything to do in connection with the sugar report.

Mr. Fox. About six.

Chairman ROBINSON. About six times?

Mr. Fox. Yes.

Chairman ROBINSON. Did he approach you each time, or did you go to him some of the times?

Mr. Fox. He approached me.

Chairman ROBINSON. Each time?

Mr. Fox. Each time, as I recall it.

Chairman ROBINSON. What was the burden of those conversations? What was the object of them?

Mr. Fox. Mr. Senator, I do not know what the object was. I could not tell you.

Chairman ROBINSON. Well, what did you imply to be the object of them? What was your understanding of the object of them?

Mr. Fox. He seemed very anxious to make very clear what he had in mind and what he proposed to do.

Chairman ROBINSON. Do you know why he was doing that? Did he tell you why he was running to you about his testimony before this committee and explaining to you and making clear to you what he meant?

Mr. Fox. Why, that did not seem unusual, because we had been associated together on the thing, and it is very natural——

Chairman ROBINSON (interposing). Then tell the committee why you are reluctant to talk with him about it, if there was nothing unusual about it?

Mr. Fox. Well, because the statement as made was rather a sweeping statement.

Chairman ROBINSON. What statement are you referring to now?

Mr. Fox. The statement Doctor Brossard made when he was testifying.

Chairman ROBINSON. I will ask you a leading question. Did you imply that he knew that you took a different view of the facts with respect to his connection with the preparation of that sugar report from what he had stated before the committee?

Mr. Fox. Perhaps so.

Chairman ROBINSON. Now, you have hesitated for perhaps half a minute in answering that question. That does not appear in the record. Why do you hesitate? Why don't you answer it?

Mr. Fox. Because, Mr. Senator, Doctor Brossard testifying here testifies as a commissioner. He is in a position, therefore, to express opinions and conclusions. I am testifying as a member of the staff, and my testimony, therefore, it appears to me, ought to be limited to the statement of facts, which I have tried to do, with the single exceptions when I have been asked——

Chairman ROBINSON. Very well. I think that is exactly correct, but I have asked you a question of fact, and that is why you are reluctant to answer the questions I have asked you.

Mr. Fox. Because, Mr. Senator—

Chairman ROBINSON (interposing). It is because of your subordinate position on the commission?

Mr. Fox. Yes.

Chairman ROBINSON. Very well. I think that is a fair and a true answer. Now, then, how many more times did you talk to Doctor Brossard and what was the substance of those conversations? You have said there were six times and you have detailed two. He came to you each time. What did he say to you?

Mr. Fox. May I correct that?

Chairman ROBINSON. Yes.

Mr. Fox. He did not come to me. He called me to his office.

Chairman ROBINSON. Oh!

Mr. Fox. And usually it was, perhaps, in connection with some other matter, and then casually this subject was referred to.

Chairman ROBINSON. He called you to his office in connection with some other matter, but casually each time the subject matter of his testimony before this committee was mentioned to you by him?

Mr. Fox. Yes.

Chairman ROBINSON. Can you recall what was said on those other occasions? Did you make some memoranda, Mr. Fox?

Mr. Fox. I said I kept them.

Chairman ROBINSON. Yes. Now you may refer to your memoranda for the purpose of refreshing your memory. State what your memorandum shows, if you are prepared to say that it was made approximately or at the time of the incidents to which they relate?

Mr. Fox. Now these memoranda, I say, were prepared with reference to many subjects, and here is one when I went to see Mr. Costigan complaining about the work of Doctor Simpson and also in connection with the work of some others.

Chairman ROBINSON. Those memoranda may be pertinent to some phase of this inquiry, but for the present and in answering the questions I am now asking you confine yourself to the memoranda you made with respect to your conversations with Mr. Brossard about his testimony before this committee.

Mr. Fox. These others are on other subject matters. I have here one Monday afternoon, April 12.

Chairman ROBINSON. Of what year?

Mr. Fox. 1926.

Chairman ROBINSON. All right. Go ahead.

Mr. Fox (reading):

While in Doctor Brossard's office on other matters he remarked that he was trying to get the facts straight in regard to his connection with sugar, and as he could see it he had nothing to do with it except advise upon agricultural costs; that I had furnished all the ideas and that Dean Turner had dictated them, and that he had been consulted in regard to agricultural costs and had advised thereon. That as to the preparation of the report which was revised by Commissioners Marvin and Burgess, he thought it advisable that he and I should both have the same facts, that we had the fact straight in regard to sugar.

Senator ROBINSON. That probably should be "that we have the facts straight." I do not know.

Mr. Fox. Then I have in parentheses:

An editorial appeared in the Saturday edition of the Washington Post on agricultural costs based upon the sugar report.

Chairman ROBINSON. At the time of that memorandum and that statement, the time that that memorandum relates, did you make any statements to Doctor Brossard, which you recall? When he said that you two ought to agree upon the facts as to your connection with the matter, did you make a statement to him?

Mr. Fox. I do not recall.

Chairman ROBINSON. Your memorandum does not show what you said in reply?

Mr. Fox. No.

Chairman ROBINSON. And you do not recall?

Mr. Fox. No.

Chairman ROBINSON. All right. Go to the next memorandum.

Mr. Fox. July 23, 1926. [Reading:]

Doctor Brossard phoned while we were meeting on the final report on methanol and asked to see me as soon as it was over.

The advisory board were meeting.

Senator WADSWORTH. July 23, 1926!

Mr. Fox. Yes.

Senator WADSWORTH. I thought you left this country on the 3d or 4th.

Mr. Fox. I did not leave the country. I left and then I came back, I said occasionally, but for the most part I was gone between July and September, and it appeared to me that the conference took place in September. I was back at this time, I think, only two or three days.

Senator WADSWORTH. All right; go ahead.

Mr. Fox (reading):

As the commission held a meeting at 10.30 I did not get an opportunity to see him until the afternoon. When I returned from lunch about 2.15 I was told that he had phoned twice. Finally got to see him at 2.30.

As soon as I sat down Doctor Brossard asked whether I had heard his testimony before the Senate committee on sugar and whether the testimony did not correctly represent the situation. I hesitated for a moment and then replied that we were all present during the preparation of the report. Doctor Brossard then proceeded to explain that he had not proposed to withhold any information; in fact, that he was ready to explain it all if he had been given the opportunity by Senator Robinson and Senator La Follette, but that he did not propose to have—

I have here just La Follette—

compel him to state that he had dictated the policy of the minority report. He said that he had not dictated the report, that the report had been dictated by Dean Turner; whereupon I told him in a sense we were all present and had all dictated parts but that the final dictation and smoothing out was done by Dean Turner. Doctor Brossard also stated that we did not write the minority report, that "we wrote the expert's report"; whereupon I told him that we wrote the report for Mr. Marvin and Mr. Burgess and that no "expert's report" was prepared in either case.

Of course, with this qualification, that we did the very same thing that is being done right along with the reports. The draft originates with the staff and it goes to the commission for their final revision.

Chairman ROBINSON. Go ahead with the next one.

Mr. Fox (reading):

Doctor Brossard also stated that he had not read the final report, that while Dean Turner and I were busy going over the reports with Messrs. Marvin and Burgess he had been occupied attending to other details.

Doctor Brossard asked if there was anything in our files on sugar that showed his connection with the report, whereupon I told him that he could look over the files. He wanted me to go over the files and Brossard's testimony before the Senate committee and see if there had been any misstatements; and if there had he would be only too glad to go before the committee and ask for the opportunity to correct such misstatements.

Chairman ROBINSON. All right. Go ahead with the next one.

Mr. Fox. The next one is January 3, 1927:

In response to a call from Doctor Brossard, went to see him about 10.15. When I entered his office he said that he would like to see the sugar files, especially the documents which he had submitted in connection with the preparation of the report. He said that he had obtained an inkling from the newspapers that the hearings may start again; that he did not want to take any credit in the preparation of the report or any part of it to which he was not entitled, but that he was fully ready to take the responsibility. Doctor Brossard emphasized the fact that he did not want to take credit for the report.

Doctor Brossard claims that he has reviewed the situation and can not recall having much to do with the report. He claimed that when the report went to Mr. Marvin and Mr. Burgess there was no summary. I pointed out that the summary was prepared before it went to them, and that the only change was the addition of two pages describing the history of sugar beets and a few minor changes here and there, changes of emphasis or conclusion. He stated that Dean Turner and I spent two days going over the report with Mr. Marvin and Mr. Burgess, but that he did not go over it. I thereupon pointed out to him that as I recalled it he went over the report with Mr. Marvin and Mr. Burgess before Dean Turner and I were called in. He denied that, stating that Mr. Marvin asked him about the tests and that as they were not clear to him either he suggested that especially Dean Turner and I be called in.

I thought there were some more. Evidently there were only three.

Chairman ROBINSON. Will you file copies of the three memoranda which you have read, with the stenographer?

Mr. Fox. I will.

Chairman ROBINSON. You say you thought there were other similar memoranda?

Mr. Fox. I said before there were three or four, I was not certain, but I only find three.

Chairman ROBINSON. When did you commence keeping memoranda, do you recall?

Mr. Fox. I believe the early part of 1926.

Chairman ROBINSON. The early part of 1926. The first time he approached you about his testimony was in April, 1926, according to your memoranda?

Senator WADSWORTH. He has not testified to that, I do not think.

Chairman ROBINSON. Oh, yes. He wrote a memorandum on April 12.

Senator WADSWORTH. Had Doctor Brossard testified before the committee at that time on this sugar investigation?

Mr. Fox. No. My statement was incorrect. Instead of being three it was only two.

Senator WADSWORTH. So that the first memorandum you read is irrelevant?

Mr. Fox. That is right.

Chairman ROBINSON. Not at all. The relevancy of the first memorandum is even more important than the relevancy of the others.

Senator WADSWORTH. There is room for difference of opinion on that.

Chairman ROBINSON. Yes.

Senator WADSWORTH. Perhaps I would be permitted to get it straight in my own mind.

Mr. Fox. I should not have read that.

Chairman ROBINSON. Yes, you should; and you should read any other memoranda you have of conversations with Mr. Brossard about your and his testimony before this committee.

Senator WADSWORTH. My purpose in making that suggestion was just this, that the line of the testimony given here this morning and the questions asked have to do with conversations which the witness has had with Doctor Brossard since his testimony before the committee, and your questions to him as to the nature of those conversations.

Chairman ROBINSON. Yes; but—

Senator WADSWORTH (interposing). Just a moment, if I may.

Chairman ROBINSON. Go ahead.

Senator WADSWORTH. The witness was then asked to produce the memoranda which he said he had to describe those conversations. He has produced one which far antedated these conversations and had nothing to do with the particular line of the inquiry. That is the only thing I called attention to.

Chairman ROBINSON. If the Senator from New York desires me to explain my view of the significance of this testimony I shall unhesitatingly do it. I did not understand, nor do I apprehend that Senator La Follette understood, that Mr. Brossard had talked with Mr. Fox about what their testimony should be before this committee with respect to their connection with the preparation of the sugar report, and therefore I asked him what conversations he had had with him since Doctor Brossard testified. Now, it develops that even in April, long before the time he was called to testify, Doctor Brossard went to this witness and tried to reach an agreement with him as to what their testimony should be respecting that important subject, and I rule that the first memorandum is even more significant than the later ones. Do you object to its competency?

Senator WADSWORTH. I have not objected to its competency at all.

Mr. Fox. I regret exceedingly to have brought that in.

Chairman ROBINSON. You need not apologize for it. I would have asked for it if I had known you had it, or if your answers had reflected the fact that long prior to his testimony you were talking about what you and he should testify about that particular fact.

Mr. Fox. Oh, Mr. Senator, I never interpreted that conversation—

Chairman ROBINSON (interposing). I am not asking you for your interpretation.

Senator WADSWORTH. I will ask him. What was your interpretation of that conversation? Was it simply about what the chairman of this committee has indicated?

Mr. Fox. I should say not.

Senator WADSWORTH. Very well.

Mr. Fox. I have never interpreted that conversation as an attempt on Doctor Brossard's part to reach an agreement. I had no such proposition in mind.

Chairman ROBINSON. That never occurred to you when he came back after he had testified and talked to you several times, when you were reluctant to talk to him about it? It never occurred to you that this first conversation was for any purpose to reach an understanding about what you should testify to?

Mr. Fox. Mr. Senator—

Chairman ROBINSON (interposing). Then I will ask you why—

Senator WADSWORTH (interposing). May he answer that question?

Chairman ROBINSON. Certainly.

Mr. Fox. I say, with all the sincerity of which I am capable, that I did not make that interpretation, for this reason, that I have always endeavored to do scientific work and was ready to consider every phase of every problem, to discuss it with anybody; but I am finally charged with the responsibility, if I am worthy of my position with the commission and elsewhere, and I have done a good deal of scientific work before coming with the commission, of examining everything and then finally reaching my own conclusion. I did not interpret those meetings for one moment as Doctor Brossard's attempt to influence my testimony, for it would have been, to be very candid with you, in view of the principle which guides me, useless.

Chairman ROBINSON. I did not ask you anything about that, what principle guides you. Why did you make that memorandum setting forth his conversation with you about what the facts were in regard to his connection and your connection with the preparation of the sugar report for Messrs. Marvin and Burgess? What was your object in making the memorandum?

Mr. Fox. Mr. Senator, my testimony this morning proves the need—

Chairman ROBINSON. I did not ask you that. I do not doubt that; but what was your object in making it?

Mr. Fox. I told you, Mr. Senator, that I kept memoranda not only of this but of other things, to just try to recall as accurately as I may the conversations that took place and what conversation took place.

Chairman ROBINSON. It was to have a record, wasn't it?

Mr. Fox. Yes; of the facts.

Chairman ROBINSON. When he told you, as you say in your memorandum, that he and you ought to have an understanding of what the facts were in respect of the connection that both of you had with that sugar report, what did you tell him?

Mr. Fox. I do not think there was any—

Chairman ROBINSON (interposing). Well, the memorandum speaks for itself. Give me the memorandum of April 12.

Mr. Fox. Well, the language was unfortunate.

Chairman ROBINSON. You say that while in Doctor Brossard's office on April 12 on other matters, he remarked that he was trying to get the facts straight in regard to his connection with sugar, and as he could see it he had nothing to do with it except advise upon agricultural costs, that I had furnished the ideas and that Dean Turner had dictated them, and that he had been consulted in regard to agricultural costs and had advised thereon; but as to the preparation of the report which was revised by Commissioners Marvin and Burgess he thought it advisable that he and I should both have the same views; that we had the facts straight in regard to sugar.

Mr. Fox. Yes.

Chairman ROBINSON. And in parantheses it says:

An editorial appeared in the Saturday edition of the Washington Post on agricultural costs, based upon the sugar report.

Mr. Fox. Yes.

Chairman ROBINSON. Now, what did you say to Doctor Brossard when he made that statement to you?

Mr. Fox. I do not recall.

Chairman ROBINSON. Well, did you tell him that you thought neither you nor he had anything to do with the preparation of that report?

Mr. Fox. I do not recall.

Chairman ROBINSON. Did you tell him that both you and he knew that both of you had participated in the preparation of the report?

Mr. Fox. I could not say that, sir.

Chairman ROBINSON. Did you know at the time when Doctor Brossard approached you and made that statement to you that both you and he had participated for all the hours you have specified here in your statement a while ago, in the preparation of that report?

Mr. Fox. We sat together.

Chairman ROBINSON. I say, did you know it at the time Doctor Brossard made that statement?

Mr. Fox. Oh, yes.

Chairman ROBINSON. Why didn't you tell him, then, that his statement to you was inaccurate and not consistent with your recollection of the facts? Or did you do it?

Mr. Fox. I do not recall.

Chairman ROBINSON. You do not recall?

Mr. Fox. No, sir.

Chairman ROBINSON. I think that is all.

Senator WADSWORTH. I was not here at the beginning of the hearing this morning. How long did you say you had been serving with the commission?

Mr. Fox. Since May 31, 1923.

Senator WADSWORTH. In the same position?

Mr. Fox. No.

Senator WADSWORTH. You have been promoted from time to time?

Mr. Fox. Yes.

Senator WADSWORTH. And have you sought further promotion?

Mr. Fox. I suppose so.

Senator WADSWORTH. Of what kind?

Mr. Fox. I would have liked, believing that I was doing the same work as my predecessor. I would have liked to have had his title—chief economist.

Senator WADSWORTH. Were you ever a candidate for appointment on the commission itself?

Mr. Fox. I was, in a measure.

Senator WADSWORTH. At what time was that?

Mr. Fox. I believe that was in January, 1925—the early part of 1925.

Senator WADSWORTH. To fill which vacancy?

Mr. Fox. There was no vacancy, as I recall it.

Senator WADSWORTH. Are you sure?

Mr. Fox. I do not believe there was a vacancy.

Senator WADSWORTH. Then why the candidacy?

Mr. Fox. It was not a question of candidacy. It seemed probable that one or two of the commissioners might leave the commission.

Senator WADSWORTH. Where did you get that information?

Mr. Fox. Oh, just a general rumor?

Senator WADSWORTH. Did anyone indorse you for the position?

Mr. Fox. I believe so.

Senator WADSWORTH. Who was it?

Mr. Fox. The idea was not mine. It was suggested to me.

Senator WADSWORTH. Some of your friends urged you?

Mr. Fox. Yes. It was suggested to me by Dean Turner in my home at a dinner which took place Christmas week of 1924, in the presence of my wife and one of my former students. I had never entertained the idea before.

Senator WADSWORTH. How far did it go?

Mr. Fox. I believe he wrote some letters. I think he wrote a letter to you. I interviewed some people. I received in the latter part of January, through some friends, an interview with Mr. Samuel Koenig from New York, who gave me a note to you. I wrote some other letters.

Senator WADSWORTH. Did you present the note to me?

Mr. Fox. I never did. And one of the reasons, Senator, was that I wrote a letter asking for the indorsement of Prof. E. W. Kemmerer at Princeton, under whom I had worked at Cornell, and I received a reply from him in which he emphasized the fact that I was seeking a political appointment, and that he had made it a policy years ago not to indorse anyone, even though, as in the present case, he would feel inclined to; that he would be glad to speak to several people, as he had occasion. I answered that letter, saying it was somewhat of a shock to have the political end of it emphasized, and my ardor kind of dampened. The idea after that was taken half-heartedly. In fact, the point is that I have had a very high regard for the senior Senator from New York and I would have been very glad to have met you, but I never presented that note.

Senator WADSWORTH. Did you discuss the matter with any member of the commission?

Mr. Fox. I believe I did.

Senator WADSWORTH. With whom?

Mr. Fox. Mr. Marvin.

Senator WADSWORTH. Anyone else?

Mr. Fox. And perhaps with Mr. Burgess, although I would not be certain of that.

Senator WADSWORTH. Did you have any other recommendations?

Mr. Fox. I do not know.

Senator WADSWORTH. You do not recall any others?

Mr. Fox. Senator Copeland, I believe, wrote to the White House. One of the members of the staff—I think Mr. Ralph Wells—told me one morning that he had seen a letter sent, or he had heard of it.

Senator WADSWORTH. Did you file an application for the position with anybody?

Mr. Fox. Not that I know of.

Senator WADSWORTH. Has anyone else examined these memoranda?

Mr. Fox. No.

Senator WADSWORTH. This is the first time they have been disclosed to anybody?

Mr. Fox. They were available to them, as all memoranda in the economic division are.

Senator WADSWORTH. But I mean these personal memoranda?

Mr. Fox. No; absolutely not, absolutely not. In fact, Senator, these are only a few of the number I have kept, and they were kept in shorthand, and one of the reasons for the difficulty of transcription was they were transcribed so long afterwards, but no one absolutely saw them, aside from Mrs. Garland, who took them, and myself. Not even my wife.

Chairman ROBINSON. Will you look through your records and see if you have other memoranda on this same subject relating to Mr. Brossard's testimony before this committee?

Mr. Fox. Through these?

Chairman ROBINSON. Look anywhere you have kept a memorandum, in your shorthand files or anywhere else, and what I want is all of them that you kept. Do you understand, Mr. Fox?

Mr. Fox. Yes. On any subject matter?

Chairman ROBINSON. Oh, no. I thought I made it clear. You said a while ago, and my suggestion is prompted by a statement you made—you said that you thought you had some more memoranda, several more memoranda, about the conversations with Doctor Brossard.

Mr. Fox. And with others.

Chairman ROBINSON. No; I am not talking about others. I am talking about memoranda now with respect to other subject than this. I understood you to say that you thought you had several others, but you have not located them this morning. All I want is to get all of them.

Mr. Fox. Oh, I see. I did not get your question. I thought, when you asked me the question before——

Chairman ROBINSON (interposing). I asked you how many times you had talked with him about it, and did you keep memoranda every time you talked?

Mr. Fox. Yes. I believe so.

Chairman ROBINSON. Do you know whether you did or not?

Mr. Fox. I believe so.

Chairman ROBINSON. Then you had better look around and see what other memoranda you kept on this subject. Will you produce it if you have it?

Mr. Fox. I certainly will.

Chairman ROBINSON. Let Senator La Follette or some other member of the committee know that you have it.

Exhibit 12 of your testimony, it does not on its face indicate what date should be attached to that. Can you tell me what the correct date of that is, when that was made up? In any event, it was after the reports on sugar were prepared?

Mr. Fox. I do not believe so, Senator.

Chairman ROBINSON. Then, can you explain to me why you say that in view of the very first sentence there in Exhibit 12?

Mr. Fox. During the review of the sugar report prepared by Doctor Bernhardt for the commission, members of the staff sitting with the

commission, various memoranda were prepared, and I believe this was a consolidation of Dean Turner's and Doctor Brossard's or some of those, some time in July.

Chairman ROBINSON. That is as accurately as you can state it?

Mr. Fox, Yes, sir; and previous to the preparation of the draft, even of the very roughest first attempt on the Marvin-Burgess report

Chairman ROBINSON. The initials on this exhibit are "J. R. T. and E. B. B."—meaning Turner and Brossard—as you stated a while ago. How does it happen that your initials were not on there, if you know?

Mr. Fox. I do not believe I participated in the preparation of that.

Chairman ROBINSON. Oh, you did not?

Mr. Fox. I was writing memoranda at that time.

Chairman ROBINSON. I would like to have the stenographer incorporate this into the record.

(The Exhibit No. 12 referred to is as follows:)

The preparation of the sugar report has not been so conducted as to lay before the President a full and fair presentation of all the facts and principles involved. First of all, due to the withdrawal of Commissioner Glassie, the report has not been prepared by a full and balanced commission. In the second place, the report has not been permitted to have the expert attention and consideration which all other reports of the commission have had. Taking advantage of the unbalanced voting power in the commission, consideration of the sugar case by the advisory board was denied.

The matter of having the advisory board consider the reports of the commission is of first importance. Such a consideration is indispensable if a constructive criticism and searching analysis is made of the material gathered. This is apparent in the order of conducting investigations. The commission proceeds thus:

1. Upon the receipt of an application for an investigation, the chief investigator assigns to the appropriate commodity division the task of preparing a preliminary report from the data furnished by the applicant and that in the files of the commission.

2. This report is transferred to the advisory board for consideration and recommendation to the commission.

3. The commission considers this report together with the recommendation of the advisory board and decides whether an investigation is warranted.

4. If in its judgment an investigation is warranted, the commission so orders and, under the direction of the chief investigator, the collection of data in the field is begun. A report of all the data collected, together with all the information available, is, in consultation with an economist and under the direction of the chief investigator, prepared by the appropriate commodity division.

5. Confidential material is deleted from this report and the facts are made available for all interested parties. For the consideration of this material and for the purpose of acquiring further material from those interested in the trade, a public hearing is held, at which all interested parties are permitted to be present and to give testimony. This public hearing is followed, or rather supplemented, by the briefs of attorneys. After the conclusion of the hearing and the presentation of attorney's briefs, the commission is in possession of all the needed raw material, so to speak, from which a full report may be prepared.

6. It is at this point where the need of a scientific board is especially called for in order to give due weight and logical application to the economic problems involved, and in order properly to select, coordinate and arrange the material from these several sources into a presentable form for the commission. This board, consisting of the head of the legal division, of the chief investigator, of the commodity expert and of the economists, brings mature consideration to the facts and principles involved in order to present the case in all of its aspects for the consideration of the commission.

In the sugar case a striking and, in our judgment, an unwarranted exception has been made. The advisory board, as a board, has not had the opportunity to give any consideration whatsoever to this important matter.

All of the material that has been collected in the sugar case has been presented in rough form direct to the commission without any test as to its relative worth.

By reason of a vote of Congress denying payment of salary to a commissioner who takes part in any investigation where he or his relatives have a financial interest, Commissioner H. H. Glassie withdrew from the sugar investigation, thus leaving the control to three commissioners, who, throughout the investigation, have adhered to the same points of view. By reason of their controlling vote in all the meetings of the commission on this case, since the withdrawal of Commissioner Glassie, they have been able to and have so directed the activities of the members of the commission's staff as to render such service as the three commissioners desired. The two other commissioners taking part in the investigation have not had the full advantage of the experts who have worked up the material and they have, therefore, not been able to make a thorough analysis or to prepare a report that would embody certain materials which only the experts are in a position to furnish.

An unfortunate consequence of the manner in which this case has been handled is that of the demoralization of the staff. The expressed attitude on the part of some of its members that "it pays to be on the winning side" is an attitude that can not be conducive to impartial scientific work.

These circumstances have made it impossible for the undersigned commissioners to prepare a satisfactory report. They are, therefore, forced to request time to analyze all the available material in the case and to prepare their report.

Sugar beets and cane are bulky and perishable commodities used for no other purpose than the production of sugar and must be utilized near the center of their production. Neither of these products enters into international trade¹ and both of them are the basic materials and the principal costs entering into the production of refined sugar. With respect to their durability, they are so similar that what is true of the economic nature of the one will be found true of the other. The industry as a whole is a closely integrated one, the factories being entirely dependent upon the beets and cane in ample and constant supplies.

Regarding sugar beets the advisory board on July 30, 1926, made the following statement to the commission, which applies with equal force to sugar cane:

Apart from the evident intent of the law to limit investigations to existing conditions of maladjustment and apart from the questionable character of the data obtained for other years than those covered in the present investigation, there are fundamental considerations which would make it unwise to attempt to base a tariff adjustment upon the 6-year period. In the first place, the industry has been undergoing general reorganization, having changed during and following the war from predominantly beet production, located principally in Germany, to predominantly cane production, located principally in Cuba. In other words, there has been almost a complete reorganization of the entire industry which of necessity is attended by the uncertainties and irregularities that go with extensive reorganization and change.

Perhaps no period in the history of the industry has been more subject to change or more unreliable as a basis for determining normal costs than the past six years.

1916-17: Rise in prices.

1917-1919: Government control.

1919-1920: A rise in prices unprecedented since the period of the Civil War.

1920-21: Decline in prices unprecedented in history.

1922-23: Another spectacular rise, which was followed by a decline.

Thus, the past six years have witnessed reorganization in the industry, abrupt increases and declines in prices, and Government control.

With regard to the inadequacy of the data for this 6-year period as a basis for cost comparisons, the following observations are in point: That period of the investigation covered by the commission's experts includes interest as an investment, whereas the information gathered by the commission previous to the present investigation does not include such interest. Second, the data previous to that of the present investigation fall far short of the completeness and fullness of the data of the present investigation. Third, these data, for the most part, were collected in a different way from the data obtained in the present investigation, that is to say, the schedules were less complete and detailed and they were sent out and answered by correspondence. They were

¹ The imports of these products are negligible and may be disregarded.

not verified as were the statements taken from the books of the companies by the experts in the present investigation. Fourth, the number of reports received for these early years are not, in our judgment, adequate basis for the determination of tariff adjustments. Fifth, the value of the dollar has changed during the last six years 1917-1922, inclusive.

To illustrate this last point: It is evident that the present tariff adjustment is intended to equalize the present differences in cost of production. Data for differences in costs for previous years should be considered only in so far as their consideration may throw light upon the present situation as to difference in cost. It is evident that an average of cost differences over a period of years, during which the value of money is changing, will necessarily distort the facts and prove confusing rather than helpful in reaching a reasoned judgment.

To illustrate this point by a hypothetical consideration: Assume that the difference in cost of production of a pound of sugar six years ago was 4 cents, that the difference in cost at the present time is 2 cents, and that during these six years the purchasing power of money has doubled. It is evident that since the purchasing power of money has doubled, the 2 cents difference in cost now is the equivalent of the 4 cents difference in cost six years ago. An average of the difference in money cost would be $4+2\div 2=3$, whereas the real cost difference measured in terms of the present purchasing power of money would be 2 cents. The difference in costs must be calculated in terms of the present purchasing power of money, because the adjustments of rates will be in terms of the present purchasing power of money and will be made for the purpose of adjusting differences in costs in terms of present money.

During the past six years there have been marked differences in the level of prices. The index number, according to the Bureau of Labor Statistics, for the year 1920, for instance, was 226, whereas for the years 1921 and 1922, which it appeared advisable to take as a basis for adjusting the rates on sugar, the index number was 147 and 149, respectively. That is to say, the purchasing power of money in 1921 and 1922 was virtually double that of 1920. For purposes of tariff adjustment to meet existing conditions and present differences in cost, calculated in terms of the present purchasing power of money, it would not measure to the standard of scientific accuracy should take an arithmetic average of the differences in money costs over a period of six years as a basis for the proposed adjustment in the rates on sugar.

The application by the United States Sugar Association requesting an investigation looking toward a reduction in duty was based upon the conditions in the industry at the time when that application was made. The application was dated November, 1922, and averred "that the duty is excessive, unwarranted, and too high, and does not equalize the difference in cost of production in the United States, its insular possessions, and the Republic of Cuba, which latter country is the principal competing country with that of the United States in the matter of sugar production."

On March 17, 1923, the commission voted an investigation, which investigation would not have been voted on the ground that the period of cost comparisons should be extended over any considerable number of years.

There is but one time for which cost differences may be equalized by tariff adjustments. It is obvious from the emergency nature of the tariff that the law does not contemplate the adjustments of long past differences in cost and that it can not contemplate the equalization of cost differences in advance of the time when an investigation is made. It was evidently the intent of Congress that an investigation for purposes of tariff adjustment should be limited to the conditions which such adjustments are intended to remedy. The logical period for investigation was that sugar crop period which was closed last preceding the beginning of the investigation.

It is true that the commission considered costs with respect to wheat for a period of three years, due to the fact that there were great differences in yields for the different years, and it was thought on the part of some of the commission that by reason of the marked differences in yield advisable to make an average of the three years. In the case of wheat, furthermore, the differences in yield per acre in the different years were reflected in the costs per bushel. These conditions, however, do not prevail in the sugar industry, where the yields year by year do not materially differ.

In accordance with its original plan to limit the investigation to the crop of 1922, the schedules were prepared to secure the data for that year, but in the course of the investigation it was found convenient to secure the data for 1921, and in order to secure a more comprehensive range of view data were secured where convenient for other years. But it was not the intention

of the commission in securing such data to make them the basis of a recommendation for tariff adjustment, and the trade in a number of instances were so informed, and imparted the information with the understanding that it was not to be used as a basis for tariff adjustment, but rather as a means whereby the commission's staff could study the trends of certain elements in the costs of producing sugar.

For instance, one of the largest producers investigated by the commission refused access to its cost information for previous years until he was assured that any information for previous years which he might reveal would not be used as a basis for tariff adjustment. It was only after receiving assurance by the commission's expert that such information would not be used as a basis for rate adjustment that he revealed his costs for years previous to 1921-22. Following this outstanding example, a few of the leading companies in the same region imparted their data for the earlier years. The circumstances under which the investigation was made would appear to preclude the commission from using the data for these earlier years as a basis for adjustment of tariff rates.

All interested parties—both representatives of the Cuban and the domestic interests—contended for the use of current costs of production and the exclusion of years prior to the crop year 1921-22. To quote from the brief on behalf of the applicants (United States Sugar Association) by Edwin P. Shattuck (pp. 25-26):

This same brief goes on to state that:

"It is unthinkable that the Tariff Commission would take an obsolete year and a broken-down year in Cuba upon which to base its comparison. * * *

"Not only was the 1921-22 crop for Cuba produced at subnormal prices but it is a crop too far distant to meet the conditions imposed by the flexible tariff provisions" (p. 33).

Statements from other briefs, as well as from the testimony given by interested parties, producers of both Cuban and domestic sugars, favor the restriction of the data for cost purposes to current conditions.

The undersigned commissioners would limit the period for cost comparison to the year 1922, to be specific, to the Cuban, Porto Rican, and Hawaiian crops of 1921-22 and the Louisiana and United States beet crops of 1922-23. The following reasons support the limitation of the data to this period:

(1) Cost is a function of price and the crops in these various regions are marketed at virtually the same time.

(2) The costs of producing sugar in the same regions for the period above defined take place at approximately the same time.

(3) The data for this period have been secured and verified in the present investigation.

(4) Although the commission has data for the preceding crop, such data are too remote from the present situation to be of use in adjusting a tariff rate to remedy the present conditions.

(5) The commission has obtained only partial data, not a sufficiency for the extensive cost comparisons required in this investigation, for the year 1923. Some data for 1923 for Cuba, Porto Rico, and Hawaii have been obtained. No data for Louisiana nor the United States beet crops have been obtained for that year. The Cuban data are incomplete and are subject to the criticism of being ex parte, unchecked and unverified, and the amount and character of the data gathered in the regular way are insufficient to represent the Cuban industry in 1923. Complete Cuban data for the full year's operations were obtained by the commission from the books of the Cuban companies for only 2.86 per cent of the 1923 Cuban sugar crop. The commission's agents gathered additional data on 13.89 per cent of the Cuban crop. These data, however, cover only a part of the year's operations and no data on investment in Cuba for this period are available. The other Cuban data available to the commission were taken from statements submitted by correspondence. The commission has not audited the books of the companies to verify these statements. For these reasons it is impossible to use the 1923 data for any comparisons in this investigation.

The above statement shows that it is necessary to compare the 1921-22 Cuban, Porto Rican, and Hawaiian crops with the 1922-23 United States beet sugar and Louisiana cane crops.

Chairman ROBINSON. We will resume at 2.30 to-morrow afternoon.

(Whereupon, at 12.20 p. m., an adjournment was taken until to-morrow, Tuesday, January 11, 1927; at 2.30 p. m.)

INVESTIGATION OF THE TARIFF COMMISSION

TUESDAY, JANUARY 11, 1927

UNITED STATES SENATE,
SELECT COMMITTEE ON INVESTIGATION
OF THE TARIFF COMMISSION,
Washington, D. C.

The select committee met, pursuant to adjournment, at 2.30 o'clock p. m., in the minority conference room, Capitol, Senator Joseph T. Robinson (chairman), presiding.

Present: Senators Robinson (chairman), Wadsworth, La Follette, and Bruce.

Chairman ROBINSON. Mr. Fox, will you please take the witness stand again.

STATEMENT OF A. M. FOX, CHIEF OF ECONOMICS DIVISION AND CHAIRMAN OF ADVISORY BOARD, UNITED STATES TARIFF COMMISSION—Continued

(The witness having been previously duly sworn was examined and testified further as follows:)

Chairman ROBINSON. Mr. Fox, during the course of your testimony yesterday you exhibited, in response to questions, a number of memoranda which you made relating to conversations between yourself and Mr. Brossard about his participation in the preparation of the drafts of the sugar report. About the conclusion of the testimony you were asked to look through your files and see if you had additional memoranda regarding the same subject matter, and if so, to produce them to-day. Will you state whether you have found additional memoranda?

Mr. Fox. I have found, among those that I had here yesterday, two that I had overlooked. One is dated April 2 and the other is dated August 2, 1926.

Senator LA FOLLETTE. Will you read the first memorandum.

Mr. Fox. This is dated April 2, 1926:

Was called in by Doctor Brossard about 12.50 in regard to the cane-sirup schedule, as Doctor Townsend had complained to him that the men were being delayed in going into the field.

I referred to that yesterday, orally.

After the discussion on this matter, Doctor Brossard said, "by the way, I have been going over the record to see what I did upon sugar and I fail to find that I did anything; I didn't have anything to do with it. Turner did all the dictating and you supplied all the ideas."

Of course, it is not an exact quotation, but as I remember.

Later, about 3.30, I stepped in the office again in connection with the Townsend matter to point out that Townsend had not previously attempted to see me or the chief investigator in connection with expediting his work and that his going to Brössard was exceedingly unfair. Brössard again turned to me and remarked, "Fox"—the language is not exact.

Senator LA FOLLETTE. That is the best recollection you had of the language.

Mr. Fox. Yes, sir.

"Fox, tell me frankly, has my appointment to the commission affected the morale of the commission?" I said that to be candid with him the situation among the commissioners was such as to affect conditions on the staff; that, for instance, if it were possible to bring matters to the commissioner without causing a row I would long since have forced Mr. Comer to get off the fence and work positively upon the facts in each case. He agreed to that and said that he knew that Simpson was not at all pleased with his appointment and that probably Simpson had carried the tale of the demoralization of the staff to Taussig and that perhaps Comer had also. Whereupon I assured him that I did not think Comer had anything to do with it. I also told him that the staff was pretty much excited about the whole investigation. Whereupon he said that "the situation here is far more certain than it was before I joined the commission. If you remember when Culbertson was here, you and I were on the verge of losing our jobs." To which I replied that it would have made no difference to me, that I had made my plans to go back to the university. He returned, "same with me; I was on leave of absence to go back any time."

Senator LA FOLLETTE. Do you remember anything further of the conversation other than the memorandum?

Mr. Fox. No, sir; not at all.

Senator LA FOLLETTE. What is the date of the second memorandum?

Mr. Fox. August 2, 1926.

Senator LA FOLLETTE. Will you read that, please?

Mr. Fox (reading):

Doctor Brössard called about 4.45 and wanted to know whether the plans for the Chinese trip had been completed, that Messrs. Marvin, Glassie, Lowell, and he had discussed the matter at noon and that the report ought to be submitted to the commission, as Mr. Marvin was going away and the last regular meeting of the commission would be held to-morrow.

He discussed the question of personnel and indicated that Newton had been to see him and that somebody (evidently Mr. Comer) had discussed the full details considered by the board about all these matters.

Finally, as I was ready to go he said, "By the way, before I forget it there is another matter that I wanted to speak to you about while it is fresh in our minds. Have you had a chance to look over the hearings or the details in regard to my testimony on sugar?" I told him that I hadn't, whereupon he restated the position that he had taken at our previous meeting—that he had not intended to evade but was ready to tell everything, but didn't want to appear to take the whole credit for the work done. "You and I," he said, "know what happened," and he then went on to repeat what he intended to do if they had given him the opportunity—he knew the problems and was ready to discuss them as he knew them.

Senator LA FOLLETTE. Do you remember anything further of that conference other than what is in the memorandum?

Mr. Fox. I do not.

Senator LA FOLLETTE. Are you satisfied from the search of your records and files that those are the only memoranda that are in existence?

Mr. Fox. I am positive. I have had the stenographer go through the notebook in which they were kept, and I have looked very carefully through the files.

I forget whether it was Senator Robinson or Senator La Follette asked yesterday that all memoranda which could be identified be turned over. I went through the papers, and I could not possibly identify some of them.

Senator LA FOLLETTE. Have you more of the memoranda which were prepared in connection with the sugar report which you now feel you can identify?

Mr. Fox. Going through them I noticed that there are identifications.

Senator LA FOLLETTE. Will you indicate what they are?

Mr. Fox. One is an interoffice communication to the chief investigator and Doctor Bernhardt from the chief economist, John R. Turner. This is under date of March 6, 1924.

Senator LA FOLLETTE. Upon examination I find that that does not bear upon the preparation of data for the so-called draft of the report, so I do not believe it needs to be included.

Senator WADSWORTH. There may be some information in these papers which has a bearing on the question which arose yesterday as the result of his testimony. It is impossible for me to tell now.

Senator LA FOLLETTE. We can have these all marked as exhibits, if you like.

Senator WADSWORTH. Well, we can hold them and mark them as exhibits, then.

(The document referred to was marked "Exhibit 22," and the same was filed with the committee. See p. 1160.)

Mr. Fox. This one is an interview with Dr. Philip G. Wright, formerly chief of the sugar division, United States Tariff Commission, in the presence of Dr. John R. Turner, signed A. M. Fox, under date of June 20, 1924.

Senator LA FOLLETTE. What is the purport of that? Does that bear on the preparation of material for the draft opinion?

Mr. Fox. The purpose of the interview was to inquire into the data obtained in the earlier schedules used. The commission had been in the habit, when Doctor Wright was in charge of the sugar division, of annually sending out schedules, and the purpose of the interview was to find out something about those schedules, the nature of them, especially to inquire whether investment data had been obtained, and whether they intended to obtain investment data.

Senator LA FOLLETTE. But this was prior to the date on which you began work on the draft opinion?

Mr. Fox. Yes.

Senator LA FOLLETTE. Let that be marked as an exhibit.

(The document referred to was marked "Exhibit 23" and filed with the committee. See p. 1161.)

Mr. Fox. Here is another one, addressed to the commission by A. M. Fox and Dr. Kemper Simpson, dated June 16, 1924.

Senator LA FOLLETTE. That may be marked as an exhibit.

(The document referred to was marked "Exhibit 24" and filed with the committee. See p. 1161.)

Mr. Fox. Here is a memorandum of statements made by Doctor Wright dated June 20, 1924.

Senator LA FOLLETTE. That is prior to the time on which you began work on the draft opinion?

Mr. Fox. Yes, sir.

Senator LA FOLLETTE. Mark it as an exhibit.

(The document referred to was marked "Exhibit 25" and filed with the committee. See p. 1172.)

Mr. Fox. Here is one I think in my own handwriting, marked "Whitehouse," in which I said, "I wish to set forth a few observations concerning the sugar investigation in Cuba."

Chairman ROBINSON. To what does that relate?

Mr. Fox. The sugar investigation.

Chairman ROBINSON. But you said something else I did not hear. What is the significance of that mark, "Whitehouse"?

Mr. Fox. That was the man's name; the name of the accountant.

Chairman ROBINSON. Don't you think, in view of the fact that you had that memorandum there, you ought to have explained the significance of that term?

Mr. Fox. I did not connect it.

Chairman ROBINSON. Well, proceed.

Mr. Fox. In fact, I forgot that we had it.

Senator LA FOLLETTE. Let it be marked as an exhibit.

(The document referred to was marked "Exhibit 26" and filed with the committee. See p. 1173.)

Senator LA FOLLETTE. Proceed.

Mr. Fox. Here is a memorandum for Mr. Burgess, from Dean Turner and myself, under date of July 16, 1924, "Period for comparing cost of production data on sugar."

Senator LA FOLLETTE. File it as an exhibit.

(The document referred to was marked "Exhibit 27" and filed with the committee. See p. 1174.)

Senator WADSWORTH. Who is the author of this Exhibit 26?

Mr. Fox. Mr. Ralph M. Whitehouse, the accountant.

Senator LA FOLLETTE. Proceed, Mr. Fox.

Mr. Fox. Here is one on Porto Rico, dated June 12, 1924. It is signed "A. M. F."

Senator LA FOLLETTE. Those are your initials?

Mr. Fox. Those are my initials.

Senator LA FOLLETTE. File it as an exhibit, please.

(The document referred to was marked "Exhibit 28" and filed with the committee. See p. 1175.)

Mr. Fox. Here is one of June 12, 1924, "Louisiana sugar industry. A. M. F."

Senator WADSWORTH. Those are your initials?

Mr. Fox. Yes, sir.

Senator LA FOLLETTE. Let it be marked as an exhibit.

(The document referred to was marked "Exhibit 29" and filed with the committee. See p. 1175.)

Mr. Fox. Here is another one dated June 10, 1924, "Comments on Louisiana sugar investigation." On the bottom in pencil, "A. M. Fox."

Senator LA FOLLETTE. Mark it as an exhibit.

(The document referred to was marked "Exhibit 30" and filed with the committee. See p. 1176.)

Senator WADSWORTH. Can you recognize the text as having been written by you?

Mr. Fox. Yes, sir; I believe so.

Here is one on the beet-sugar industry under date of June 11, 1924, signed "A. M. F."

Senator LA FOLLETTE. Mark it as an exhibit, please.

(The document referred to was marked "Exhibit 31" and filed with the committee. See p. 1176.)

Mr. Fox. On Exhibit 31 I have a note at the bottom: "The above was dictated by Mr. Fox in the presence of Mr. Newton and met with his complete approval."

Senator LA FOLLETTE. What is the next one?

Mr. Fox. Here is one dated June 27, 1924, "Bulk-line costs."

Senator LA FOLLETTE. That was prepared by you?

Mr. Fox. That was prepared by me, in accordance with the request of the commission.

Senator LA FOLLETTE. That will be marked as an exhibit.

(The document referred to was marked "Exhibit 32" and filed with the committee. See p. 1177.)

Mr. Fox. Here is one on Porto Rico, dated June 13, 1924, "A. M. F."

Senator LA FOLLETTE. Those are your initials?

Mr. Fox. Those are my initials.

Senator LA FOLLETTE. Let that be marked as an exhibit.

(The document referred to was marked "Exhibit 33" and filed with the committee.)

Mr. Fox. Here is one dated June 12, 1924, "Louisiana and beet sugar. A. M. F." Those are my initials.

Senator LA FOLLETTE. Let it be marked as an exhibit.

(The document referred to was marked "Exhibit 34" and filed with the committee. See p. 1181.)

Mr. Fox. Here is one: "Louisiana sugar industry," dated June 12, 1924, marked "A. T. Geraci."

Senator LA FOLLETTE. That may be marked as an exhibit.

(The document referred to was marked "Exhibit 35" and filed with the committee. See p. 1181.)

Mr. Fox. Here is one: "For comparative purposes should the cost of production in Louisiana and the beet areas be compared with the preceding or the succeeding Cuban crop?"

Senator LA FOLLETTE. What is the date of it?

Mr. Fox. There is no mark on it, but I believe it is Dean Turner's. I would not be certain of it.

Senator LA FOLLETTE. It may be marked as an exhibit.

(The document referred to was marked "Exhibit 36" and filed with the committee. See p. 1181.)

Mr. Fox. "Memorandum reciting instructions regarding services of the members of the advisory board in the case of sugar at the meeting of May 28, 1924." That was prepared, I believe, by Dean Turner.

Senator LA FOLLETTE. Let it be marked as an exhibit.

(The document referred to was marked "Exhibit 37" and filed with the committee. See p. 1182.)

Mr. Fox. Here is one dated July 26, 1924, "Hearings and briefs in sugar investigation with reference to cost period." It is marked in Doctor Brossard's handwriting, "McNabb statement." Mr. McNabb is our counsel.

Senator LA FOLLETTE. Put it in as an exhibit.

(The document referred to was marked "Exhibit 38" and filed with the committee. See p. 1183.)

Mr. Fox. Here are some rough drafts which I can not identify; rough drafts used during that period.

Senator LA FOLLETTE. Have you any others that you can identify?

Mr. Fox. Here are two in Mr. Marvin's handwriting at the top: "To follow summarized reason for not signing report."

Chairman ROBINSON. What is the date of that?

Mr. Fox. It is not dated, sir.

Senator LA FOLLETTE. Let it be marked.

(The document referred to was marked "Exhibit 39" and filed with the committee. See p. 1183.)

Mr. Fox. Here is one, "To follow page 15," in Mr. Marvin's handwriting.

Senator LA FOLLETTE. That may be marked as an exhibit.

(The document referred to was marked "Exhibit 40" and filed with the committee. See p. 1185.)

Senator LA FOLLETTE. Those are all the papers you were able to find in the files, bearing on the preparation of the draft opinion, the authorship of which you could identify?

Mr. Fox. Not only the draft opinion but the sugar report.

Senator LA FOLLETTE. I will amend my question to "the sugar report."

Mr. Fox. These are all that I could, after diligent search, identify.

Senator LA FOLLETTE. I have no further questions.

Chairman ROBINSON. That is all, Mr. Fox.

Doctor Brossard.

STATEMENT OF EDGAR B. BROSSARD—Continued

(The witness having been previously duly sworn, was examined and testified further as follows:)

Chairman ROBINSON. Mr. Brossard, you have already been sworn, I believe?

Mr. BROSSARD. Yes, sir.

Senator WADSWORTH. Mr. Brossard, were you present in the room yesterday when Mr. Fox was testifying?

Mr. BROSSARD. Yes, sir.

Senator WADSWORTH. Did you hear his testimony in relation to the preparation of the so-called draft report for what later became the minority report on sugar?

Mr. BROSSARD. I did.

Senator LA FOLLETTE. The Marvin-Burgess report, they prefer to have it called.

Mr. BROSSARD. Yes, sir. I heard all of his testimony.

Senator WADSWORTH. You caught the significance, I assume, of his statement or suggestion that he had interpreted your connection with some of that work in a way different from your own interpretation, and that he had interpreted somewhat differently the significance of your testimony in that connection than your own interpretation?

Mr. BROSSARD. Yes, sir; it seemed to me that he had a slightly different interpretation of the testimony. I do not know that he interpreted the testimony differently, but that he made it possible for a different interpretation to be made; he opened the way for a different

interpretation to be made than what I had intended in my testimony.

Senator WADSWORTH. You have heard that testimony of yesterday, and I assume, of course, other Senators heard it also, and the questions having arisen directly or indirectly as I have attempted to describe, will you proceed in your own way now and tell us just what happened in your connection with the whole proceeding, in connection with your testimony, and tell us the story as clearly and comprehensively as possible.

Doctor BROSSARD. Well, I want to connect right back up with my testimony, because I think that will help to clarify the testimony. I want to make it clear, and I have never had any idea of anything else but making it clear. I am not used to having my integrity questioned, and, of course, I have been very much stirred because of a rumor which has been circulated around that it might be. I would like to refer, first, to a question asked by Senator La Follette, found on page 1022 of my testimony given on July 1, 1926. Senator La Follette's question is as follows:

Senator LA FOLLETTE. Then you wish to leave this committee with the impression that the only part which you had with regard to the minority opinion in the sugar report was the submission of the tables to which you referred in your testimony yesterday?

When Senator La Follette asked me that question I thought of all the testimony that I had given yesterday, yesterday being the 30th of June. I did not expect that Senator La Follette was trying to have me make a statement contradictory to my testimony that had already been given and my testimony on June 30, 1926, as shown on page 985 of the printed record indicates in answer to the following question from Senator Robinson, what my participation in the report was, and I should like to read that verbatim:

Chairman ROBINSON. What was your relationship to the sugar report?

Mr. BROSSARD. I was connected with the staff at the time the sugar report was under consideration as agricultural economist, and had charge of the sugar-beet investigation. At numerous times the commissioners, severally and jointly, requested data on the cost of production of sugar beets, most of which were submitted to them during the time that they were considering the sugar investigation.

Senator WADSWORTH. Wait a moment. I do not see that last portion of that sentence.

Chairman ROBINSON. It does not read that way in my book.

Mr. BROSSARD. I will read from the printed testimony. If it has been omitted here, it was in the typing. It was not intentional. I will read again:

Mr. BROSSARD. I was connected with the staff at the time the sugar report was under consideration as agricultural economist, and had charge of the sugar-beet investigation. At numerous times the commissioners, severally and jointly, requested data on the cost of production of sugar beets. I think there are something like 21 or 22 memoranda that I submitted to the commission on the cost of production of sugar beets, most of which were submitted to them during the time that they were considering the sugar investigation.

In addition to that, I prepared some tabular material at the request of the different members of the commission. I prepared a table on investments for Mr. Lewis. I prepared a table showing the relationship of the price per ton of sugar beets to the acreage planted the following year in sugar beets. That was for Commissioner Lewis. I prepared for Chairman Marvin and Commissioner Burgess a summary of the 2-year average costs and a summary of a 3-year average costs and submitted a large table showing for the different States the average cost of production of sugar beets in each State and in the United

States per pound of sugar extracted from the beets. Then there has been other material. If you want these, they might go in the record.

Chairman ROBINSON. I do not know of any occasion for putting them in the record.

Now, right there I want to say that what I had reference to there as "other material" I had in my hand then and exhibited here, you will remember I think very definitely, I think every memorandum of mine that Mr. Fox has submitted in his testimony. Every single one, with one exception as I remember it, as my contribution, and that exception is the one that is in here now, Exhibit 12, marked as having been prepared by Dean Turner and myself, which I did not have a copy of, because there was only one copy made and that was kept in the files of the economics division by the chairman of the advisory board, Doctor Turner.

You will remember that that particular memorandum had something to do with sugar beets. I do not remember just what it is in detail, but I remember that much of it, and in addition, on the top of that memorandum was put there by Mrs. Garland, I think, secretary to Mr. Fox now, "J. R. T. and E. B. B."

I think all I had to do with that memorandum was the part which pertains to sugar-beet costs, not beet-sugar costs but sugar-beet costs, and that is why my initials appear there.

Outside of that one memorandum, Exhibit 12, as far as I could tell from a description of the material as given by Mr. Fox, every one of these data, Exhibits 10, 12, 13, 14, 19, and 20, and I think one or two or three in addition, I offered for the record that day when Chairman Robinson said that he did not see any need for them going in the record.

Then, on page 986 of this record also, I made the statement that I had discussed the problems involved in this sugar investigation with members of the staff. That I never denied as participating in, and I am glad I had the privilege of doing it, as a matter of fact, and I have never had any reluctance to stand by any of the memoranda that I have submitted, and I would have been very glad to have had them all go in the record, as a matter of fact. I would like to have them go in the printed record. I think it would make this record very much more complete if all of these data were in there, because they will show, I think, quite definitely, just how much these data were changed—these memoranda were changed and how different the result which finally came out as the sugar report as now printed is from these data which I submitted, showing that it was a part of the process of getting these data into the hands of the members of the staff who were preparing this report.

I think Mr. Fox and I are in substantial agreement on nearly every point that he mentioned.

With respect to the dictation of that report, I may say that I think, as I remember it now, I do not have a single phrase in the final sugar report in my language. I am perfectly willing to submit these memoranda and have anybody check them. I have not checked it verbatim, but I do not have any hesitancy in letting them go in and letting them be checked, because Dean Turner, who was chief of the economics division and who was chairman of the advisory board and the real dean of the commission's staff, dictated the report. Mr. Fox and I submitted memoranda, as he has stated. He, I think, helped more in the report than I did, because he had been in it all

the time. He was with it from the very beginning; he helped draw the schedules. I came into it after it was a long ways along and had no connection with it except as I was asked to do so by commissioners and by the chairman of the advisory board who was my superior, and whom I was compelled to obey.

Now, coming back to this question of Senator La Follette, my answer was:

"As an agricultural expert on the staff of the commission; yes, sir, Senator." That is on page 1022, because I had in mind all that I had said yesterday I had contributed toward the sugar report. I did not think Senator La Follette was trying, and I do not think now he meant to limit my testimony, after I had said that I had prepared these many memoranda on sugar-beet costs and these other materials and had said that I had discussed the problems with the staff. Senator La Follette, I did not think you intended to limit that to the specific statistical tables on sugar-beet costs which I had specifically described there. At least, I never interpreted your question to be such. When you said that, I thought you had in mind all that I had put into the record yesterday as my testimony, my contribution to the sugar report, and naturally I answered "Yes." I had nothing to do with it as a commissioner, because I was not a commissioner. All I had to do with it was as an agricultural economist on the staff of the commission, and everything that I had testified to on June 30, 1926, was what I had to do with the sugar report. I had it in mind. I did not want to limit the thing, but I wanted to make it exact and accurate, instead of making a guessing proposition out of it.

There was some difficulty also with a question which you asked me, Senator La Follette, which is given on page 1020. You asked me:

Mr. Brossard, did you see any of the drafts of the minority opinion in the sugar report made under section 315 at any time before it was transmitted to the President?

My idea of what this minority opinion is, is very plain, and I want to have it definitely understood, because there turns my answer. You will remember I made several replies to your question and then you insisted that I answer it just as it was, "minority opinion." I was trying to ascertain what you wanted in the question by that "minority opinion." Now, "minority opinion" to me, after having been both a member of the staff and a commissioner, is this, that the minority opinion is never the minority opinion until the minority have approved it, for I have seen reports that came from the advisory board to the commission so demolished and rewritten and made over by the commissioners that you would never know it was the same thing at all, and so the staff members can not take credit for having written the minority opinion at any time.

Commissioners Marvin and Burgess were solely responsible for that minority opinion, and how could a man tell what they had done with it after it was submitted to them? That was their affair. That is why I answered your question two or three different ways. I was trying to get you to explain in some way what you meant by that "minority opinion." It was a perfectly honest and frank proposition.

Chairman ROBINSON. Well, just go ahead with your statement.

Mr. BROSSARD. The Marvin-Burgess report, of course, was changed. I said I had not read the report, and I find since it has been printed that there were a number of additions to it since I saw it, and it was changed—I will not say completely, but it was changed greatly—as can be readily shown by the comparison of the final sugar report of the two commissioners with the memoranda that were submitted.

I think that is all I have to say with respect to it. I did not want to let this opportunity go by without explaining what I meant by my former answer.

Chairman ROBINSON. Have you any other questions?

Senator WADSWORTH. Not on this point. I want to ask some questions on another point, if you have finished with this.

Senator LA FOLLETTE. I think the record speaks for itself. I have no questions.

Senator WADSWORTH. You heard the testimony of Mr. Fox given yesterday, and also some of the memoranda which he submitted, having to do with your conversations with him?

Mr. BROSSARD. Yes, sir.

Senator WADSWORTH. I can not remember, in asking these questions, the dates of those conversations, nor can I separate in my own mind the different phases of them as they occurred from time to time. I note that one of them is alleged to have occurred at some date prior to your giving testimony on June 30, I think it was in the month of April, 1926.

Mr. BROSSARD. Yes.

Senator WADSWORTH. Will you tell the committee, to the best of your recollection, the nature of those conversations?

Mr. BROSSARD. I think the first one, according to Mr. Fox's personal memorandum, was April 2 or 3. Of course, that was before either Mr. Fox or I had any idea we would be called as witnesses. We did not know that either one of us would be called as witnesses before this committee. I knew that the question was up in the air and I had not refreshed my memory at all with respect to what part I had taken in the sugar investigation, nor what memoranda I had submitted, or anything of the kind, and I do not suppose he had. As he and I had worked together to a considerable extent, I said to him, just as one man would say to another: "Now, do you remember, Mr. Fox, what memoranda I did submit?" because I wanted to make sure that I had them all, if I had forgotten any, or if I did not know of any I wanted him to remind me of it. Then, in order to make sure of it again, I asked just recently, when I thought I would be called to the witness stand, to have his files, that I might look through them completely in order that I might refresh my memory and not omit or overlook anything. That was brought about by a rumor which came to the Tariff Commission after I had testified that some one had found a document of mine that I had written that would disprove my testimony. I said, "I do not believe it. I do not believe there is such a thing. I should like very much to go through all the records to see if there is such a memorandum." I wanted to be perfectly honest about it, and I went to his records to see if there was anything there that I had submitted that would disprove anything that I had said or that would give any idea that I had concealed something from this committee.

Senator WADSWORTH. Do you recall his reluctance to converse with you on the subject?

Mr. BROSSARD. Yes, and I could not understand it at all. I thought he was reluctant, and I wondered why he did not come right out and say, "Well, you did this, or you did not do that" or something of the kind. There was no question in my mind about what the whole situation was. I wanted a frank statement and discussion of it; lay it on the table. I am not used to having any difference of opinion over a fact like that. I just wanted to discover what the fact was.

Senator WADSWORTH. Did you endeavor to persuade him to agree with you as to what statements might be made by either of you later on?

Mr. BROSSARD. Never. Never. No intention whatsoever.

Senator WADSWORTH. Did you find it impossible to agree with him as to the significance of your testimony as of June 30th?

Mr. BROSSARD. No, sir. I do not think we ever came to any disagreement at all.

Senator WADSWORTH. He did not state to you that he had a different idea about it than you had?

Mr. BROSSARD. Well, I do not remember the exact situation. Mr. Fox seemed to think that my contribution had been more elaborate than I had thought it was. Out of modesty I did not want to overstate my case. That is another point. As far as I am concerned, I am proud of my contribution to that report. I haven't anything in there that will discredit me in any way or that I am ashamed of. I am glad I was able to be useful to the commission in that way. They called upon me to do the work and I went ahead and did it. It was a duty of mine and I was under obligation to the commission to do it. There was no way out of it, except to quit the job.

Senator WADSWORTH. That is all the questions I have.

Chairman ROBINSON. Now, you were in conference with Mr. Fox, and Mr. Turner almost continuously for several days before the draft of the sugar report was completed, were you not, or were you?

Mr. BROSSARD. No, I would not say it was almost continuously, Senator. We did have a number of conferences before it was completed.

Chairman ROBINSON. Well, were not all three of you working together for the preparation of that report?

Mr. BROSSARD. We were working for the preparation of the experts' report which came out of the advisory board.

Chairman ROBINSON. But the advisory board never considered it, did they?

Mr. BROSSARD. Well, the chairman of the advisory board was Doctor Turner and our material was submitted to him in the regular way.

Chairman ROBINSON. As a matter of fact, the three of you were in session just before this report was made, many times, late at night; were you not?

Mr. BROSSARD. Yes, sir; I think there were two or three times late at night.

Chairman ROBINSON. What was the object of that?

Mr. BROSSARD. To get the report in shape.

Chairman ROBINSON. What report?

Mr. BROSSARD. The report of the advisory board, to be submitted, or the experts' report to be submitted to the commissioners, so that they might have it at as early a date as possible, because the other report was being finished and it was being put in final shape—the so-called majority report, and these two commissioners wanted that report as soon as possible to get it into their hands, in order that they might go over it and change it in whatever way they wanted to make their report.

Chairman ROBINSON. In order that their report might be made out of that?

Mr. BROSSARD. In order that their report—in order that they might have the benefit of this information which we had prepared.

Chairman ROBINSON. How long was it after you had completed that draft, the three of you in these conferences that were being held late at night, before Mr. Burgess and Mr. Marvin actually made their reports?

Mr. BROSSARD. Well, I do not remember that, exactly.

Chairman ROBINSON. It was almost immediately afterwards; was it not?

Mr. BROSSARD. No; I think it might have been two or three days.

Chairman ROBINSON. As a matter of fact, the occasion for your meeting so frequently and staying up so late at night, sometimes as late as 4 o'clock in the morning, was to get this draft ready for them, so that they might not be unduly delayed in submitting their report; was it not?

Mr. BROSSARD. I suppose that was the situation, Senator.

Chairman ROBINSON. You read a while ago a portion of the testimony which you gave, and explained it to the committee as consistent with your participation in the making of that draft, as I construe your testimony.

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. Turn to page 985 of the record and read with me. Of course, we can not read the entire record, but there are significant portions that I think ought to be presented in connection with your testimony just given, in order that you may explain that.

Chairman ROBINSON. Which report did you concur in, the majority or the minority report, in your opinion or conclusion? You were associated with the preparation of the report, were you not; or at least, with the summarization of the data?

Mr. BROSSARD. No, sir; I did not have anything to do with it.

Chairman ROBINSON. What was your relationship to the sugar report?

Then came the answer which you read a while ago.

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. Then, down where you quoted the chairman as saying "I do not know of any occasion for putting that in the record," referring to the data that you had, that is immediately followed by a question by the chairman:

Did you form or express any opinion as to which of the reports in the sugar case were correct—the majority or minority report?

Mr. BROSSARD. I may say now that I have never read the report of Commissioners Culbertson, Lewis, and Costigan. I have not to this day read it. I do not know the exact points of view that were taken there. I have not had a copy made available to me.

Chairman ROBINSON. Did you read the other report?

Mr. BROSSARD. I have not read the other report; no, sir. I have not had it. I have never read it, but I know something about the problems, because I talked to the experts on the staff of the commission.

Mr. BROSSARD. Yes, sir.

Chairman ROBINSON. Do you think that fairly reflected the fact that you were in conference constantly with two experts on the staff of the commission for the preparation of a report for the uses that you have stated?

Mr. BROSSARD. Mr. Chairman, this report, I said—

Chairman ROBINSON (interposing). All I am interested in is whether you think that answer fairly reflected the facts. I have no objection to your making any explanation.

Mr. BROSSARD. It fairly reflected what I had in mind when I answered the question.

Chairman ROBINSON. All right.

Mr. BROSSARD. Because, I think, this is the situation: When we were talking here about that report, I meant the final, completed report of Commissioners Marvin and Burgess and that distinction is essential, it seems to me, in all of these records. That report was their report, and, of course, it was a completed thing. I understand that the conclusion of the report was entirely rewritten by Commissioners Marvin and Burgess. That is what I understood at the time, that the conclusion of the report had been entirely rewritten, and I had not seen the rewritten conclusion, and I wanted to have a chance to look at the printed report or some other report to see what the conclusion was.

Chairman ROBINSON. Now, turning to page 1020, where you quoted some questions by Senator La Follette, I will read from the record of your testimony before this committee at page 1020:

Senator LA FOLLETTE. Mr. Brossard, did you see any of these drafts of the minority opinion in the sugar report made under section 315 at any time before it was transmitted to the President?

Mr. BROSSARD. The drafts of the completed report?

Senator LA FOLLETTE. The drafts of the minority opinion.

Mr. BROSSARD. I saw parts of it; yes, sir.

Senator LA FOLLETTE. What parts did you see?

Mr. BROSSARD. Well, I do not remember just now. I submitted some statements to the chairman and to Commissioner Burgess, which I offered for the record the other day, Senator La Follette.

Senator LA FOLLETTE. Will you read my question?

(The reporter reads as follows:)

“Senator LA FOLLETTE. Mr. Brossard, did you see any of the drafts of the minority opinion in the sugar report made under section 315 at any time before it was transmitted to the President?”

Mr. BROSSARD. I saw the drafts and knew what they were, Senator La Follette, but I did not read the completed draft report. I saw it lying on the chairman's desk, and I do not know but that I saw it—I think that is the only place I ever saw the completed draft of the report.

Senator LA FOLLETTE. Did you see any sections or paragraphs of the minority opinion on the sugar report referred to in my preceding question?

Mr. BROSSARD. Identically, I am not sure that I did; no, sir—the identical paragraphs. I can not say.

Senator LA FOLLETTE. Well, did you see any of the tentative drafts of sections or paragraphs before they were incorporated in the minority opinion which was transmitted to the President?

Mr. BROSSARD. I saw, Senator La Follette, material which had been transmitted as tentative to go in the report which was transmitted, but I am not sure whether it was submitted, and whether it was included in the final report of the minority.

Senator LA FOLLETTE. Were you consulted, either directly or indirectly, by the commissioners who signed the minority opinion with regard to its contents?

Mr. BROSSARD. I was asked to submit certain specific tables with respect to it; yes, Senator. I had instructions, as a member of the staff, to prepare for Chairman Marvin and for Commissioner Burgess, certain tables which I offered in evidence the other day.

Senator LA FOLLETTE. I am not talking about those tables. I am talking about the content of the minority opinion.

Mr. BROSSARD. Will you read the question again, please? I did not get it.

(The reporter reads as follows:)

"Senator LA FOLLETTE. Were you consulted, either directly or indirectly, by the commissioners who signed the minority opinion with regard to its contents?"

Mr. BROSSARD. Is my answer responsive?

Senator LA FOLLETTE. I do not think it is.

Mr. BROSSARD. Well, I did not discuss the question of what should go in either report, if that is what you are asking about. I never did go before those people and tell them what I thought ought to be in that report; no, sir.

Senator LA FOLLETTE. I did not ask you if you went before them. I asked you if you were consulted, either directly or indirectly, by either one or all of the commissioners who signed the minority opinion with regard to its contents.

Mr. BROSSARD. No, sir.

Senator LA FOLLETTE. You were not?

Mr. BROSSARD. Not that I remember of.

Senator LA FOLLETTE. Were you consulted, either directly or indirectly, by the commissioners who signed the minority opinion in the sugar report in regard to the phraseology of any part or parts of the draft before it was submitted to the President?

Mr. BROSSARD. No, sir.

There are other questions that relate to other subjects. Then further down the page, omitting the questions that relate to another subject:

Chairman ROBINSON. Did you, yourself, dictate any portion of the minority sugar report?

Mr. BROSSARD. I did not.

Senator LA FOLLETTE. Then you wish to leave this committee with the impression that the only part which you had with regard to the minority opinion in the sugar report was the submission of the tables to which you referred in your testimony yesterday?

Mr. BROSSARD. As an agricultural expert on the staff of the commission; yes, sir, Senator.

I have read all of that testimony in order that the full course of the examination that you were subjected to when you testified before might be in the record in this connection. I have no further questions.

Mr. BROSSARD. There is just one thing—

Chairman ROBINSON. You may make any explanations you desire.

Mr. BROSSARD. I just want to call attention to one thing. In my own mind that distinction between (1) the Experts' Report, (2) Tentative Drafts of the Experts' Report, (3) Tentative Drafts of the Minority Opinions or the Minority Sugar Report, (4) the Minority Opinion or the Minority Sugar Report as it was signed by Commissioners Marvin and Burgess, and (5) the Supplemental Reports on Sugar prepared in compliance with the President's requests for additional information—the distinction between those separate entities is absolutely essential, and that was the reason I made the distinctions in my testimony here, so that it would be perfectly clear.

Chairman ROBINSON. All right. Now, with respect to this data, I think it had better be in the record, in view of Mr. Brossard's statement that he would like to have it in.

Senator LA FOLLETTE. I have no objection.

Mr. BROSSARD. The materials I desire printed as part of the record are the memoranda that Mr. Fox submitted yesterday and to-day and which he said he thought I had prepared.

(The documents referred to are printed at the end of the testimony before the committee on January 10 and 11, 1927.)

STATEMENT OF SHERMAN J. LOWELL

(The witness was sworn by the chairman, and was examined and testified as follows:)

Senator WADSWORTH. Will you give your full name to the reporter?

Mr. LOWELL. Sherman J. Lowell.

Senator WADSWORTH. Will you tell the committee just briefly your activities in a public and in a private business way, before you became a member of the Tariff Commission?

Mr. LOWELL. How far back do you want me to go?

Senator WADSWORTH. Just tell us what your business was first and then what connection you had with the public or semipublic business.

Mr. LOWELL. I do not know just what to say. I do not know how far you want me to go back.

Senator WADSWORTH. Your principal business is farming, isn't it?

Mr. LOWELL. Yes, fruit grower, now.

Senator WADSWORTH. Whereabouts?

Mr. LOWELL. At Fredonia, N. Y.

Senator WADSWORTH. Chautauqua County?

Mr. LOWELL. Yes, sir.

Senator WADSWORTH. And you have been engaged in that business practically all of your life?

Mr. LOWELL. Yes.

Senator WADSWORTH. What connection have you had with farmers' organizations?

Mr. LOWELL. I joined the Cooperative Grape Co. when I was only 15 years of age. I helped organize a cooperative grape company when I was 15 years of age. I lived with my father, as all boys should, at that time, who do not have much money, and he told me I could have an acre of land to set out in fruit, and I set it out in grapes when I was 15 years old. It commenced to bearing, and before that they were sold in shipments of small lots, but they got so many we clubbed together and loaded a car and sent one to Chicago and one to Denver—the first ones that were ever shipped out of the belt, I guess.

Senator WADSWORTH. That is the inception of your efforts at farming. Will you tell the committee your connection with the Grange? You were the national grand master of the Grange, were you not?

Mr. LOWELL. Yes. I joined the Grange in 1900. In 1904 I was elected master of my own grange. In 1905 I was elected again, and then went to the State Grange and I was elected assistant steward,

in which I served for two years, and in 1907 I was elected lecturer, and in 1911 I was elected overseer and I served for four years. In 1915 I was elected master and served for four years. I also served on the executive committee of the National Grange. In 1919 I was elected master of the National Grange and I served until 1923.

Senator WADSWORTH. When were you appointed by the President in the first instance as a member of the Tariff Commission?

Mr. LOWELL. I really do not know. I received your word I think about the 27th of June.

Senator WADSWORTH. Your name went into the Senate on a certain date. I have forgotten what it was.

Mr. LOWELL. I think it was the 23d of June, if I remember right.

Senator WADSWORTH. It was about two weeks before the close of Congress at the last session?

Mr. LOWELL. Yes, sir.

Senator WADSWORTH. And you have served continuously with the commission since that?

Mr. LOWELL. I was sworn in on the 6th.

Senator WADSWORTH. On the 6th of July?

Mr. LOWELL. Yes.

Senator WADSWORTH. Prior to coming to the commission, you had not made a special study of tariff problems, had you?

Mr. LOWELL. Why, yes; in a way. I have always been interested in the tariff, but I made no special study of the Tariff Commission, because I had no chance to.

Senator WADSWORTH. Then you came, it is fair to say, to the commission with an open mind?

Mr. LOWELL. I sure did.

Senator WADSWORTH. Have you any comments to make? Of course, we realize that your experience with the commission has been somewhat brief, but have you any comments to make as a result of your experience, as to the working of section 315, the flexible tariff section?

Mr. LOWELL. What little knowledge I have leads me to believe that section 315 is perfectly all right only as to foreign prices. They won't give them to us over there.

Senator WADSWORTH. The effort of the commission this far in keeping in operation section 315 has been inspired with a belief that fair cost prices are essential in order to establish a difference in cost at home and abroad. Do you think they can be established with reasonable accuracy by any other method?

Mr. LOWELL. Yes; I do.

Senator WADSWORTH. Will you say to the committee what you think that method would be?

Mr. LOWELL. I do not know why wholesale and invoice prices can not be taken as a fair criterion of the cost of production and the profit and the transportation over here.

Senator WADSWORTH. Is it your idea that the work of the commission would be simplified and expedited if such a move were made?

Mr. LOWELL. From my superficial view I have had here, I should think it might be, although there might be difficulties which I have never grasped yet.

Senator WADSWORTH. What cases have you been working at, especially, since you have been a member of the commission?

Mr. LOWELL. I have worked on two or three. I have worked on one with Mr. Dennis, which was turned over to us, with regard to fish. I have taken part in three hearings since I came here—on granite, rag rugs, and synthetic phenolic resin.

Mr. WADSWORTH. In the course of your work have you come in contact with a considerable number of members of the staff?

Mr. LOWELL. Yes; quite a good many of them; not all of them. I have not formed their personal acquaintance, so that I can name them all.

Senator WADSWORTH. Have you in mind something as to the effectiveness of the organization of the commission and its staff?

Mr. LOWELL. I have worked some on commissions, quite a little, and I should call it a pretty good kind of a commission, a pretty good kind of a staff. They do not always agree with one another, and I would not think them so much if they did.

Senator WADSWORTH. Have you noticed a marked cleavage between two groups of commissioners?

Mr. LOWELL. I do not see it in the commission much—that is, if I understand what you mean—what kind of cleavage.

Senator WADSWORTH. This committee has had a good deal of testimony which indicates that there has been a cleavage—

Chairman ROBINSON. A division.

Senator WADSWORTH. Almost a division of a permanent character.

Mr. LOWELL. I thank you, Senator. Does that mean a quarrel, or just an honest, good, candid division?

Senator WADSWORTH. Well, whichever way you have observed it.

Mr. LOWELL. My observation is that it has been very good-natured. I have not seen anything of anybody getting angry over anything. One man told me that I could not expect an agriculturist to understand it all, and I thought he was a philosopher.

Senator WADSWORTH. Do I gather from your testimony thus far that you have not any suggestions to make for a substantial change in the set-up of the organization?

Mr. LOWELL. No. I think it would be kind of asinine for me to be in here six months and do anything like that. It is a big commission, and it needs a good deal of thought, and I would not really undertake it.

Senator WADSWORTH. Does the information come to the commissioners which they require fairly promptly from the members of the staff?

Mr. LOWELL. I think as promptly as they can. It is an awfully laborious task to get out these first voluminous reports. One of the staff told me that they had 1,500 different investigations at one time. They had a large number of sheets of tabulated forms of farms which they investigated, and it takes an everlasting lot of work to get a weighted average of that condition.

Senator WADSWORTH. From your observation do you gather that the members of the staff do their work of investigation and reporting data fairly and impartially and in as scientific a manner as they can?

Mr. LOWELL. I think they do. Some of them are so intricate that I have not fathomed them yet, but I will get it. I am not going to pass on anything that I do not understand.

Senator WADSWORTH. Then you maintain a degree of independent judgment on those things when they reach you?

Mr. LOWELL. Yes, sir. That is what I want to do, anyway.

Senator WADSWORTH. Do you maintain that attitude in the commission itself?

Mr. LOWELL. Yes, sir. I have not had any occasion—nobody has asked me to defer to their judgment, and I would not do it if they did. That is, if I thought it was wrong.

Senator WADSWORTH. Do you find, in meetings of the commission, that you have a reasonable opportunity to be heard on any question?

Mr. LOWELL. Yes, sir.

Senator WADSWORTH. Have there been any share divisions in the commission on matters which have come up since you becoming a member?

Mr. LOWELL. No. I do not think there has been anything that could be construed as sharp. There have been divisions of thought, and there should be. It has been fairly harmonious, as far as I am concerned. I do not have any complaints. They treat me as courteous as gentlemen could be asked to—all of them.

Senator WADSWORTH. Have you worked out to your own satisfaction that idea of yours that a different method of ascertaining farm costs would be better than the present method of endeavoring to ascertain them at the point of production?

Mr. LOWELL. You mean getting low production costs of the amount produced?

Senator WADSWORTH. Yes.

Mr. LOWELL. No; I have not worked it out to a conclusion. I have not. That is a big proposition, and there might be just as much deception, if there is deception, gathered over there in stating wholesale prices here as there would be to get the prices at the factory, if there was any such disposition as to that. I know it has been refused; as I am informed by the commission that there are times when they can not get factory costs.

Senator WADSWORTH. Have you discussed it with any members of the staff informally?

Mr. LOWELL. Only just in a general way. We have had discussions about it, around the table.

Senator WADSWORTH. Have you any other suggestions to make with respect to changes, substantial or slight, in the procedure of the commission or its methods?

Mr. LOWELL. No; I do not think I would want to advance any. I have only been here actually with the commission since July 19. I had to go home when I was sworn in, for a time, to fix up my business at home, and I would not be quite free to make suggestions.

Senator WADSWORTH. You were not a candidate for appointment as commissioner, were you?

Mr. LOWELL. No, sir.

Senator WADSWORTH. It came as a surprise, did it not?

Mr. LOWELL. It did, wholly.

Senator WADSWORTH. And you accepted the appointment, stating at the time that you had not made a scientific study of the tariff?

Mr. LOWELL. I did.

Senator WADSWORTH. Or production costs?

Mr. LOWELL. Yes.

Senator WADSWORTH. But you were willing to come here and serve the Government and do your best, and come with an open mind?

Mr. LOWELL. That is correct.

Senator WADSWORTH. I think that is all I have to ask.

Chairman ROBINSON. What cases have been reported to the President since you became a member of the commission, under section 315, if you recall?

Mr. LOWELL. I have it here. I thought I might be mistaken about it and so I set it down.

Chairman ROBINSON. You can not state from memory, I take it.

Mr. LOWELL. No. I wanted to be sure about it. One was paint-brush handles, methanol, and cotton hosiery. No. 316 we sent a partial report up on synthetic phenolic resin.

Chairman ROBINSON. I take it that when you accepted membership on the commission you had had no opportunity of familiarizing yourself with the duties of the commission, except in the most general way?

Mr. LOWELL. None whatever.

Chairman ROBINSON. Have you made a study of the various statutes that define the duties of the Tariff Commission?

Mr. LOWELL. I have read the statute which created the flexible tariff. I have not read all the tariff sections.

Chairman ROBINSON. You have not gone into the act of 1916, I believe it was, giving the Tariff Commission certain general powers?

Mr. LOWELL. Yes; I read that.

Chairman ROBINSON. You read that?

Mr. LOWELL. Yes. That is in a pamphlet which I have.

Chairman ROBINSON. With respect to section 315, what is your opinion as to the nature of the duties of the commission?

Mr. LOWELL. It is purely a fact-finding commission.

Chairman ROBINSON. Do you think a member of the commission that has a personal interest in the subject matter of the investigation should sit on the commission while that subject matter is being investigated?

Mr. LOWELL. I do not think it would make any difference, if he was an honest man.

Chairman ROBINSON. You think he should sit if he is an honest man?

Mr. LOWELL. No; I would not say that. I would not want to sit on it, because I would want to be perfectly free not to seem in any way to try to build up my own business.

Chairman ROBINSON. It would be your view of the matter that a member of the commission should refrain from sitting in a case, because it might place him under the suspicion of acting in his own interest?

Mr. LOWELL. When I first came here the matter of eggs and egg products came up, and the chairman said, "Have you got any hens?" I said "No, I have not. My boy has got a few. I do not own any, haven't for 10 years. A hen won't lay an egg for me." And I did not vote.

Senator WADSWORTH. He says, Mr. Chairman, that he did not vote.

Mr. LOWELL. I did not vote.

Senator ROBINSON. Do you understand that it was the view of Chairman Marvin that if a member of the commission had a hen

that laid an egg, that he should not participate in an investigation involving a tariff on eggs?

Mr. LOWELL. I do not think, Mr. Chairman, that Mr. Marvin got down to one egg. I do not think he would ever stop with one.

Chairman ROBINSON. What distinction would you make with respect to that subject—very seriously?

Mr. LOWELL. Frankly, Mr. Chairman, if a man had a business and it was his main business, and there was a question of the tariff came up that might affect his business, I would consider it personally, on my side, that it would be a very good thing for me to keep out of it.

Chairman ROBINSON. Don't you think it would be your duty to do it?

Mr. LOWELL. I have never taken any obligation, but I should do it.

Chairman ROBINSON. Or how about the members of his family, if they have a substantial interest in the result of his investigation? Do you think he ought to sit on their case?

Mr. LOWELL. Well, I would not do it.

Chairman ROBINSON. What do you think ought to be done?

Mr. LOWELL. I think I would not do it.

Chairman ROBINSON. Well, I take it from that that you think he ought not to do it, and I agree with you. You say that you think that section 315 would be a fine thing if it were not for the difficulty of ascertaining costs of production abroad?

Mr. LOWELL. I think if we could get it some other way it would facilitate the speedy finishing of reports by a long, long way.

Chairman ROBINSON. From your investigations have you reached a conclusion as to whether or not it would be practicable to enforce section 315 in an effective and just manner?

Mr. LOWELL. I think it can be done in this country. I think we have a right. Doesn't that law give us the right to demand figures?

Chairman ROBINSON. Yes, perhaps so. It would not be worth much just to get one side of the case, however.

Mr. LOWELL. Maybe I am not familiar with the law.

Chairman ROBINSON. I am not expressing my opinion. I am just trying to get your viewpoint. Do you think section 315, giving the President power to raise or lower rates upon application, after investigation by the Tariff Commission, within a limit of 50 per cent of the legal duties imposed, is a practical way of tariff making?

Mr. LOWELL. Yes, I do; where the figures show clearly that the tariff is too high or too low.

Chairman ROBINSON. Yes; but that is the very problem, in determining in the way set forth in the statute, when the figures are too high or too low. Do you think section 315 is capable of being effectively enforced?

Mr. LOWELL. With what experience I have had with it, I do. I think it can, yes.

Senator WADSWORTH. May I put a question very like the one of Senator Robinson? From the experience you have had thus far, coming here with an open mind and not having made a deep study, are you inclined to be an optimist or a pessimist on the flexible tariff as such?

Mr. LOWELL. If I was not an optimist, I would not have stayed here so long.

Senator WADSWORTH. Then you are an optimist on this matter.

Mr. LOWELL. Yes, sir.

Chairman ROBINSON. That is rather a general answer. Do you mean to say that if you did not believe the flexible provision of the tariff could be worked that you would resign from the Tariff Commission?

Mr. LOWELL. No. I would get out of advocating it.

Chairman ROBINSON. Oh, I misunderstood you entirely.

Mr. LOWELL. No. You can not quit life because things come up that way which are not optimistic.

Chairman ROBINSON. The Tariff Commission has certain other functions to perform besides those under section 315. For information, have you made a study of the economic aspects of the tariff?

Mr. LOWELL. As much as I could, yes, from my limited opportunities; surely.

Chairman ROBINSON. I assume the fact that the Senator from New York recommended you that you are—

Mr. LOWELL (interposing). Oh, he never told me that he did recommend me.

Chairman ROBINSON. Then I will tell you. I will give you the information.

Mr. LOWELL. I thank you, Senator. You got me into a hard job.

Chairman ROBINSON. You do not mean to say that you do not know yet, until this day, how you came to be on the Tariff Commission?

Mr. LOWELL. I do not; no, sir. I do now, and I thank you.

Senator WADSWORTH. Perhaps that can be straightened out very easily. The fact of the matter is that the President asked me whether I thought that Mr. Lowell would accept a place on the commission, and I communicated with Mr. Lowell to find out if he would, and he finally said he would, and I reported that to the President.

Senator ROBINSON. Well, I started to ask you about the subject of your general views on the tariff. I take it that you believe in the protective-tariff system?

Mr. LOWELL. In moderation, yes.

Chairman ROBINSON. You referred a while ago to the weighted average. How is that ascertained?

Mr. LOWELL. They take—you get a thousand cost prices, and you have got to figure out the average there, and put them all together and get the weighted average of the whole bunch by dividing the total production costs by the total number of products. There are various things that I am not entirely clear on. I can see it, but I can not describe it exactly. In getting prices on wheat or corn or anything it is gotten that way. You have a thousand bushels at one price and then at another, and you get a weighted average.

Chairman ROBINSON. What are the other systems for finding the cost of production?

Mr. LOWELL. I do not see how you can get any other system.

Chairman ROBINSON. Have you made a study of the contrast between the bulk line and the weighted average?

Mr. LOWELL. Yes.

Chairman ROBINSON. Which do you prefer, in general?

Mr. LOWELL. You can not use the bulk line very well. The bulk line is the spot where, as I understand it, the most is sold. That is not the weighted average, however. I think that is clear, isn't it?

Chairman ROBINSON. How do you distinguish between a simple average and a weighted average?

Mr. LOWELL. The simple average is the average of one or two, and the weighted average would be taking all the costs and comparing them together and getting the weighted average. I may be wrong about that, but that is the way I understand it.

Chairman ROBINSON. What is your opinion as to the proper attitude of a tariff commissioner with respect to contestants or contests before him? In what attitude should he place himself, in your opinion, as to the cases or investigations that come before the commission involving increases or decreases of duty?

Mr. LOWELL. You are referring to the hearings?

Chairman ROBINSON. I have not asked my question right. Findings as to increases or decreases in duty?

Mr. LOWELL. They should be based entirely on the figures—on the cost abroad and here.

Chairman ROBINSON. In your opinion, is a member of the commission who has had experience in presenting tariff problems to Congress or the committees of Congress eligible to sit in a case involving the interests of his former employers?

Mr. LOWELL. I could not see anything wrong about that, I am sure, if he was not employed by them at the present time.

Chairman ROBINSON. You think, if he has severed his employment, that there is no impropriety in a member of the commission sitting in a case that involves the rates on commodities in which his former employers are interested?

Mr. LOWELL. I would not hardly think so, though there might be cases—I am sure I can not tell. It would not make any difference, I believe, to the commission, anyway. They would go exactly by the figures as worked out by their economists.

Chairman ROBINSON. Have you sat as a commissioner in the public hearings on rag rugs.

Mr. LOWELL. Yes, sir.

Chairman ROBINSON. On July 20, 1926?

Mr. LOWELL. I did. I came on the 19th and sat in that hearing the next day.

Chairman ROBINSON. In that hearing you are quoted as having asked these questions:

Commissioner LOWELL. Am I correct in assuming from your statements that you believe it is good business for America to ship cotton out and then buy their rugs back? Is that good business?

Mr. BRENNER. Yes; if it concerns the thousands of poor housewives who want to buy a rug at a reasonable price that they would have to do without otherwise.

Commissioner LOWELL. You would not admit they cost more?

Mr. BRENNER. Which one?

Commissioner LOWELL. The Japanese rug.

Mr. BRENNER. That the Japanese rug costs a little more?

Commissioner LOWELL. It was a dollar, wasn't it? And what was the American rug?

Mr. BRENNER. That particular rug was brought to my attention to-day, and it was said it cost 52 cents. I have never seen that before. My figures were based upon this pamphlet here, which showed that the domestic rugs were selling at a higher figure than the Japanese rugs.

Commissioner LOWELL. You are a good American all right. Now, if we should do that with all of our commodities, where would our labor go, if we exported one and brought in the finished article?

Mr. BRENNER. You have to consider other things than the American labor. After all, the labor involved here, I understand, is 2,000 people. We understand these people manufacture other commodities in those very mills, such as chenille rugs, braided rugs, oval rugs, and we find out from one witness this morning they were prospering under the conditions of Japanese competition, and they were making braided rugs and oval rugs and chenille rugs. In other words, work can be found for American labor, and easily enough. And if that is the case, why not give the housewives an article which is cheaper in cost so as to meet her pocketbook?

Commissioner LOWELL. You are philanthropic then as to the Japanese?

Mr. BRENNER. No, sir; I am not philanthropic. I am an American and born here.

Commissioner LOWELL. Then you are going to make more money out of it.

Mr. BRENNER. I didn't quite catch that, Mr. Commissioner.

Commissioner LOWELL. Then your business is to make more money by buying Japanese rugs?

Mr. BRENNER. I have a rug not as good as the domestic, but I am selling reasonably.

Do you recall a colloquy something of that sort between yourself and the witness Brenner?

Mr. LOWELL. Yes, sir; I do.

Chairman ROBINSON. What was the idea of those questions? What was the principle in your mind?

Mr. LOWELL. I wanted to determine from that man whether he was anxious to make more money by importing rugs from Japan than he was in selling American rugs.

Senator WADSWORTH. You were searching his motives?

Mr. LOWELL. Yes; I was; and I got them, too.

Chairman ROBINSON. What did that have to do with the difference in the cost of production at home and abroad?

Mr. LOWELL. Not a thing.

Chairman ROBINSON. You recognized, didn't you, his right to engage in the importation of rugs?

Mr. LOWELL. Yes.

Chairman ROBINSON. What were you going to do with him if you found he had a bad motive?

Mr. LOWELL. If I went after everybody that had a bad motive, I would have my hands full.

Chairman ROBINSON. That is what I think. What were you going to do with him if you found him having a bad motive?

Mr. LOWELL. I just wanted him to admit it; that is all.

Chairman ROBINSON. I believe that is all.

Senator LA FOLLETTE. You suggested, I think, in response to one of Senator Wadsworth's questions, that you thought that the invoice price and the wholesale price abroad could be substituted for foreign investigations of cost of production?

Mr. LOWELL. I did; yes, sir.

Senator LA FOLLETTE. Do you think that invoice prices and wholesale prices are subject to manipulation?

Mr. LOWELL. They might be. I could not say they would be.

Senator LA FOLLETTE. How would you check the manipulation of those prices in order to form a favorable basis for tariff-making purposes from the point of view of the foreign manufacturer?

Mr. LOWELL. I think they would not be any more subject to manipulation than the others, and it would take a lot less time.

Senator LA FOLLETTE. Than what?

Mr. LOWELL. Than the foreign costs.

Senator LA FOLLETTE. Then you think that the invoice prices and the wholesale prices abroad—

Mr. LOWELL (interposing). Wholesale prices here.

Senator LA FOLLETTE. Pardon me just a moment—are not as inaccurate as the cost of production figures which are obtained by the experts of the commission abroad?

Mr. LOWELL. I do not just get you. Won't you put that again?

Chairman ROBINSON. Read the question.

(The reporter repeated the question last above recorded.)

Mr. LOWELL. No. I said here, the wholesale prices and invoice prices here at our port of entry, and not abroad.

Senator LA FOLLETTE. I understood you to say abroad.

Mr. LOWELL. I made a mistake if I did.

Senator LA FOLLETTE. Don't you think that if these figures are subject to manipulation, as I think you testified you thought they were—

Mr. LOWELL (interposing). That they might be.

Mr. LA FOLLETTE (continuing). Don't you think that there would be more of an opportunity for manipulation of the tariff under the flexible provisions favorable to the foreign producers than there would be under the cost of production theory?

Mr. LOWELL. No; I do not see how it could.

Senator LA FOLLETTE. I understood you to say that the invoice prices and the wholesale prices were subject to manipulation?

Mr. LOWELL. I said they might be, of course, but no more so than any other prices might be. I think we are even there.

Senator LA FOLLETTE. Will you explain how you feel that the cost of production figures which are obtained by the commission's experts are as subject to error and manipulation as the invoice prices and the wholesale prices are?

Mr. LOWELL. Because they have been able to secure them over there. They would be just as honest in taking foreign prices as they would be here, but the factories do not like to give them, and you would not if you were over there.

Senator LA FOLLETTE. Then I take it that you really believe that the entire work of the commission in obtaining the cost of production figures could be dispensed with?

Mr. LOWELL. Oh, no. I think that when they come in here at the port of entry, the wholesale price certainly covers all the cost of production, and the rail and boat rates, and the profit, and the whole thing is in that. We know that. Of course, how much more we do not know.

Senator LA FOLLETTE. Have you any suggestions to offer as to the qualifications that should be specified in the law that a commissioner should meet before he is appointed on the commission?

Mr. LOWELL. I did not think there were any qualifications.

Senator LA FOLLETTE. No; but I say, have you any suggestions to offer as to qualifications that should be required?

Mr. LOWELL. No. I have not been here long enough to make any such statement.

Senator LA FOLLETTE. Do you believe that the commission should make its reports to Congress or to the Executive?

Mr. LOWELL. The law specifies to the President.

Senator LA FOLLETTE. I understand; but I am trying to get your suggestions as to whether or not the law should be changed.

Mr. LOWELL. I think in emergencies that section 315 is quite necessary.

Senator WADSWORTH. As it stands, you mean?

Mr. LOWELL. Yes; as it stands.

Senator WADSWORTH. You mean, reporting to the President?

Mr. LOWELL. Yes.

Senator WADSWORTH. I have heard the suggestion made that, instead of the commission reporting to the President it might be given power to order a change in a rate and that new rate would stand unless the Congress changed it within a specified period. Do you have one of those ideas in your mind, Senator?

Senator LA FOLLETTE. I will be very glad to have any suggestion which he desires to make as to whether or not there are any changes in the law which would facilitate the work of the commission and make it more scientific and more accurate.

Mr. LOWELL. I would hesitate to say that I think we ought to report directly to Congress. I think personally I would prefer to have it as it is. We are simply a fact-finding commission, and the question of raising or lowering the tariff does not come in in making up our report to the President at all. Only two questions were asked by me of the President when he gave me my commission. One of them was if he wanted recommendations from the Tariff Commission. I did not know a thing about that and I wanted to know, and he said, "No, sir," and I suppose the President means what he says. We gather up the figures and they are there, and he can make up his mind, which he generally does.

Chairman ROBINSON. We are very much obliged to you. The committee will stand in adjournment subject to the call of the chairman.

(Exhibits 1 to 40, inclusive, are here printed in full, as follows:)

EXHIBIT No. 1

The future of the domestic sugar industry largely rests upon the maintenance or expansion of beet culture. Sugar made from beets constitutes slightly less than half of the sugar production of the United States and over three-fourths of the production of the continental United States. It is here, then, that we find the chief factor of variation in our annual production of sugar. Here also will occur whatever large expansion can take place in the domestic supply.

The tariff problem involved in the beet-sugar industry is not confined to the manufacture of sugar from beets. It provides for the conservation of the soil and leads to diversified crops, introduces care in agricultural processes. Contractual price relationship carries with it a needed assurance of money return for crop yields, thus removing speculation hazards.

There is a rapid increase in the volume of consumption of sugar in the United States which must call for a considerable expansion in storage and supply. Having due regard to the public interest in meeting its future requirements and in keeping with the tariff policy of fostering the industry, our interest must be directed particularly to sugar-beet production for the reason that the promise of the future lies in its expansion, that of cane production in Louisiana and Porto Rico and Hawaii are approaching the limits of their productive capacity.

EXHIBIT No. 2

For comparative purposes should the cost of production in Louisiana and the beet areas be compared with the preceding or the succeeding Cuban crop?

In this investigation there has been question as to whether the cost of the preceding or succeeding Cuban crop should be compared with the cost of producing sugar in Louisiana and the beet areas.

Findings and reasons in the case point to the necessity of comparing the costs of the succeeding Cuban crop with those of Louisiana and the beet areas.

The following reasons are offered on this point:

1. Louisiana and the beet producers have been accustomed to holding their sugar for a time and marketing it in the summer with the consequence that in the market it is sold at virtually the same time and therefore competes directly with the product of the succeeding Cuban crop marketed in this country.

2. From the standpoint of competitive costs of production the costs undergone in the production of the succeeding crop correspond more nearly in time with that of Louisiana beet production.

3. In making a comparison of the cost data over a period of six years the greatest separations in costs between Louisiana and beet and the Cuban crops took place when comparing the preceding Cuban crop with the American crops. It ranges over a difference in favor of Louisiana of 0.108 in 1920 (0.012 in 1921) to 7.721 in favor of Cuba in 1919.

Compared with the succeeding Cuban crop it is noteworthy that Cuba is lower in every case and that there are slight variations in differences through time. These differences range from 1.190 in 1917, the lowest, to 3.926, the highest, in 1920. It is apparent that the more constant variations which attend the succeeding Cuban crop are due to the continuous operation of the same economic principles, whereas the erratic variations as shown by comparing the preceding Cuban costs with those of Louisiana and beet do not indicate any casual relationship common to the cost of production in these different sugar regions.

4. Sugar may be classed as a durable rather than a perishable market product, with the consequence that it may be held through time when there is promise for a higher future market price. As above noted, the Louisiana and beet crops are held over and doubtless the reason for this is a possible advantage in price. Because of its durability the price of sugar is particularly affected by the forecast of the supply of sugar coming from Cuba. In anticipation of a small Cuban crop in 1920 the Louisiana and beet sugar were held for an unprecedented high price, whereas for some time the price of sugar has been low in anticipation of a large forthcoming Cuban crop. Sugar may be regarded as a necessity of life, and this, together with its durability for purposes of marketing, causes its price to be very sensitive and easily influenced by forecasts and even rumors as to the forthcoming supply.

The average annual consumption of sugar in the United States for the period covered in this report (1921-22, 1922-23) is approximately ——. Of this amount we import — pounds, or — per cent. The remaining — pounds, or — per cent of the whole, is produced in the United States.

— per cent of our importations is from Cuba. This clearly establishes Cuba as the principal competing foreign country.

The — pounds produced in the United States is distributed among the different sugar-producing regions as follows: Louisiana, — pounds, or — per cent; Porto Rico, — pounds, or — per cent; Hawaii, — pounds, or — per cent; beet, — pounds, or — per cent.

The method employed in the administration of section 315 with respect to sugar is logically developed in the order suggested:

(a) Selection of the period of years whose data is to be compared. Why six years unusable, preceding or succeeding.

(b) What costs of production shall be compared? The average of all American costs or the average of the costs for the marginal region?

(c) What method may be used to reduce a regional cost to a single figure?

The three leading topics to be considered in passing upon the validity respecting the method to be used in administering section 315 of the tariff act of 1922 as regards to sugar are:

1. For what period of years shall the data be taken that is used in making the cost comparison?

2. With respect to the domestic costs, which of those costs shall be used—those for the whole industry or only those for a selected region?

3. With respect to the costs of the selected region, by what method shall they be reduced to a typical or representative figure for use?

It is understood that these three topics cover only the larger aspects of the subject of method. No attempt is made here to go into the details of cost finding, but only to consider how the data for the costs should be handled after they are found.

EXHIBIT No. 3

DETERMINATION OF CROP YEAR

JULY 8, 1924.

In Cuba and Hawaii the harvesting and grinding period determines the crop year for each batch of sugar that is produced and sold in the market. Thus, for example, in Cuba the cane grown during the year 1922 is ground in December of 1922 and the first five or six months of 1923. This crop is called the 1923 crop in Cuba.

The crop which is harvested and ground during 1923 in Hawaii is called the 1923 crop. The agricultural costs for this crop have been incurred during the years 1921 and 1922.

In Louisiana the crop is raised during 1922 and harvested and ground during October, November, and December of 1922 and is called the 1922-23 crop.

In the beet regions the beets are raised during 1922 and are ground during the last three months of the year, but the crop is called the 1922-23 crop.

From the above facts it would seem that cost comparisons must be made between the following crops for the various sugar regions:

Cuba: 1923 crop; Hawaii, 1923 crop; Porto Rico, 1923 crop; Louisiana, 1922-23 crop; beet, 1922-23 crop.

The agricultural costs for all of the above have been incurred primarily during the year 1922. The grinding costs for the beet regions and Louisiana have been incurred during 1922, whereas the grinding costs for the Cuban, Porto Rican, and Hawaiian crops have been incurred during the early part of 1923. The above comparisons involve what is usually termed comparisons of the beet and Louisiana crops with the succeeding Cuban crop.

A. M. F.

EXHIBIT No. 4

II. We now address ourselves to the second topic listed above—the answer to the question with respect to domestic costs accumulated for the appropriate period, which of those costs shall be used. It is unavoidable, at this point, entering somewhat upon a discussion of economic principles.

One of the major principles long employed in economic reasoning is the so-called cost of production theory of value. The essence of that theory is that for goods regularly produced cost governs supply, and supply (with any given condition of demand), governs value. Another associated principle of equal importance is that in any market at any time there can be but one expression of value or market price. In almost all industries the costs of the different producing units are multiple, but the market value or price that emerges from those multiple costs is single; it varies, of course, during the lapse of time (with the varying adjustments of supply to demand), but at each point of time the market value or price is one thing and not several things, the way the costs of production are.

Accordingly our problem of cause and effect with respect to the cost and value of any commodity resolves itself into the question, what costs are the supply governing and therefore the value of price-determining costs? Is it all of them, or some of them, or the average of them, or what? And here another well-established economic concept or principle comes into play, the concept of the "margin," that frontier of any industry where the economic forces dominating the whole situation (with any given intensity of demand and volume of supply), are operative.

The supply governing the price determining costs of production of domestic sugar are the costs on or at the margin of the industry. All those producers in this industry (or in any other similar industry) who have costs less than

the marginal costs reap a producers' surplus or differential gain; the market price is set not by them but for them by the costs (as correlated with demand) incurred by the producers on the margin. The low-cost people can not or do not produce the total supply required to satisfy the demand. If they could and did they would drive all the high-cost producers out of business. If in any industry there are producers continuing in business year after year who have costs higher than the other producers in that industry, then such higher cost producers bring to the market the marginal supply needed by society, and their costs must be met in the price paid by society. The producers who furnish the last increment of supply must and will have a value put upon their product by the judgment of the market that will enable them to meet their costs, whatever they are, and continue to function. If the judgment of the market rules otherwise, the marginal producers and their product would simply drop out and be lost to society.

Now, then, where is the margin of the sugar-producing industry of the United States? Within each particular area or region of the domestic industry the location of the margin might be difficult to determine, because that would involve identifying a group of particular individuals perhaps not readily recognizable. But within the industry as a whole it is comparatively easy, from the data before us, to identify that area which is the marginal one. The data show that the beet-sugar area, among all the domestic areas, is that one where the producers carry on operations prevailingly under conditions that satisfy the definition of the margin.

Therefore it seems to be apparent, if we are to be controlled by economic considerations, that the domestic costs of production of the beet-sugar area, and those domestic costs only, should be set up for comparison with the costs of the principal competing foreign country.

III. There remains the third topic: By what method shall the beet-sugar costs for the years decided upon be reduced to a certain definite figure of costs for use in comparison with the foreign costs? Inasmuch as the problem here is to find a typical or representative cost among the different costs of the various beet-sugar producing units, one might ask, why not find the average and be satisfied with that? The average is undoubtedly a typical or representative cost, but it is not, for this subject matter, the most appropriate one. What we need is a representative cost that shall correspond with the prevailing cost of the whole group of costs.

The representative or type figure of any group of figures that corresponds with the prevailing figure, by its very definition, is the figure known among statisticians as the "mode." The mode of any series of items is derived from a "frequency table," in which opposite each size of item, arranged in consequential order, one places the number of instances of occurrence of each size of item. In the case of any continuous series of many items it is customary to divide the items into a number of small subgroups and then to count the frequency of occurrence for each of these subgroups. Such a table may be reproduced in the form of a graph called a "histogram," in which the various sizes of items in the whole group are the abscissas and the number of instances, or count of frequency of occurrence, are the ordinates. When such a graph is examined it jumps to the eye and the mind what size is the prevailing or most usual one in the whole series. Also, in case the curve of the histogram is "skewed" either to the right or to the left, it is manifest why in all such cases the mode is decidedly the type to be preferred to the ordinary average or arithmetic means. If the curve is skewed to the left, the average will fall more or less to the right of the mode; and if the curve is skewed to the right, the average will fall more or less to the left of the mode. The degree of divergence between the mode and the average will depend upon the amount of "skewness" in the curve of the histogram. If, however, that curve is symmetrical, then the mode and the average will coincide, and it is a matter of indifference which of these type figures is used.

In the case of the weighted costs of domestic beet sugar, both for the year 1921-22 and the year 1922-23, the curve of the histogram is decidedly skewed to the left, the costs at one end of the scale are of much more frequent occurrence than those at the other end of the scale, and therefore the suitability of the use of the mode rather than the average is clearly indicated.

To give the specific figures of this particular case. For 1921-22 the modal subgroup for beet sugar is found to be the subgroup designated "between 4.75

and 5 cents per pound," and the definite figure of the mode may be taken as halfway between the limits of that subgroup, or 4.875 cents per pound. In contrast for this period, the weighted arithmetic average is found to be 5.805 cents per pound. For the year 1922-23 the modal subgroup of costs is the double subgroup designated as "between 5.25 and 5.50 cents per pound," and "between 5.50 and 5.75 cents per pound," and consequently the definite figure of the mode is 5.50 cents per pound. In contrast for this year the weighted average is found to be 6.124 cents per pound. The histograms (based upon frequency tables) from which the above modal figures were obtained, are submitted herewith, and marked "Exhibit A."

The figures of the averages given above were obtained directly from the tabulated costs and the tabulated amounts of production of 73 producing mills in 1921-22 and 69 producing mills in 1922-23.

For some reason the whole range of costs was higher in the domestic beet-sugar industry in 1922-23 than it was in 1921-22 and therefore the divergent type costs of the two years must be consolidated before final comparison with the foreign costs can be made. But that is a matter of no difficulty and small significance. The matter of significance is, What type of costs for each of these two years shall be set up before consolidation? Upon the basis of the reasons set forth above, it seems clear that those type costs should be the modal costs. And this a good rule to establish to govern all similar cases both at home and abroad. It is precisely because of the possibility of divergence between the mode and the average that the statistical method of the mode is the method that, for this class of cases, should always be employed.

EXHIBIT No. 5

BASIS OF COST

The policy of the present tariff law looks toward the maintenance of worthy domestic industries. In keeping with this policy an elastic provision providing for the adjustment of rates upon the basis of equalization of costs was devised. The question as to what costs, the highest, average, or the lowest, were to be equalized was not given formal definition in the law, but the character of cost to be selected for comparison must doubtless be determined by the policy and purpose of the law itself. The policy is protective and as such the purpose of the law must be the maintenance and encouragement of industries.

Like and similar commodities of an extensive industry tend to sell at the same price in the same market, but whereas such commodities sell for the same price they are produced at different costs. What costs, highest, average, or lowest, should be protected in order that the industry in question may survive?

To base a tariff rate upon the lowest cost would evidently not be sufficient to protect those portions of the industry which produce at a cost higher than that lowest cost.

A tariff rate adjusted to equalized costs upon the basis of the average cost would not be sufficient to protect those portions of the entire industry which produce at a cost higher than the average of the whole industry.

A tariff rate sufficient to protect the highest-cost producers in the industry would, of course, be sufficient to protect the whole industry.

Tariff rates adjusted either upon the lowest cost or the average cost are not in keeping with the protective policy because they would not preserve the whole of the industry. Neither would rates based upon the lowest or average cost measure to the requirements of a satisfactory basis for a tariff for revenue only. The policy of a tariff for revenue only approaches the matter of rate making from the viewpoint of prices. The question is, At what price will the commodity be imported in such volume as to yield the highest revenue?

It would appear that from either a protective policy or a policy for revenue only the principle of equalizing costs on the basis of lowest costs or average costs is unscientific and therefore unjustifiable.

With regard to the policy under which we are working and the adjustment of rates in keeping with that policy, our reason as to the proper cost basis for comparative purpose is limited to that portion of the industry wherein highest costs prevail. In any extensive industry there are exceptional costs, excep-

tionally high-cost producers, and misfits in the industry. A policy that would protect these would cease to be a protective policy and become a prohibitive policy.

It appears, then, that for comparative cost purposes these sporadic, or exceptional high-cost individual producers, should not be taken into account. The method to be adopted that will at once include the worthy high-cost producers and eliminate those who should not be included could not, it is very obvious, be a method of averages, either simple or weighted, but must be a bulk-line method fixed at the point where a more or less distinct break occurs in a curve that represents all the costs of production.

This reasoning is in accord with the economic teachings regarding the point. In his cost of production theory of value developed in the Wealth of Nations Adam Smith in 1776 declared that the average cost should be used as a basis for the determining of prices. His teachings met with severe criticism and as early as 1815. David Ricardo pointed out that the average cost could not be used as a basis for prices because all who produce at higher than the average cost would have to sell their product below cost and would be eliminated from the industry. He showed that the basis of supply and of prices must be approached from the standpoint of the marginal or highest producer who could maintain himself in the industry. Since that date no first-rate economist, who had adhered to the cost of production theory of value, has departed from the very obvious and self-evident principle laid down by David Ricardo. In giving application of this principle to the comparative costs of producing sugar as between Cuba and the domestic regions we have four domestic regions. Whereas all of these regions sell their sugar in the domestic market at the same price, their costs of production are not the same. For the crop years 1921-22 the costs in the different regions average from lowest to highest in this order: Louisiana, 4.226 cents; Porto Rico, 4.487; Hawaii, 4.6025 cents; United States beet, 4.7195 cents.

EXHIBIT No. 6

MEMORANDUM ON SUGAR REPORT

MAY 24, 1924.

To pass adequate judgment on the material contained in this report would require considerable time for careful study and review of the material. Each of the contentions suggested in this report seems to be highly buttressed by argument in its favor. These need to be carefully examined in order to reveal their fallacious aspects. Without reading over the report, merely after a hurried glance over its pages, the following comments are suggested under a number of headings:

1. *Choice of year or years to be used as a basis for cost comparison.*—In the table which follows is shown the per cent of production covered by the costs for the various sugar centers for the six years 1917-1922. It is of interest in that it reveals upon what data it is proposed to base a definite judgment for tariff revision.

TABLE I.—Percentage of total production in the different sugar centers covered by cost data in possession of the Tariff Commission

	1917	1918	1919	1920	1921	1922
Cuba.....	19	32.7	37.7	35.95	45.36	77.21
United States:						
Hawaii.....	96.7	90.89	93.16	97.36	94.01	98.0
Porto Rico.....	55.0	14.9	45.0	36.0	43.0	86.0
Louisiana.....	39.0	12.0	20.5	12.0	70.0	84.5
Beet.....	98.5	67.0	73.7	59.8	93.5	89.0

This table clearly shows that the commission is in possession of the best information for the year 1922, and, if it were to base a conclusion upon previous years, it would be compelled to use scanty material for some of these years for the different sugar centers. Further objection to the use of data for this early period is evident from an examination of the table which follows.

TABLE II.—Source of cost data in possession of the Tariff Commission

	1917	1918	1919	1920	1921	1922
Cuba.....	(1)	(2)	(2)	(2)	(2)	(2)
United States:						
Hawaii.....	(1)	(2)	(2)	(2)	(2)	(2)
Porto Rico.....	(1)	(1)	(1)	(1)	(2)	(2)
Louisiana.....	(1)	(1)	(1)	(1)	(2)	(2)
Beet.....	(1)	(1)	(1)	(1)	(2)	(2)

¹ Previous inquiries.
² Present investigation.

A glance at this table shows that it is proposed to combine miscellaneous material of various degrees of authenticity. It is obviously unfair to attempt to compare data of different centers which are not upon a parity and this table would certainly seem to indicate that the sugar data over a 6-year period far from satisfy the normal standards of statistical comparisons, namely, that all data which are contrasted should be as nearly comparable as possible.

Again, it should be pointed out that it is intended to use as a base for making a tariff adjustment for normal years an abnormal war period when the price of sugar was unusually high. In this connection, it is interesting to point out that the stenographic minutes are replete with discussions by the applicant for a reduction of the sugar tariff to the point that the years prior to 1921 were unusual, abnormal years, and should not be used as a basis of comparison for tariff purposes. These considerations point out the inadvisability of using a 6-year average, based upon abnormal war years, as a basis for tariff adjustment and does not raise the question as to the intention of the law. On the basis alone of the situations above disclosed, the contention for the 6-year period ought to be rejected. To employ any other data than that for the period for which the commission has authentic data, which its experts have verified, is to resort to questionable, flimsy data in reaching a conclusion upon tariff matters. The commission is in possession of complete data for all the centers for the year 1922. The use of data for previous years would require, at least for some of the centers, acceptance of data which have not been verified and which can not now be checked or substantiated by the commission's experts.

Below are shown cost comparisons on the basis of the 2-year average (1921-22) and a 6-year average (1917-1922) :

TABLE III.—Cost comparisons

	2-year average, 1921-22		6-year average, 1917-1922	
	Simple average	Weighted average ¹ (weights employed)	Simple average	Weighted average ¹ (weights employed)
Hawaii.....	4.7762	5	4.9154	5
Porto Rico.....	4.9090	3.6	5.6328	3.6
Louisiana.....	6.1600	2.9	7.0222	2.9
Beet.....	5.8010	9.1	5.2383	9.1
United States simple average.....	5.4116	5.4469	5.7022	5.4800
Cuba simple average.....	3.3675	3.3675	4.3230	4.3230
Difference in favor of Cuba.....	2.0441	2.0794	1.3792	1.1570

¹ Cost data for the different United States sugar centers have been weighted in accordance with their relative proportions, based upon Willet and Gray figures.

Any contention based upon the fact that some of the costs incurred are for more than one year and that the 6-year period would be sufficient to include all such costs is fallacious. In Hawaii, where it takes two years to grow a crop of sugar, the costs are carefully segregated for each crop. Of the fifty-odd companies on the islands of Hawaii only one keeps its costs for the fiscal period. All the others allocate their costs by crops. Again, if the argu

ment were sound, it would be necessary to take a considerably longer period for Cuba, where it is claimed that ratooning takes place over a period of from 10 to even 30 years. In Louisiana, again, the period is considerably shorter. It would, therefore, be impossible to determine upon any period that would do full justice in all of the sugar centers. On the other hand, the costs can be, and in the main are, easily ascertainable for the different crops. There happen to be a few costs such as clearing and preparing the ground which are incurred only at the time of original planting and which costs need to be allocated to the different crops resulting from the original planting. These costs are distributed to the different crops on the basis of well-established practice.

2. *Method of comparing Cuban and United States data.*—Aside from the question of basic period to be employed, the problem of the method of comparison is of paramount importance. The ultimate decision of the commission will unquestionably rest in a large measure upon whether the Cuban cost is to be compared with the average costs of all sugar produced in the United States or with the different sugar centers of the United States. If consideration is primarily to be given to the consumption requirements of sugar in the United States and the maintenance of the sources supplying the necessary quantities, then Cuba may be compared with the average results of the different sugar centers of the United States. If, on the other hand, the different sugar centers which have become well established are to continue to function, the Tariff Commission must compare the results of Cuba with the different centers of the United States; otherwise Louisiana, and possibly the beet sugar interests, would be discriminated against in favor of Cuba and the insular possessions of the United States. It is a question whether the United States; Tariff Commission would want to recommend to the President any tariff adjustment that would jeopardize materially the interests of definite business centers of the country.

A comparison of the Cuban costs with the average for the United States and separately with the costs in Hawaii, Porto Rico, Louisiana, and the beet centers gives point to the importance of the proper comparison in reaching a conclusion for tariff adjustment.

TABLE IV.—*Cost differences in favor of Cuba*

	2-year average, 1921-1922	6-year average, 1917-1922
Average for whole United States.....	2.0794	1.1570
Hawaii.....	1.4087	.5924
Porto Rico.....	1.5415	1.3098
Louisiana.....	2.7925	2.6992
Beet.....	2.4335	.9153

It is evident from the above that the results which would be satisfactory to the United States as a whole would fail to meet the requirements for certain centers, particularly Louisiana.

All other questions suggested for consideration fade into insignificance against the two problems suggested above. These are of major importance. The final conclusions of the commission will hinge in a large measure upon how these two questions are finally settled. The other matters requiring attention, such as the question of investments, influences of tariff upon costs, etc., are of minor importance in comparison to these other two.

A. M. Fox.

COMMENTS ON SUGAR REPORT—CONSIDERATION OF YEAR OR YEARS TO BE USED AS A BASIS FOR DETERMINATION OF DIFFERENCES IN COST OF PRODUCTION OF SUGAR

Louisiana.—The sugar report, on page 29, presents a diagram showing rotation of acreage in plant cane and stubble cane and restorative crops. This shows that in any year in Louisiana there are three acreages; one upon which the plant cane is grown from the seed, another where the cane springs from the roots left in the ground after the crop of the plant cane has been cut, i. e., stubble cane, and a third area planted in cowpeas and corn for the purpose of restoring the nitrogen exhausted by the plant and stubble canes, having

in view the fertilizing and improvement of the soil condition. This situation results in an expenditure for soil feeding which applies to the plant cane in the following year and to the stubble cane two years hence. This might call for adjustment so as to apply the expenses of the restorative crops to the plant and stubble cane to which it applies.

On page 30 it is pointed out that the plant cane yields about 60 per cent of the average tonnage of both plant and stubble cane combined, while the stubble cane yields about 40 per cent. It is, therefore, suggested that the expense of preparing and planting and the expense of restorative crops should be allocated to these two on a relative basis of 60 to 40.

The contention here presented is rather academic and unwarranted, in that it overlooks a statistical process which is widely used in the business world, that, in cases where the charges for particular operations do not vary markedly from year to year, to allow the cost of such operations to be charged against the year's operation where occurred without attempting to allocate them to the particular periods to which they really apply. Statistical justification of this process can be readily found.

It appears that a majority of the Louisiana planters maintain adequate accounting systems and books and that at least 50 per cent—the larger companies—have their books audited by reputable accounting firms. It is significant to note that the growers of Louisiana generally maintain that these expenses, which might theoretically be allocated to the different crops, need not be in view of the fact that the expenses incurred by cultivating and planting and the restorative crops are fairly uniform from one year to another. Were the Louisiana planters and their certified auditors not convinced of this, they would have modified their practice long before this.

The Tariff Commission seems to be in possession of complete data only for the years 1921 and 1922, data which its experts have examined and verified from the companies' books. Prior to 1921 a number of Louisiana growers submitted statements upon forms furnished by the commission. These have never been verified and are by no means complete. In attempting to use this material it was necessary to make many adjustments which were based upon the assumption that substantially the same relationship existed as prevailed during 1921 and 1922. Thus, for instance, not knowing the distribution of sugar production by grades for those early years, it was assumed that the distribution was the same as for the latter two years, an assumption which would seem to have no definite warrant in fact. Again, inasmuch as all of the schedules were not in such shape as to be usable, it was necessary to select those which were considered to be of service to the Tariff Commission in its present investigation. The following plan was employed: Those companies whose average cost closely approximated the average costs of all Louisiana companies, 1921 and 1922, were considered to be representative firms and their cost schedules for these early years were employed to ascertain a weighted average for the years prior to 1921; such weighted average was then considered to be fair and representative cost averages for these years. Obviously this plan is arbitrary and assumes that the conditions prevailing in 1917-1921 were similar to those for the years 1921-1922; that is to say, costs incurred by the different companies would be similar during all of these years. There is no warrant in assuming that the same companies will be found in the same relative positions over a period of years.

The refinements applied to the Louisiana costs are interestingly demonstrated in Diagram XI, page 32. Even though the situation is as demonstrated upon this chart, there is no warrant in making the refinements suggested for such refinements necessitate assumption, as witnessed by the statement on page 33, "some of the figures are necessarily based on arbitrary allocations of expenses to various cost items * * *." Such allocations would be required even if the adjustments suggested in Diagram XI were carried through. Furthermore, the inclusion of a number of consecutive years does not do away with the situation depicted in Diagram XI for the first and last years of the 6-year series would necessarily be the result of some scheme of allocation such, for example, as would need to be applied if a one or two year period were to be taken and the expenses of the restorative crop and preparing and planting distributed to the plant and stubble cane on the basis of 60 per cent to 40 per cent.

On page 34 appears an illustration designed to show the result of applying the distributive principle here indicated to the data of a 5-year period. If

the figures shown on page 34 are reliable, instead of pointing to the conclusion desired, it conclusively demonstrates the fact that there is no need of carrying through the refinements suggested in that the expenses for preparing and planting for different periods are substantially alike; also the restorative crop allocated to the different crops. This uniformity is conclusive proof of the fact that the position of the Louisiana producers, namely, that the expenses incurred in any year for crops of subsequent years may be applied to the crops harvested during that particular year, is substantially correct and that there is, therefore, no occasion or need for attempting to allocate these joint costs to the particular crops to which they actually apply. This would seem to be especially so in that the use of a long period would require recourse to doubtful data of the earlier years. It would seem best, if the conclusion shown on page 34 is correct, i. e., that the corrected average cost for the 5-year period is approximately the same as the average cost per pound for the 5-year period based on annual expenditures, to use as the basis the year or years for which we have a substantial proportion of the production and years for which the data were obtained by our experts and verified.

Hawaii, Porto Rico, Cuba, and the United States beet-sugar industry.—The argument is presented that for most of these regions the preparing and planting expense incurred during each calendar year applies to the crops of subsequent years and that in Porto Rico and Cuba these expenses for preparing and planting are charged to the cost of all the cane harvested during that year. This argument is used as a basis for the conclusion that a period of years should be used as a basis for cost comparison and that such use would eradicate the differences resulting from this practice. The conclusion on page 37, "If a 6-year period is taken, the difference between the two methods is totally negligible," is not substantiated. In fact, it is not at all clear why a 6-year period should serve to iron out whatever differences may exist between the "actual expenditure" method and the costs allocated to the particular years to which they apply.

The argument on page 39 in support of the use of a long period are rather flimsy. Explanation is made upon this page that if "the disbursements by the factories to the growers are taken as the measurement of cost of purchased cane, it is obvious that a number of years must likewise be taken in order to eliminate the effect of unusually high prices or unusually low prices in some years." This is far from obvious and does not present a sound argument in favor of the use of a longer period. Then again, it is stated that "it is only necessary to note that under either definition of 'cost' of purchased cane, one year can not be taken as a basis of cost comparison." The why for this statement is not at all clear.

The number of years for which representative and statistically accurate cost has been obtained by the commission.—The report recognizes the fact that whatever period is employed can be substantiated only if the data for such period are representative and statistically accurate, and proceeds to justify the use of the commission's data for the 6-year period upon this ground. Tables on page 41 and page 42 show the number of mills for which data have been received during the various years and the percentage of the sugar crop covered by the reporting mills during all of the years. According to this table, for a very small proportion of the crop has the commission secured data for some of the centers during some of these years, during this present investigation. Thus, for example, during 1918 only 8.6 per cent of the sugar crop of Porto Rico was obtained and 5.8 per cent of the Louisiana; 1919, 19.8 per cent of the Porto Rican and 11.8 per cent of the Louisianan; 1920, 11.1 per cent of the Porto Rican and 9.2 per cent of the Louisianan. During 1921 a larger proportion of data is available for the different centers but really only for 1922 is a sufficient proportion of the sugar crops of the different centers available to make a reliable comparison between these different centers.

In that "in some regions the number of mills for which cost data was secured in certain years are relatively few as compared with other regions," an effort is made to prove the reliableness of the available data. Cuba is taken as an illustration, and it is shown that the mills reporting in Cuba for the crop of 1919 and 1920 were distributed among the various Provinces substantially in the same proportion as the production of sugar in these Provinces; that is to say, the Province of Oriente, producing approximately 25 per cent of the sugar produced in Cuba, furnished 30 per cent of the reports in 1919 and Santa Clara, producing approximately 25 per cent, reported 16 per cent; Pinar del Rio, producing 2.55 per cent, furnished 1.24 per cent of the reports. A similar situation

is found during the crop of 1920. The conclusion is, therefore, reached on page 45 that "where there is a regional distribution of the cost data of this sort there can be no question about the representative character of the data." This contention is unwarranted and proves nothing, as can be seen by a simple illustration: If we were interested in securing data as to certain social facts relating to negroes, questionnaires sent out throughout the United States would undoubtedly find the largest proportion of replies coming from the black belt in the South. This fact is to be expected but would not serve as a basis for assuming that the data contained upon the questionnaires coming from the black belt would necessarily be correct or representative. It would merely demonstrate that the largest proportion of replies come from the section where the greatest number of subjects are available.

Louisiana is chosen as the field in which to establish the representative character of mills reporting data for the early crops. The 1921-22 costs are examined for the mills reporting for the 1920-21 crop. For these 11 companies costs are registered ranging from 3.631 cents to 6.119 cents, or an average for all the 11 companies of 4.208. This average is in close agreement with the average for the 78 companies reporting for 1921-22, whose average cost figure of 4.213 cents is only 0.005 cent higher than the average for the 11 companies for which the commission is in possession of data during 1920-21. A similar comparison is made for the 1922-23 crop. These 11 companies show costs ranging from 4.4034 cents to 7.0542 cents, or an average of 5.1845 cents for the 11 companies, which is 0.0276 cent below the average cost (5.2121 cents) of the 1922-23 crop for the 85 companies reporting that year. The close agreement between the average costs of these 11 companies with the larger number of mills reporting during these years is taken as conclusive proof of the fact that these 11 mills are representative companies in that their average corresponds with the average of the larger group. This conclusion is by no means conclusive for the distribution of the companies in order of their costs is by no means uniform year after year, upon which condition the conclusion is premised. Thus, for example, the low-cost company in 1921-22 is mill No. 12, ———, whereas for the 1922-23 crop it is mill No. 25, ———. It is well to call attention to the rather fantastic position taken in the report relative to this presentation, namely, that the differences shown of 0.005 cent for 1920-21 and of 0.0276 cent for 1922-23 "would be practically negligible for purposes of the present inquiry even though they were not offset by differences in the opposite direction for other years" In other words, the report presupposes that the differences in any one year or years are offset by differences in the opposite direction for other years and, therefore, the taking of a number of years would serve to produce reliable results. This conclusion is evident in the statement that "It is clear, then, that the selection of a slightly high-cost group of mills in one year to offset in another year by selection of a slightly low-cost group." (P. 47.) This assumption of securing more reliable results by averaging the data for a period of years than would result from the use of the figures for any particular year finds no warrant in scientific work. Thus, for example, in geodetic work, where all measurements must be absolutely accurate, it is found that the use of an inaccurate tape serves to increase the error rather than diminish it for whatever error results from the use of the tape for any particular measurement merely increases the error in proportion as it is employed for making other measurements. On the other hand, Vernier readings of an instrument are made more reliable by taking a large number of readings because of the fact that the errors in reading are just as liable to be in one direction as another and, therefore, the increase in the number of readings will serve to correct and offset errors. This latter situation is not the case with the reports submitted to the Tariff Commission during the early years. These were sent to the different sugar centers to be filled in by the producers in these different regions. There is just as much possibility of error in the filling in of these schedules in any one year as may occur in those prepared during any other year. The use, therefore, of a number of schedules over a period of years instead of correcting any errors that may be contained therein merely serves to multiply them. The use of a 6-year or other long period under these circumstances is unwarranted and could find no warrant in scientific work. The cost schedules filled in by the producers during the early years and sent to the commission can not be compared with those filled in either by or under the guidance of our own experts during the present investigation. Anyone having experience in field work is cognizant of the difficulty experienced in getting

producers to fill out accurately our schedules. We are, therefore, safe in the assumption that the early reports are incomplete and inaccurate. The process then of averaging will not under any circumstances make this inaccurate material reliable and representative.

JUNE 4, 1924.

Cost differences in the sugar industry for the 6-year period, 1917-1922, as an index of conditions in the future.—Pages 49 to 53 devoted to a consideration of this topic are designed to show that the data for six years may be used as a reliable index for future conditions. Emphasis is placed upon the fact that "To secure comparative costs in the sugar industry, consecutive years must be used for accurate results." The report then presents the market conditions prevailing during the period 1917-1922 and concludes upon page 51 that during these six years there are included, respectively, periods of slowly rising prices, rapidly rising prices, slowly falling prices, rapidly falling prices, and stabilized prices. It then proceeds with an explanation of these conditions contained in the report to the President of April, 1923. All of these considerations lead to the statement that "the factors to which sugar-market conditions of 1916-1922 were due are still operative." This contention is justified upon the ground that the world still depends upon Cuban supplies for its sugar and that an unusually low crop in Cuba would bring a sharp rise in prices, whereas, on the other hand, the restoration of the beet-sugar industry in Europe or an unusually large Cuban crop would result in a sharp drop in the price of sugar. After these few brief general considerations are presented, the report continues with the conclusion that "sugar-market conditions in the next few years, in so far as costs are affected thereby, are likely to be more similar to the conditions in the past six years than to any year or two which might be selected. There is no basis, in fact, for this conclusion. It is entirely unwarranted, being premised upon an assumption that normal years can resemble abnormal war years because of the fact that the price tendencies are similar; that is to say, the report concludes that the cycle of prices which will probably ensue in the next few years would justify the use of a previous period, during which a cycle of prices also prevailed, even though this previous period were abnormal unusual years. A chart showing the average raw-sugar prices (New York wholesale prices) for the years 1860 to date clearly demonstrates the fact that the price range during the years 1913 to date was considerably higher than for any period since 1890. It is inconceivable how anyone aware of conditions during the war period can argue that the next few years will resemble the conditions prevailing during 1913-1922, although there is distinct possibility of a price cycle somewhat similar to that of the early period.

Importance of expenditures for purchased cane in Cuba (pp. 55-58).—These pages show that the cost of cane includes (1) cost of administration cane, or cane raised by the mills upon their own property; (2) purchased cane, that raised by others and sold to the mills; (3) transportation costs upon all cane to the factory; and (4) miscellaneous expenses, including therein the cost of inspection and similar charges. A table on page 55 giving these costs for 1921 and 1922 clearly shows that about two-thirds of the total cost is represented by purchased cane and, therefore, the costs of not more than this amount could be considered to vary with and be influenced by the price of sugar, even where the price of purchased cane is a function of the sugar prices. Upon page 56 appears a table designed evidently to bear out the conclusion at the bottom of the page that not more than approximately 40 per cent of the total costs are influenced by sugar prices.

The figures in Table XIII, page 50, would warrant careful investigation in that they do not exactly jibe with the results to be obtained by the use of the figures appearing on page 55, where it is shown that for 1921, \$67,771,410 were spent for purchased cane out of a total cost of cane of \$86,217,566, or approximately 78.6 per cent of the total cost constituted purchased cane, in contrast to the proportion appearing in Table XIII of 33.79 and 41.48 (the latter excluding investment). For 1922, \$49,914,493 were spent for purchased cane out of a total of \$71,404,439, or approximately 69.9 per cent. Table XIII gives the ratio of cane cost to total cost for 1922 as 28.55 per cent and 40.86 per cent (the latter excluding investment).

To further this conclusion, on page 57 appears an analysis of the factors which govern the cost of cane per pound of sugar produced, namely, the price paid per ton of cane, which in most regions depends directly on the price of sugar; (2) the cost of transportation, which has no bearing whatsoever upon the price of sugar; and (3) the yield of sugar produced from the cane, which also is independent and bears no relation to the price of sugar.

At the bottom of page 57 appears a rather far-fetched and fantastic table endeavoring to demonstrate an obvious fact, that the yield of sugar is an important factor in determining its unit cost. It is a well-known fact that in all agricultural products yields vary from year to year. Those shown in Table XVI are remarkably close together year after year for agricultural products. In 1918 the yield was 10.86; 1919, 10.76; 1920, 10.99; and 1921, 10.91. It would be difficult to find in any other field a closer uniformity than is here evident. In 1922 the yield was somewhat higher, 11.77. To take this as a basis for computing the unit cost for the previous years in order to show the effect of varying yields is to give evidence of a special effort to prove a preconceived conclusion. There is no real warrant for the demonstration attempted. To conclude, as is done at the top of page 58, from this evidence that the yields vary 10 per cent is to reach a conclusion which has little foundation in fact. It is true, as stated, that the differences in yield which do exist depend upon the sucrose content of the cane resulting from the soil and climatic conditions, etc., and, too, the efficiency of factory extraction.

After a presentation of these factual statements, half truths, and questionable decisions, the report ends up this section on page 58 with this statement: "It may be concluded, therefore, that over a period of years less than one-third of the total expenditure for raw sugar production, including marketing and investment cost in Cuba (taking industry as a whole), varies with the price of sugar." This conclusion, as do many others, emphasizes the importance of the use of a period of years.

Importance of expenditures for purchased cane or beets in the United States (pp. 58-61).—Table XV, presented on page 59, shows the ratio of purchased cane to total cost for the various sugar centers. If the figures are correct, it leads to the conclusion that the proportion of the total cost expended for purchased cane in Cuba, Porto Rico, Louisiana, and the United States beet centers are approximately alike, whereas the amount so expended in Hawaii is relatively small. The report demonstrates an evident desire to minimize the importance of purchased cane in Cuba and to magnify its relative position in Hawaii, evidently to offset the contentions of the Hawaiians as to profits upon the purchased cane in Cuba. Thus we find upon page 61 of the expert's report the statement that "there is a considerable amount of purchased cane." The figures referred to are 6.39 percent for 1921 and 6.45 per cent for 1922. It is significant that these small amounts are referred to as "considerable" by the expert, whereas a few pages before (p. 56) 38.18 per cent was alluded to as "only 38.18 per cent."

Upon page 59 appears the statement, "In this connection it should be noted that the duty-paid price is also the basis for bonus payments to labor in Hawaii." The expert in referring to this statement shows that he has missed the point. The facts are: First, that the bonus plays a very small part in the labor payments in Hawaii. As a result of their previous experience the growers of Hawaii have chosen to pay their laborers in three parts, (a) a basic wage; (b) a payment inaccurately called the bonus for working 23 days a month in order to encourage a maximum working period; and (c) a "sliding scale wage" based upon the price of sugar. Second, that the particular method of payment is a mere incident; it might just as well have been based upon sugar costs or some other method, but was more conveniently based upon the prevailing New York price of sugar. The final amount would not be any different had it been based upon the ex-duty price, even though the percentage paid to the laborer would have been slightly higher.

Other important items of cost varying with sugar prices in Hawaii (pp. 61-63).—In the first paragraph of this section the expert clearly shows confusion of two economic concepts, those of rent and profit, besides misstating actual facts regarding rentals. The statement that rental item in other regions of sugar production is a minor item is untrue. The fact is that large areas of land in Cuba owned by mills are rented to the Colonos. However, instead of receiving a definite rental therefor, an adjustment is made in the contract price for the sugar raised upon such land, that is to say, while Colonos in a particular vicinity may receive 7 per cent for cane raised upon their own land, payments for cane grown upon leased lands would probably be about 5.5 per cent. Clearly a rental charge is involved in Cuba, even though it does not definitely appear in that form. In view of these facts, the expert is unwarranted in making the comparison he does in the first sentence of the second paragraph, where he shows that the rental charge in Hawaii during 1922 was 0.0776 cents per pound of sugar in contrast to the rental charge of 0.027 cents in Cuba. A true comparison would involve an adjustment of the Cuban figure. The concluding sentence of the first paragraph of this section reads

"The cost of the Hawaiian sugar companies, as reported to the commission, thus include a relatively greater profit to the landlords than for other regions." Sheer nonsense. To warrant a statement of this kind would require a knowledge as to the costs of land to the landlords and resulting returns therefrom. The difference alone can be called profit. The expert here assumes that the receipt of large rentals is synonymous with great profits.

On page 62 of the report, the expert quotes from a presidential address delivered at the annual meeting of the Hawaiian Sugar Planters Association in 1923. In this statement Mr. J. M. Dowsett takes occasion to deplore the fact that the sugar planters of Hawaii are unable to reap the benefit of their high efficiency in that all increased results are taken advantage of by the tax assessors and landlords in the form of larger tax assessments and rentals. It does not seem fair to use a statement of this kind as evidence of the fact that in Hawaii the costs also include large profit items such as rentals. The statement is taken too literally by the expert. The emphasis upon profit sharing bonus paid to labor is also unwarranted for as a matter of fact it constitutes but a very small part of the labor cost during recent years. The method of wage payment was materially altered in 1921. Prior to 1921 laborers received in addition to base pay an amount based upon the prevailing price of sugar and during 1920 such bonuses amounted to quite an item, in fact resulting in the institution of a different scheme. During the last few years only a small part can be considered actual bonus pay. The turn-out bonus so called, which the laborer receives for working a certain number of days per month, is really a method of payment designed to insure continuity of work of the laborer and should not be considered to bear any relationship to the price of sugar.

Table XVI, labor bonuses in Hawaii dependent on price, is inaccurate because of different methods of payment in vogue during the latter two years. It may also be well to note that the figures given are inaccurate because of the fact that many companies in Hawaii fail to keep their wage facts so that it is possible to segregate them.

Elimination of profit in the price paid for cane (pp. 63-65).—The first sentence of this section, namely, "It may be concluded that every region of sugar production has some important item or items of cost which vary with the price of sugar," takes a good deal for granted. It assumes that the rentals and bonus payments and the small proportion of cane purchased in Hawaii includes profits and, therefore, it places Hawaii in the same position as Cuba. The first paragraph then proceeds with a discussion of the "speculative instinct" of labor, of "speculative bonus" in Hawaii and of a "speculative price" for cane.

The second paragraph of his section reads: "In view of the above facts it can not be maintained that the price paid for cane or beets to the growers by the factory can not be taken as the cost thereof on the ground that there is a large element in cost in Cuba which varies with price and no such element in the other regions of sugar production" (p. 64). This sweeping statement does not settle the matter. The situation is not as conclusive as appears from it. To further the argument contained therein it is shown upon page 64 that a number of items contain profit in all sections, such as expenditures for bags, fuel, etc., and that it would be futile to attempt to eliminate all of the profits upon all of these items. The expert maintains that the commission would be unwarranted in ascertaining and deducting every cost profit for the single item, purchased cane or beets, inasmuch as similar profit items prevail in other cost factors, such as fuel, bags, etc. The statement with which the expert concludes the discussion, namely: "Obviously, however, if one item in this group is so treated all items in this group should be given similar treatment," is absurd. This reveals a lack of sense of proportion. Fuel, bags, and other such items have all constituted but a very small proportion of the total cost. Purchased cane, on the other hand, represents 50 per cent and more of the total cost. Evidently the purchased cane and these other items are not in the same category. Purchased cane represents a major cost item whereas these others are rather insignificant minor factors.

One is at a loss to find justification for the concluding paragraph of the section, "The evidence available to the commission indicates that the total amount of such profits would be approximately equal in the various sections of sugar production." It is nothing more or less than the expert's "hunch" of the matter.

Costs and profits in growing cane in Cuba (pp. 65-71).—On page 65 appears the statement "It has been explained that annual expenditures incurred in cane production for a number of years may be used in lieu of the cumulative record, field by field, and that companies which grow cane in the various regions (except in Hawaii) maintain their accounting records in this fashion, though they possess capable and relatively large statistical and accounting staffs." The thought stated in the last clause of the above quotation is indeed significant inasmuch as the companies maintain large statistical and capable accounting staffs and still persist in the use of the annual expenditure method is conclusive proof of the fact that the producers of these different centers find no definite practical warrant in attempting to allocate the costs to the particular crops to which they apply. The fact of the matter is that this method was followed in Hawaii until a number of years ago when it was decided generally throughout the islands that the particular practice in Hawaii required, if accurate results were to be attained, that the plantations shift from the annual expenditure method previously employed to the basis now in effect in Hawaii, namely, that of keeping their costs according to the crops. The force of this contention is that it weakens entirely the fundamental argument employed in the report in favor of the 6-year average.

According to Table XVII, page 67, which calls for very careful review, the expert evidently feels disinclined to use the year 1919-20 as being abnormal. The elimination of this one year changes the results for the period from a profit to a loss. The year 1919-20 was a rather unusual year. The evidence of the fact shown in page 67 and others which could be culled are arguments in favor of the exclusion of the data for previous years where the object is to secure a result which would form a competent judgment for a normal period. Is not the elimination of this one year from the data in Table XVII a confession on the part of the expert of the abnormality of that year's data?

There is hardly need for the consideration devoted to the use of "statistical data based on the memories of persons subject to investigation." The matter is self-evident.

A further justification for the 6-year period is found by the expert in these profits and losses. The conclusion is reached that "just as the expenditures for the cane harvested in any one crop are spread over a period of years, so that the real net cash returns to the colonos as distinguished from the annual cash receipts are spread over a period of years and while the expenditures for any one year in cane production may be over or under the receipts from the sale of cane harvested in any one year, it can not be concluded that a loss or profit in cane production has ensued." Here again we have the old familiar formula that the use of a number of years corrects the situation and balances the losses and profits and, therefore, justifies a six-year period.

An explanation is attempted relative to the large fluctuation in expenditure per ton of cane from year to year. It is stated that the variations in sugar prices are "to be expected." "Differing yields of cane per acre, the result of climatic and soil conditions, and changes in general world price levels and wages" are advanced as obvious factors influencing the cost variations. The report then proceeds to establish the fact that Cuba is vitally dependent upon the sugar crop and considerable discussion is devoted to the fact that because of the above situation fluctuations in the market price of sugar materially influence the movement of cash, credit balances of the sugar-producing companies, both in foreign and local banks.

"The effect of such fluctuations in the volume of credit and currency in any country upon its wage and price levels is a matter not only of common observation but of generally accepted economic theory." The matter is settled. Fluctuations in cost items are thus explained. It would seem that the two or three pages devoted to this could be dispensed with and replaced by a simple statement to the effect that costs in Cuba have fluctuated from year to year much as have the market prices of sugar itself.

Table XVIII, page 70, average wage rates for agricultural operations in Cuba, 1915-1923, inserted to bear out the statement that "As sugar prices rise or fall in Cuba the prices of such commodities as the colonos, field laborer, and the cane cutter require for the subsistence of himself and the members of his family rise or fall." As a matter of fact, the table does not show a rise or fall but a distinct upward movement in wages from 1915 to 1920 and a decline since. The table, it would appear, fails to bear out the statement that wages fluctuate with changes in sugar prices. Table XVIII is, therefore, useless for the purpose for which it is intended.

EXHIBIT No. 8

JULY 7, 1924.

RELATIVE POSITION OF CUBAN SUGAR COMPANIES—COMMENTS ON TESTS TO ESTABLISH THE REPRESENTATIVE CHARACTER OF THE FEW COMPANIES FOR WHICH DATA ARE AVAILABLE FOR THE EARLY YEARS

Doctor Barnhardt, upon a chart showing the cumulative production and costs of all Cuban companies for the crop year 1921-22, checked all companies for which cost data are available for the early years. Inasmuch as these few companies were scattered over all parts of this chart, it was concluded that some were low cost companies, some high cost companies, and some maintained positions in between. This, in Doctor Barnhardt's opinion, conclusively demonstrated that they were representative companies.

On the attached table is shown the relative positions of these few companies for the different crops. Figures in each column represent the relative position of the companies during the particular year when all companies are arranged in ascending order, that is, from the lowest (No. 1) to the highest.

Doctor Barnhardt's conclusion is premised upon the assumption that the companies maintain their same relative positions year after year. This is not a fact as the attached table readily shows. Thus, for example, companies 155, 159, and 19 are in positions 1, 2, and 4 during the crop 1921-22; they are in positions 2, 1, and 18 during the 1920-21 crop; 1, 3, and 37 during the 1919-20 crop; and 2, 1, and 23 during the 1918-19.

Again, companies 137, 181, and 189, maintaining positions 14, 16, and 18 during the year 1921-22, are in positions 6, 27, and 46 during 1920-21; 18, 9, and 16 during the crop year 1919-20; and 12, 7, and 5 during 1918-19.

Again, companies 112, 158, and 90, ranking 79, 80, and 81 during the crop year 1921-22, maintain the positions of 16, 5, and 42 during 1920-21; 2, 14, and 38 during 1919-20; and 3, 15, and 32 during 1918-19.

It is evident from the above and a review of the table that the companies which were nicely distributed during 1921-22 among the companies ranging from the lowest to the highest, are found in entirely different positions during other crop years. That is, those found at the lower range of companies during some of the years are found among the highest in other years, etc. The distribution differs from year to year and it is impossible to establish the net effect of these variations, aside from the obvious conclusion that the test employed does not establish the representative character of these few companies.

A. M. Fox.

RELATIVE POSITION OF CUBAN SUGAR COMPANIES

Figures in each column show relative position of the companies during the particular year, when all the companies are arranged in ascending order (from lowest, No. 1, to the highest)

Compa- nies	1918-19	1919-20	1920-21	1921-22	Compa- nies	1918-19	1919-20	1920-21	1921-22
155.....	2	1	2	1	30.....	33	31	24	44
159.....	1	3	1	2	149.....	27	15	7	46
19.....	23	37	18	4	34.....	22	35	30	50
130.....	6	8	4	6	57.....	19	33	22	52
131.....	9	6	29	7	77.....	41	46	36	54
122.....	21	23		9	50.....	37	40		56
137.....	12	18	6	14	53.....	36	36	33	64
181.....	7	9	27	16	128.....	16	26	38	73
189.....	5	16	46	18	56.....	38	44	39	75
76.....	17	14		19	83.....	40	34	41	76
132.....	18	17	11	22	112.....	3	2	16	79
74.....	4	19	19	25	158.....	15	14	5	80
179.....	8	4	40	28	90.....	32	38	42	81
114.....	14	24	25	30	186.....	10	5	3	86
135.....	26	20	26	31	113.....	34	25	48	87
51.....	24	29	12	33	171.....	25	13	34	89
144.....	13	21	47	37	58.....	35	28	43	94
45.....	28	30	28	38	175.....	20	12	23	96
141.....	31	32	21	41	66.....	29	22	50	97
7.....	11	11	8	42					

EXHIBIT No. 9

RAW OR REFINED BASIS?

The total amount of duty collected for 1923 on imported sugar was \$127,475,381. Of this amount \$124,137,122, or 97 per cent, was paid on raw sugar testing not more than 96° pure by the polariscope test and 99 per cent was collected on raw sugar testing not more than 98° pure.

Practically all Cuban, Porto Rican, and Hawaiian sugar imported into the United States comes in as raw sugar, testing not more than 96° pure. The great bulk of the imported Cuban and Porto Rican raw sugars are refined in the eastern and southern refineries of the United States. In recent years all of the Hawaiian raw sugar has been refined in the Pacific coast refineries of the United States. Most of the raw sugar produced in Louisiana is refined in the southern and the balance in the eastern refineries.

It is obvious that the effective duty on sugar is on raw sugar, or 96° sugar. The tariff problem, therefore, is a raw sugar problem. Therefore, the costs of raw sugar and not the costs of refined sugar must be compared in this investigation.

More than 80 per cent of all the sugar consumed in the United States is cane sugar, which is first made into raw sugar by a group of manufacturers and then refined usually by another and entirely different group. The manufacturing and refining processes are separate and distinct and the costs of each process readily determinable.

The manufacturing of refined beet sugar in the United States differs from the refined cane sugar, in that the manufacturing and refining are one continuous process. Therefore, the determination of costs of refining beet sugar requires a careful segregation of cost items belonging to each of the two processes, in order to make them comparable with the costs of producing the raw cane sugar imported into the United States. This segregation has been made by the commission and is shown in Table XI, page 40, of the report to the President. These are the refining costs of beet sugar and are subtracted from the total costs of refined beet sugar, in order to make the beet sugar costs comparable with the costs of the raw cane sugar coming to the United States from Cuba, Hawaii, Porto Rico, and also the raw cane sugar of Louisiana.

EXHIBIT No. 10

WHY SUGAR BEETS COMPARED?

1. Sugar once a luxury now a necessity in the modern diet.
2. Costs of producing beets are high; tariff act intended to maintain the industry at its status at the time of passage of act, 1922.
3. Law intended protection and encouragement to domestic industries.
4. Beets the one hope of domestic expansion.
5. Beets the one hope of limitation to increasing Cuban control and monopoly.
6. Beets began in all countries of world and especially in United States under Government protection by bounties and tariffs and encouragement of the departments of the Government, especially Agriculture.
7. Later developments largely a result of tariff as well as efficiency of processes and management of factories and farms.
8. Sugar beets and beet-sugar manufacturing are desirable from point of view of service to community.

Dr. F. S. Harris, director agricultural experiment station, Logan, Utah, in his text "The Sugar Beet in America" (1919), page 250, says: "Those who have made a careful study of the subject are agreed that the introduction of sugar beets into the agriculture of a region results in good in many ways. In the European countries where beet raising has seen its greatest development agriculture has a stability not found in the newer countries where sugar beets have not been grown."

- A. Beets are a desirable farm crop for—
 - (1) Profitable cash crop.

(2) Contribute stability to agriculture. "Wherever the beet-sugar industry is permanently established agriculture reaches a greater stability than it had previously." The fact that the farmer has a sure market for his crop at a price known in advance of his planting enables him to judge better the expenditures he can make, thus minimizing risk of complete loss. The contract price usually covers his out-of-pocket expenses. Land values fluctuate less in areas where beets are grown.

(3) Beets as an additional farm crop often adds the needed element of diversification to American farming. With a variety of crops under culture the farmer's eggs are not in one basket. He contracts in advance for \$5.50 a ton. Greater diversity of farming and better farm labor distribution throughout the year distributes the farm income and insures against the greater speculation due to specialization of enterprise.

(4) Beets fit into and encourage the rotation of crops which is desirable in order that fertility of the soil may be maintained.

(5) Beets promote good farming, are an intensive crop, and therefore requires care and close attention to farming methods, which promotes general farm efficiency and the use of best cultural practices.

(6) The practice of clean culture and fertilization by the economic utilization of farm manure and the application of commercial fertilizers essential to the success of the beet crop results in increased yield of succeeding crop and therefore tends to add to the income of the whole farm.

(7) The establishment of the sugar-beet industry upon a successful basis has real educational value. "The sugar-beet industry is based on technical skill. The breeding of strains of beets high in sugar calls for special training in the principles of breeding. Many chemists are needed to analyze the mother beets, and special skill is required in the field work. In the marking of sugar from beets engineers, chemists, and other technical trained men are required. This means that any community having a beet-sugar factory must have trained men to carry on the industry. This necessity so promotes education that sugar-beet production has a direct educational value to any community.

"Farmers take up better business methods, being encouraged to keep records by cost of labor, cash product, contract crop, and contract labor; also because of its being one of two or three general crops that can pay on high-priced land."

(8) Beets provide employment for school children in the small country towns who, during the summer time, would otherwise be idle. "In raising sugar beets considerable hand labor is required. Much of this hand work can be done well by children; in fact, children often can thin beets better and more rapidly than their parents. They can be used to advantage also in weeding and in topping. This means that in regions where sugar beets are raised children who go to school during the winter can earn good wages in vacation times.

"In many irrigated districts of the West, where most of the sugar beets of America are produced, persons live in towns and not on their farms. These small communities lack the industries found in large cities. Many of the inhabitants do not have land of their own; as a result their children are idle when not in school. If the farms of the region produce only hay and grain, no work is available for children; but when sugar beets are added these young persons find healthful and paying employment instead of spending the summer on the streets."

(9) The manufacture of beet sugar in a farming community offers work late in the fall and during the winter to farm hands and other laborers who would be idle were it not for employment offered in the plants. This helps wages in winter when otherwise they would be low and provides these people with some income when otherwise they would have none.

(10) Sugar beets make possible a more centralized population because it calls for intensive farming. A given area of land producing sugar beets will give employment to several times as many men as the same areas devoted to hay or grain. With sugar beets as an important crop the farmer does not require so large an acreage in order to make a living as would be necessary with many other crops. This means that sugar-beet farming promotes a denser population. This has many advantages. It makes possible better educational

facilities and more desirable social opportunities, thereby reducing to a minimum some of the chief disadvantages of farm life.

(11) Beet raising and the manufacture of sugar therefrom bring "increased business to many other industries not directly connected with the farmer or the sugar factory. Thus every community in which the beet sugar industry is established has the pulse of its entire business quickened thereby. Railroads receive much traffic in transporting beets, lime, sugar, machinery, and the many other commodities that are incidental to sugar making. Bank clearings are increased by the money paid for beets and supplies and that received for sugar. The livestock business is advanced by the cheap feeds resulting as by-products of beet raising and sugar making. Several secondary manufacturing industries also grow out of the use of sugar-house products. All business is enhanced by the presence of a sugar factory."

(12) Perhaps the most important contribution of the beet-sugar industry to community welfare comes in the greater degree of national independence that it insures. In modern days sugar has come to be a food necessity. Its high food value, its palatability, and the ease with which it fits into the human ration make it almost indispensable. The European war taught us much concerning the hardship that may result from a shortage of sugar. The American people can not afford to place themselves at the mercy of a possible enemy by not having at home a source of sugar sufficient to meet their needs in time of war.

EXHIBIT No. 11

ADVANTAGES AND DISADVANTAGES

I. Law relating to section 315, subsection (c) (*italics supplied*):

"That in ascertaining the differences in costs of production, under the provisions of subdivision (a) and (b) of this section, *the President, in so far as he finds it practicable, shall take into consideration* (1) the differences in conditions in production, including wages, costs of material, and other items of costs of production of such or similar articles in the United States and in competing foreign countries; (2) the differences in the wholesale selling prices of domestic and foreign articles in the principal markets of the United States; (3) advantages granted to a foreign producer by a foreign government, or by a person, partnership, corporation, or association in a foreign country; and (4) *any other advantages or disadvantages in competition.*

"Investigations to assist the President in ascertaining differences in costs of production under this section shall be made by the United States Tariff Commission, and no proclamation shall be issued under this section until such investigation shall have been made. The commission shall give reasonable public notice of its hearings and shall give reasonable opportunity to parties interested to be present, to produce evidence, and to be heard. *The commission is authorized to adopt such reasonable procedure, rules, and regulations as it may deem necessary.*"

II. The United States Tariff Commission's interpretation of this law under which the commission operates is given in the last or seventh annual report of the commission, page 32, as follows:

"As understood by the commission, the matters stated in subdivision (c) are in no sense a substitute for inquiry into the differences in costs of production required by the preceding sections. They are merely supplementary. *The statutory issue remains the same, namely, the differences between foreign and domestic production costs.* Any changes in duty, whether increases or decreases, must be such as are found "necessary to equalize the differences in such costs of production."

III. Costs of production only are to cause tariff adjustments except: (a) Government bounties, (b) other Government or firm or corporation concessions; (c) transportation costs excluded.

No ironclad definition of costs can serve the purposes of section 315. Consequently the Congress very wisely in the enactment of this law authorized the President, in subparagraph (c) of section 315, to consider in so far as

practicable the advantages and disadvantages of competition. No practical application of this provision in subparagraph (c) can be made to embrace transportation costs in this case because the comparative disadvantages in this regard so vary among the different regions as to be indeterminate. No one rule can be laid down as applicable to all fields for comparative purposes. The distribution of refineries, which are the markets for the raw sugar, are so located with respect to the sources of their raw material as to render any method for the equalization of transportation costs wholly arbitrary.

Transportation from where to where presents the difficulty in a situation as complicated as this. Transportation costs for Cuba are determinable, and likewise they are fairly determinable for the insular regions of Porto Rico and Hawaii, but as for the United States beet wholly different conditions prevail. As regards Louisiana, the item of transportation costs does not appear at all in the figures collected, but such costs are in reality borne by the Louisiana producers where they are reflected in the form of a lower price received for sugar. Legal considerations aside, it is clear from the reason given that transportation costs are in this case an indeterminate factor and can not, therefore, be used for purposes of cost comparison.

In the report signed by Commissioners Culbertson, Lewis, and Costigan, considerable space is given to the advantages and disadvantages in competition. Among the other items there discussed under this caption are transportation costs. We have pointed out the necessity elsewhere (p. —) of limiting cost comparisons to f. o. b. mill and have stated that the tariff problem must determine the costs to be compared and the tariff problem is confined to raw sugar, 96° pure. The very nature of the problem excludes transportation costs incurred in bringing these raw materials from the mill to the refineries, as well as transportation charges incurred, after the sugar is refined, in transporting it to the many and scattered markets from where it is finally distributed to the consumers.

GENERAL STATEMENT

No ironclad definition of cost can serve the purpose of section 315. Consequently, the Congress very wisely in the enactment of this law authorized the President in subparagraph (c) of section 315 to consider in so far as practicable the advantages and disadvantages of competition.

Paragraph (c) refers to the following factors:

"(1) The differences in conditions in production, including wages, costs of material, and other items in costs of production of such or similar articles in the United States and in competing foreign countries;

"(2) the differences in the wholesale selling price of domestic and foreign articles in the principal markets of the United States;

"(3) advantages granted to a foreign producer by a foreign government or by a person, partnership, corporation, or association in a foreign country; and

"(4) any other advantages or disadvantages in competition."

Differences in conditions of production.—Of the factors referred to certain are already reflected in the items of expenditures appearing in the cost schedules and included in the cost figures shown in the tables of the sugar reports. All of the sugar-producing regions have natural advantages and disadvantages peculiar to themselves which affect the methods of production and the costs incurred in getting the cane and beets grown and the sugar produced. Cuba, for example, has a labor supply and natural agricultural conditions which enable it to change its forces of laborers to conform to its requirements, increasing the number employed during certain of the periods and reducing it to the minimum at other times.

Hawaii's climatic and other natural conditions, together with its labor problem, has led to the development of a highly intensive industrial system in this region. Conditions in this region also involve the use of considerable amounts of commercial fertilizers and intensive irrigation systems. Cost schedules reflect all of these conditions, in that they provide for the expenditures incurred in connection with the fertilizer, the operation and maintenance of irrigation systems, the hiring and maintenance of the labor forces, and even the amounts spent in behalf of the workers in the form of shelter, amusements, and conveniences required to keep them contented—that is, for all perquisites.

In Louisiana and in the United States sugar-beet fields all of the conditions are somewhat different from those prevailing in Hawaii and the standard of living is higher than that prevailing in Cuba. Even though in all these instances the conditions are reflected in the cost figures, it is important to note the circumstance in that the costs are normally higher in the United States sugar regions than in Cuba because of the existence of these very conditions.

EXHIBIT No. 12

The preparation of the sugar report has not been so conducted as to lay before the President a full and fair presentation of all the facts and principles involved. First of all, due to the withdrawal of Commissioner Glassie, the report has not been prepared by a full and balanced commission. In the second place, the report has not been permitted to have the expert attention and consideration which all other reports of the commission have had. Taking advantage of the unbalanced voting power in the commission, consideration of the sugar case by the advisory board was denied.

The matter of having the advisory board consider the reports of the commission is of first importance. Such a consideration is indispensable if a constructive criticism and searching analysis is made of the material gathered. This is apparent in the order of conducting investigations. The commission proceeds thus:

1. Upon the receipt of an application for an investigation the chief investigator assigns to the appropriate commodity division the task of preparing a preliminary report from the data furnished by the applicant and that in the files of the commission.

2. This report is transferred to the advisory board for consideration and recommendation to the commission.

3. The commission considers this report together with the recommendation of the advisory board and decides whether an investigation is warranted.

4. If in its judgment an investigation is warranted, the commission so orders, and under the direction of the chief investigator the collection of data in the field is begun. A report of all the data collected, together with all the information available, is, in consultation with an economist and under the direction of the chief investigator, prepared by the appropriate commodity division.

5. Confidential material is deleted from this report and the facts are made available for all interested parties. For the consideration of this material and for the purpose of acquiring further material from those interested in the trade a public hearing is held, at which all interested parties are permitted to be present and to give testimony. This public hearing is followed, or rather supplemented, by the briefs of attorneys. After the conclusion of the hearings and the presentation of attorney's briefs the commission is in possession of all the needed raw material, so to speak, from which a full report may be prepared.

6. It is at this point where the need of a scientific board is especially called for in order to give due weight and logical application to the economic problems involved and in order properly to select, coordinate, and arrange the material from these several sources into a presentable form for the commission. This board, consisting of the head of the legal division, of the chief investigator, of the commodity expert, and of the economists, brings mature consideration to the facts and principles involved in order to present the case in all of its aspects for the consideration of the commission.

In the sugar case a striking and, in our judgment, an unwarranted exception has been made. The advisory board, as a board, has not had the opportunity to give any consideration whatsoever to this important matter.

All of the material that has been collected in the sugar case has been presented in rough form direct to the commission without any test as to its relative worth.

By reason of a vote of Congress denying payment of salary to a commissioner who takes part in any investigation where he or his relatives have a financial interest, Commissioner H. H. Glassie withdrew from the sugar investigation, thus leaving the control to three commissioners, who, throughout the investigation, have adhered to the same points of view. By reason of their controlling

vote in all the meetings of the commission on this case, since the withdrawal of Commissioner Glassie, they have been able to and have so directed the activities of the members of the commission's staff as to render such service as the three commissioners desired. The two other commissioners taking part in the investigation have not had the full advantage of the experts who have worked up the material, and they have, therefore, not been able to make a thorough analysis or to prepare a report that would embody certain materials which only the experts are in a position to furnish.

An unfortunate consequence of the manner in which this case has been handled is that of the demoralization of the staff. The expressed attitude on the part of some of its members that "it pays to be on the winning side" is an attitude that can not be conducive to impartial scientific work.

These circumstances have made it impossible for the undersigned commissioners to prepare a satisfactory report. They are therefore forced to request time to analyze all the available material in the case and to prepare their report.

Rare sugar the basis of cost comparison.—Sugar beets and cane are bulky and perishable commodities used for no other purpose than the production of sugar and must be utilized near the center of their production. Neither of these products enters into international trade,¹ and both of them are the basic materials and the principal costs entering into the production of refined sugar. With respect to their durability, they are so similar that what is true of the economic nature of the one will be found true of the other. The industry as a whole is a closely integrated one, the factories being entirely dependent upon the beets and cane in ample and constant supplies.

Regarding sugar beets, the advisory board, on July 30, 1923, made the following statement to the commission, which applies with equal force to sugarcane:

Apart from the evident intent of the law to limit investigations to existing conditions of maladjustment and apart from the questionable character of the data obtained for other years than those covered in the present investigation, there are fundamental considerations which would make it unwise to attempt to base a tariff adjustment upon the 6-year period. In the first place, the industry has been undergoing general reorganization, having changed during and following the war with predominantly beet production, located principally in Germany, to predominantly cane production, located principally in Cuba. In other words, there has been almost a complete reorganization of the entire industry, which of necessity is attended by the uncertainties and irregularities that go with extensive reorganization and change.

Perhaps no period in the history of the industry has been more subject to change or more unreliable as a basis for determining normal costs than the past six years: 1916-17, rise in prices; 1917-1919, Government control; 1919-20, a rise in prices unprecedented since the period of the Civil War; 1920-21, a decline in prices unprecedented in history; 1922-23, another spectacular rise, which was followed by a decline. Thus, the past six years have witnessed reorganization in the industry, abrupt increase and declines in prices, and Government control.

With regard to the inadequacy of the data for this 6-year period as a basis for cost comparisons, the following observations are in point: That period of the investigation covered by the commission's experts includes interest as an investment, whereas the information gathered by the commission previous to the present investigation does not include interest. Second, the data previous to that of the present investigation fall far short of the completeness and fullness of the data of the present investigation. Third, these data, for the most part, were collected in a different way from the data obtained in the present investigation—that is to say, the schedules were less complete and detailed and they were sent out and answered by correspondence. They were not verified as were the statements taken from the books of the companies by the experts in the present investigation. Fourth, the number of reports received for these early years are not, in our judgment, adequate basis for the determination of tariff adjustments. Fifth, the value of the dollar has changed during the last six years 1917-1922, inclusive.

To illustrate this last point: It is evident that the present tariff adjustment is intended to equalize the present differences in cost of production. Data

¹ The imports of these products are negligible and may be disregarded.

for differences in costs for previous years should be considered only in so far as the consideration may throw light upon the present situation as to differences in cost. It is evident that an average of cost differences over a period of years, during which the value of money is changing, will necessarily distort the facts and prove confusing rather than helpful in reaching a reasoned judgment.

To illustrate this point by a hypothetical consideration: Assume that the difference in cost of production of a pound of sugar six years ago was 4 cents, that the difference in cost at the present time is 2 cents, and that during these six years the purchasing power of money has doubled. It is evident that, since the purchasing power of money has doubled, the 2 cents difference in cost now is the equivalent of the 4 cents difference in cost six years ago. An average of the difference in money cost would be $4 \times 2 \div 2 = 4$, whereas the real cost difference measured in terms of the present purchasing power of money would be 2 cents. The differences in costs must be calculated in terms of the present purchasing power of money because the adjustments of rates will be in terms of the present purchasing power of money and will be made for the purpose of adjusting differences in cost in terms of present money.

During the past six years there have been marked differences in the level of prices. The index number, according to the Bureau of Labor Statistics, for the year 1920, for instance, was 226, whereas for the years 1921-22, which it appeared advisable to take as a basis for adjusting the rates on sugar, the index numbers were 147 and 149, respectively. For purposes of tariff adjustment to meet existing conditions and present differences in cost, calculated in terms of the present purchasing power of money, it would not measure to the standard of scientific accuracy should we take an arithmetic average of the difference in money cost over a period of six years as a basis for the proposed adjustment in the rates on sugar.

The application by the United States Sugar Association requesting an investigation looking toward a reduction in duty was based upon the conditions in the industry at the time when that application was made. The application was dated November, 1922, and averred "that the duty is excessive, unwarranted, and too high, and does not equalize the difference in cost of production in the United States, its insular possessions, and the Republic of Cuba, which latter country is the principal competing country with that of the United States in the matter of sugar production."

On March 17, 1923, the commission voted an investigation, which investigation would not have been voted on the ground that the period for cost comparisons should be extended over any considerable number of years.

There is but one time for which cost differences may be equalized by tariff adjustments. It is obvious from the emergency nature of the tariff that the law does not contemplate the adjustments of long-past differences in cost, and that it can not contemplate the equalization of cost differences in advance of the time when an investigation is made. It was evidently the intent of Congress that an investigation for purposes of tariff adjustments should be limited to the conditions which such adjustments are intended to remedy. The logical period for investigation was that sugar-crop period which was closed last preceding the beginning of the investigation.

It is true that the commission considered costs with respect to wheat for a period of three years, due to the fact that there were great differences in yields for the different years, and it was thought, on the part of some of the commission, that by reason of the marked differences in yield advisable to take an average of the three years. In the case of wheat, furthermore, the differences in yield per acre in the different years were reflected in the costs per bushel. These conditions, however, do not prevail in the sugar industry, where the yields year by year do not materially differ.

In accordance with its original plan to limit the investigation to the crop of 1922, the schedules were prepared to secure the data for that year, but in the course of the investigation it was found convenient to secure the data for 1921 and, in order to secure a more comprehensive range of view, data were secured, where convenient, for other years. But it was not the intention of the commission in securing such data to make them the basis of a recommendation for tariff adjustment, and the trade in a number of instances were so informed

and imparted the information with the understanding that it was not to be used as a basis for tariff adjustment, but rather as a means whereby the commission's staff could study the trends of certain elements in the cost of producing sugar.

For instance, one of the largest producers investigated by the commission refused access to its cost information for previous years until he was assured that any information for previous years which he might reveal would not be used as a basis for tariff adjustment. It was only after receiving assurance by the commission's expert that such information would not be used as a basis for rate adjustment that he revealed his costs for years previous to 1921-22. Following this outstanding example, a few of the leading companies in the same region imparted their data for the earlier years. The circumstances under which the investigation was made would appear to preclude the commission from using the data for these earlier years as a basis for adjustment of tariff rates.

All interested parties—both representatives of the Cuban and the domestic interests—contended for the use of current costs of production and the exclusion of years prior to the crop year 1921-22. To quote from the brief on behalf of the applicants (United States Sugar Association) by Edwin P. Shattuck (pp. 25-6):

This same brief goes on to state that "it is unthinkable that the Tariff Commission would take an obsolete year and a broken down year in Cuba upon which to base its comparison. * * *

"Not only was the 1921-22 crop for Cuba produced at subnormal prices but it is a crop far distant to meet the conditions imposed by the flexible tariff provisions" (p. 33). Statements from other briefs as well as from the testimony given by interested parties, producers of both Cuban and domestic sugars, favor the restriction of the data for cost purposes to current conditions.

The undersigned commissioners would limit the period for cost comparison to the year 1922, to be specific, to the Cuban, Porto Rican, and Hawaiian crops of 1921-22 and the Louisiana and United States beet crops of 1922-23. The following reasons support the limitation of the data to this period:

(1) Cost is a function of price and the crops in these various regions are marketing at virtually the same time.

(2) The costs of producing sugar in the same regions for the period above defined take place at approximately the same time.

(3) The data for this period have been secured and verified in the present investigation.

(4) Although the commission has data for the preceding crop, such data are too remote from the present situation to be of use in adjusting a tariff rate to remedy the present conditions.

(5) The commission has obtained only partial data, not a sufficiency for the extensive cost comparisons required in this investigation, for the year 1923. Some data for 1923 for Cuba, Porto Rico, and Hawaii have been obtained. No data for Louisiana nor the United States beet crops have been obtained for that year. The Cuban data are incomplete and are subject to the criticism of being ex parte, unchecked, and unverified, and the amount and character of the data gathered in the regular way are insufficient to represent the Cuban industry in 1923. Complete Cuban data for the full year's operation were obtained by the commission from the books of the Cuban companies for only 2.86 per cent of the 1923 Cuban sugar crop. The commission's agents gathered additional data on 13.89 per cent of the Cuban crop. These data, however, cover only a part of the year's operations and no data on investment in Cuba for this period are available. The other Cuban data available to the commission were taken from statements submitted by correspondence. The commission has not audited the books of the companies to verify these statements. For these reasons it is impossible to use the 1923 data for any comparisons in this investigation.

The above statement shows that it is necessary to compare the 1921-22 Cuban, Porto Rican, and Hawaiian crops with the 1922-23 United States beet sugar and Louisiana cane crops.

EXHIBIT No. 13

Costs of United States beet sugar compared with Cuban costs, f. o. b. mill, including investment—by States—raw basis¹—crop year

[Cents per pound]

State	1917-18	1918-19	1919-20	1920-21	1921-22	1922-23
California.....	4.4467	7.7018	7.1009	8.2670	5.3969	6.5755
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	.5703	3.3146	-.9437	3.9565	2.9003	2.6954
Colorado.....	4.1364	5.5766	7.2259	6.8312	4.5104	5.1706
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	.2600	1.1894	-.8187	2.5207	2.0138	1.2905
Idaho.....	5.7535	7.2872	7.3386	7.9866	5.0210	5.4288
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	1.8771	2.9000	-.7060	3.6761	2.5244	1.5487
Michigan.....	6.5049	5.9571	8.5590	8.4424	5.8787	6.8665
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	2.6285	1.5699	.5144	4.1319	3.3821	2.9854
Montana.....	3.8795	5.3129	7.1197	6.5906	4.3826	4.5742
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	.0031	.9257	-.9249	2.2801	1.8860	.6941
Nebraska.....	3.9600	5.4667	7.1752	6.7222	4.3560	4.6355
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	.0836	1.0795	-.8694	2.4117	1.8594	.7554
Ohio.....	6.1339	5.9571	8.1031	8.5994	6.6000	6.1327
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	2.2575	1.5699	-.0585	4.2889	4.1634	2.2526
Utah.....	5.8245	7.3253	6.2535	7.5591	4.6543	5.2327
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	1.9481	2.9381	-1.7911	3.2486	2.1577	1.3526
Wisconsin.....	8.0242	7.5354	-----	9.1396	7.4686	7.2828
Cuba.....	3.8764	4.3872	-----	4.3105	3.4966	3.8801
Difference.....	5.1478	3.1482	-----	4.8291	4.9720	3.4027
Wyoming.....	5.5466	6.9075	7.1197	6.5906	5.3593	5.7740
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	1.6702	2.5203	-.9249	2.2801	2.8627	1.8939
Other States.....	7.4748	7.3648	9.5923	9.4552	6.1258	6.0160
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	3.5984	2.9776	1.5477	5.1447	3.6292	2.1359
Total United States, beet.....	4.8877	6.4932	7.2300	7.4497	4.7086	5.4573
Cuba.....	3.8764	4.3872	8.0446	4.3105	2.4966	3.8801
Difference.....	1.0113	2.1060	-.8146	3.1392	2.2120	1.5772

¹ Beet sugar is put on the raw basis by subtracting from the cost of refined beet sugar the general costs of refining beet sugar as shown in the sugar report submitted to the President July 31, 1924, by Commissioners Culbertson, Lewis, and Costigan.

EXHIBIT No. 14

Weighted¹ average costs of producing sugar—United States and Cuba—in cents per pound raw basis

Region	2-year average, 1920-21, 1921-22	2-year average, 1921-22, 1922-23	3-year average, 1920-21, 1921-22, 1922-23	Crop year 1920-21	Crop year 1921-22	Crop year 1922-23
WEIGHTED AVERAGE						
United States, all regions.....	5. 5324	4. 9890	5. 5143*	6. 4704	4. 5921	5. 4702
Cuba.....	3. 3966	3. 1525	3. 5476	4. 3105	2. 4966	3. 8801
Difference.....	2. 1358	1. 8365	1. 9667	2. 1599	2. 0955	1. 5901
United States, beet ²	6. 1154	5. 0371	5. 9602	7. 4144	4. 7335	5. 4863
Cuba.....	3. 3966	3. 1525	3. 5476	4. 3105	2. 4966	3. 8801
Difference.....	2. 7188	1. 8846	2. 4126	3. 1039	2. 2369	1. 6062
Louisiana ³	5. 6646	4. 7703	5. 5261	8. 2127	4. 5952	5. 2921
Cuba.....	3. 3966	3. 1525	3. 5476	4. 3105	2. 4966	3. 8801
Difference.....	2. 2680	1. 6178	1. 9785	3. 9022	1. 7986	1. 4120
Hawaii.....	4. 8382	4. 9522	4. 9744	5. 0169	4. 6572	5. 2681
Cuba.....	3. 3966	3. 1525	3. 5476	4. 3105	2. 4966	3. 8801
Difference.....	1. 4416	1. 7997	1. 4268	. 7064	2. 1806	1. 3880
Porto Rico.....	4. 9650	5. 1068	5. 2346	5. 4436	4. 3860	5. 8436
Cuba.....	3. 3966	3. 1525	3. 5476	4. 3105	2. 4966	3. 8801
Difference.....	1. 5684	1. 9543	1. 6870	1. 1331	1. 8894	1. 9635

¹ Weighted by total annual production of each region, respectively.

² United States costs of producing refined beet sugar less the costs of refining beet sugar f. o. b. mill, as shown in Table XI of the report to the President.

³ Weighted on basis of total cane sugar produced in continental United States.

Simple average costs⁴ of producing sugar—United States and Cuba—in cents per pound, raw basis

Region	2-year average, 1920-21, 1921-22	2-year average, 1921-22, 1922-23	3-year average, 1920-21, 1921-22, 1922-23	Crop year 1920-21	Crop year 1921-22	Crop year 1922-23
SIMPLE AVERAGE ²						
United States, all regions.....	5. 5200	4. 9940	5. 5040	6. 5214	4. 5180	5. 4725
Cuba.....	3. 4036	3. 1884	3. 5624	4. 3105	2. 4966	3. 8801
Difference.....	2. 1164	1. 8056	1. 9416	2. 2109	2. 0214	1. 5924
United States, beet ³	6. 0740	5. 1049	5. 8781	7. 4144	4. 7335	5. 4863
Cuba.....	3. 4036	3. 1884	3. 5624	4. 3105	2. 4966	3. 8801
Difference.....	2. 6704	1. 9165	2. 3157	3. 1039	2. 2369	1. 6062
Louisiana.....	6. 2540	4. 7936	5. 9000	8. 2127	4. 2952	5. 2921
Cuba.....	3. 4036	3. 1884	3. 5624	4. 3105	2. 4966	3. 8801
Difference.....	2. 8504	1. 6052	2. 3376	3. 9022	1. 7986	1. 4120
Hawaii.....	4. 8370	4. 9626	4. 9974	5. 0169	4. 6572	5. 2681
Cuba.....	3. 4036	3. 1884	3. 5624	4. 3105	2. 4966	3. 8801
Difference.....	1. 4334	1. 7742	1. 4350	. 7064	2. 1606	1. 3880
Porto Rico.....	4. 9148	5. 1148	5. 3344	5. 4436	4. 3860	5. 8436
Cuba.....	3. 4036	3. 1884	3. 5624	4. 3105	2. 4966	3. 8801
Difference.....	1. 5112	1. 9264	1. 7720	1. 1331	1. 9894	1. 9635

¹ Taken from Tables V to IX in the report to the President.

² Average of averages. Each year is counted as one. No weights used.

³ United States costs of producing refined beet sugar less the costs of refining beet sugar f. o. b. mill, as shown in Table XI of the report to the President.

EXHIBIT No. 15

Costs of production of sugar, f. o. b. mill Cuba and United States sugar regions—Raw sugar basis—The Louisiana and United States beet crops are compared with the succeeding Cuban crop—Crop years 1920-21 and 1921-22

	Costs of production					Difference in costs of production ¹		
	Crop years				2-year weighted average	Crop years		2 years 1920-21 and 1921-22
	1920-21		1921-22			1920-21	1921-22	
	Production	Cost	Production	Cost				
Cuba.....	Long tons 3,936,040	Cts. per pound 4.3105	Long tons 3,996,387	Cts. per pound 2.4966	Cts. per pound 3.3967	Cts. per pound	Cts. per pound	Cts. per pound
United States:								
Hawaii.....	504,073	5.0169	502,194	4.6572	4.8374	0.7064	2.1606	1.4407
Porto Rico.....	438,494	5.4436	362,442	4.3860	4.9651	1.1331	1.8894	1.5684
Louisiana.....	180,004	8.2127	329,224	4.2952	5.6800	3.9022	1.7986	2.2833
United States beet.....	1,041,359	7.4497	974,932	4.7086	6.1243	3.1392	2.2120	2.7276
United States as a whole.....	2,163,930	6.4847	2,168,792	4.5815	5.5589	2.1742	2.0849	2.1622

¹ Showing the amounts by which the Cuban costs are lower than the indicated domestic costs.

Cost of production of sugar f. o. b. mill Cuba and United States sugar regions—Raw-sugar basis—The Louisiana and United States beet crops are compared with the succeeding Cuban crop—Crop years 1920-21, 1921-22, and 1922-23

	Costs of production							Difference in costs of production ¹			
	Crop years						3-year weighted average	Crop years			3 years, 1920-21, 1921-22, and 1922-23
	1920-21		1921-22		1922-23			1920-21	1921-22	1922-23	
	Production	Cost	Production	Cost	Production	Cost					
Cuba.....	Long tons 3,936,040	Cents per pound 4.3105	Long tons 3,996,387	Cents per pound 2.4966	Long tons 3,602,910	Cents per pound 3.8801	Cents per pound 3.5476	Cents per pound	Cents per pound	Cents per pound	Cents per pound
United States:											
Hawaii.....	504,073	5.0169	502,194	4.6572	469,000	5.2681	4.9743	0.7064	2.1606	1.3880	1.4267
Porto Rico.....	438,494	5.4436	362,442	4.3860	338,456	5.8436	5.2260	1.1331	1.8894	1.9635	1.6784
Louisiana.....	180,004	8.2127	329,224	4.2952	280,933	5.2921	5.5420	3.9022	1.7986	1.4120	1.9944
United States beet.....	1,041,359	7.4497	974,932	4.7086	645,210	5.4573	5.9626	3.1392	2.2120	1.5772	2.4150
United States as a whole.....	2,163,930	6.4847	2,168,792	4.5815	1,733,599	5.4564	5.5291	2.1742	2.0849	1.5763	1.9815

¹ Showing the amounts by which the Cuban costs are lower than the indicated domestic costs.

Costs of production of Cuban and domestic sugars coming into the markets of the United States during the calendar years 1921 and 1922

[Costs are f. o. b. mill, including interest on investment]

Region of sugar production and various crops marketed in calendar year	Cost per pound of raw sugar, f. o. b. mill including investment	Amount of each crop meeting in competition in calendar year	Cost of this sugar marketed during the calendar year	Weighted average cost of sugar marketed during the calendar year
Cuba:	<i>Cents</i>	<i>Pounds</i>	<i>Dollars</i>	<i>Cents per pound</i>
1919-20 crop.....	8.0446	388,261,440	31,234,080	-----
1920-21 crop.....	4.3105	3,160,832,640	136,247,691	-----
Total calendar year.....	-----	3,549,094,080	167,481,771	4.7190
United States:				
Hawaii: 1921 crop.....	5.017	1,129,123,520	56,648,127	5.017
Porto Rico: 1921 crop.....	5.4436	982,226,560	53,468,485	5.4436
Louisiana:				
1920-21 crop.....	8.2127	124,248,780	10,204,180	-----
1921-22 crop.....	4.2952	557,127,251	23,929,730	-----
Total calendar year.....	-----	681,376,031	34,133,910	5.0096
United States beet:				
1920-21 crop.....	7.4497	1,797,600,000	133,915,807	-----
1921-22 crop.....	4.7086	625,926,717	29,472,385	-----
Total calendar year.....	-----	2,423,526,717	163,388,192	6.7418
United States as a whole calendar year.....	-----	5,216,252,828	307,638,714	5.9877

EXHIBIT 16

JULY 26, 1924.

SUGGESTED APPLICATION OF THE COST-OF-PRODUCTION FIGURES TO THE ADJUSTMENT OF DUTIES ON SUGAR

[Submitted by Chairman Thomas O. Marvin and Commissioner William Burgess]

PRELIMINARY STATEMENT

The average annual consumption of sugar in the United States for the period covered in this report (1921-22, 1922-23) is approximately 4,934,488 tons. Of this amount our average importation for the same period amounts to 2,850,299 tons, or 57.7 per cent. The remaining 2,084,189 tons, or 42.3 per cent of the whole, is produced in the United States. Two million seven hundred sixty-nine thousand three hundred ninety-seven tons, or 97.2 per cent of our importations, have been from Cuba, which fact clearly establishes Cuba as the principal competing foreign country. The 1,874,929 tons produced in the United States are distributed among the different sugar-producing regions as follows:

	Tons	Per cent
Beet.....	888,778.5	47.4
Louisiana.....	244,287	13.0
Porto Rico.....	281,194	15.0
Hawaii.....	460,669.5	24.6

Thus of the total domestic production 1,133,065.5 tons, or 60.4 per cent, are produced in the continental United States and 741,863.5 tons, or 39.6 per cent, are produced in our insular possessions.

The importance of sugar as a source of revenue may be seen from the following figures:

TABLE I.—*Sugar as source of revenue*

[Source: Foreign Commerce and Navigation of the United States]

Year	Revenue from imports for consumption	Revenue from sugar imports	
		Amount	Per cent of total revenue from imports for consumption
1922.....	\$451,366,289	\$147,443,983	32.7
1923.....	1 566,495,828	127,475,381	22.5
Average.....	508,926,058	137,459,682	27.0

1 Furnished by the Department of Commerce, July 22, 1924.

RATES OF DUTY

In giving the rate of duty on sugar it is customary to refer only to the rate on Cuban 96° raw sugar since, for all practical purposes, this is the effective duty. The rates on 96° Cuban raw sugar and on 96° full duty sugars in the various tariff acts since 1909 are as follows:

Tariff acts of—	Full duty rate for 96° raw sugar	Rate on Cuban sugars 20 per cent preference under reciprocity treaty of 1903
	<i>Cents per pound</i>	<i>Cents per pounds</i>
1922.....	2.206	1.7648
1921.....	2.000	1.6000
1913.....	1.256	1.0048
1909.....	1.685	1.348

HISTORY OF THE INVESTIGATION

THE APPLICATION

The sugar investigation was made in response to the application by the United States Sugar Association requesting an investigation looking toward a reduction in duty.

That association is composed of members who own large interests in Cuba and who are otherwise interested in the sugar industry of that country. The association is located in New York City. Some of its members are sugar refiners who import sugar in its raw state from Cuba and convert it into refined sugar in eastern refineries in this country.

The commission received the above-mentioned application November 16, 1922. The application averred, among other things, "that the duty is excessive, unwarranted, and too high, and does not equalize the difference in cost of production in the United States, its insular possessions, and the Republic of Cuba, which latter country is the principal competing country with that of the United States in the matter of sugar production."

ACTION BY THE COMMISSION

On March 17, 1923, the commission voted an investigation, as requested by the United States Sugar Association, for purposes of section 315 of the tariff act of 1922.

The commission, since its organization in 1917, had gathered cost data from the mills in Cuba and from the domestic regions by means of schedules mailed

to sugar producers. This was a continuation of the work of the cost of production division of the Department of Commerce. The information in the files of the commission, however, was insufficient as a basis for cost comparisons for purposes of section 315; consequently, it became necessary to make an extensive field investigation obtaining by means of comprehensive schedules cost data sufficiently full to meet the requirements of section 315. A detailed cost schedule was prepared by the commission with the assistance of competent authorities and in cooperation with those interested in the industry. Upon the completion and final revision of the schedules the field investigation was begun.

FIELD WORK

In May, 1923, the commission sent to Cuba a staff of five agents assisted by nine accountants from a recognized public accounting firm, which firm has offices in New York and Habana and specializes in the accounts of sugar companies. The work in Cuba was limited to other American-owned companies and extended over a period of three months. Members of the commission's staff were employed for a period of about six weeks in obtaining the cost data for the American-owned mills at their offices in the United States.

Following the initiation of the work in Cuba, the field investigations in the domestic cane and beet regions were begun. Thus the field work in all regions was conducted almost simultaneously. The number of men engaged and the time involved in each of the domestic fields were:

	Men	Days
Porto Rico ¹	5	277
Hawaii	5	380
Louisiana ¹	7	598
United States beet	7	445

¹ Assisted by special sugar accountants: 2 in Porto Rico and — in Louisiana.

Not only were members of the staff sent into these several regions, but also the commission, for the purpose of securing the benefit of first-hand information.

While the investigation was in process the commission's staff, in order to secure a more comprehensive range of view, collected data where convenient for years other than those in the schedule. The information thus collected for years other than 1921-22 and 1922-23 is wholly inadequate as a basis for cost comparisons. These data cover certain of the regions, cover only partially others of the regions, and for certain of the regions provide no data at all, with the consequence that these data for these early years can not serve as a basis for cost comparison. The only means, therefore, of obtaining cost comparisons for these early years is the resort to the old data in the commission's files. These data, in our judgment, are inadequate for cost comparisons. The manner in which they were collected afforded the commission no opportunity for verification and at best they only partially supply the information needed for such comparisons.

TESTS USED TO ESTABLISH REPRESENTATIVE CHARACTER OF DATA OBTAINED IN PREVIOUS INQUIRIES

Despite the inadequacy of this material, however, upon the completion of the investigation the suggestion was made that it would be helpful to extend the range of comparison over years not covered in the present field investigation. Consequently, the attempt was made in the report to the President signed by Commissioners Culbertson, Lewis, and Costigan, by means of a number of tests, to establish the representative character and statistical accuracy of the partial data in the commission's files for these early years. The tests, however, when reduced to critical examination, fail of their purpose. It will be helpful at this point briefly to examine these tests for, if they are found wanting, the conclusions based upon these early data will not command confidence.

With respect to Cuba, the endeavor was made for the years 1919 and 1920 to compare for the various Provinces the proportion of mills reporting to the commission with the production in these Provinces. The conclusion reached was that the schedules were representative in that the greater number of

reports were received from Provinces producing the larger quantities of sugar. This test, it should be noted, concerns itself with the quantity rather than the character of the data. It is not unreasonable to assume that, since such returns as were made were voluntarily given, as a rule the high-cost concerns would be more inclined to be generous in fulfilling the commission's request for information.

Another test applied to Cuba was to show that the cost data for the earlier years were representative in that the mills reporting were not concentrated in any particular cost group. In the comprehensive cost data collected for 1922, of the mills reporting, certain mills for which the commission has data for the earlier years were high cost, certain others medium cost, and still others low-cost mills. The costs of these particular mills were found to be representative of the costs for all mills reporting in 1922. It was assumed that, because these mills were representative of the costs for 1922, they must, therefore, be representative of the costs of all mills for the earlier years for which the commission does not have full data.

The assumption upon which this conclusion is based is not borne out by the statistics in the industry. Where we have data to trace the cost history of the mills it is found that the individual mills change positions from year to year with respect to their costs of production. The same mills which are low cost in one year are frequently found to be high-cost mills for another year, and vice versa. Thus, for example, companies designated 155, 159, and 19, which occupy positions 1, 2, and 4, respectively, during 1921-22, are in the positions 2, 1, and 18 during the crop year 1920-21; 1, 3, and 37 during 1919-20; and 2, 1, and 23 during 1918-19. Again, companies designated 137, 181, and 189, which maintain respective positions 14, 16, and 18 during the crop year 1921-22 are in positions 6, 27, and 46 during 1920-21; 18, 9, and 16 during the crop year 1919-20; and 12, 7, and 5 during 1918-19.

In order to secure representative cost figures for previous years for Louisiana, we had in our files cost data for mills for 1920-21. When the full returns were in for 1922-23 it was found that 11 of the 13 mills for which previous data had been secured had a cost for the year 1922-23 which was in keeping with the average for all the mills investigated during that year in Louisiana.

For Louisiana cost data were secured for 78 companies for the crop year 1921-22 and 85 companies for the crop year 1922-23. For 1920-21 there were available in the files of the commission records of only 13 mills. Out of these 13 mills 11 were selected because the average cost of these 11 mills in 1921-22 and 1922-23, respectively, was in keeping with the average of the 78 companies reporting for 1921-22, and also in keeping with the average cost of the 85 companies for the crop year 1922-23. This test is premised upon the assumption that the companies maintained their same relative positions in the range of costs year after year. This assumption is contrary to fact. Of the 11 mills, No. 12 shows the lowest cost in 1921-22, whereas No. 25 is in that position in 1922-23.

The matter of selecting from among the few mills for which we have returns for previous years is open to question, for, despite the best intentions, there can be no statistical proof of the accuracy of such selection, and in the very nature of the case such selection must be more or less arbitrary.

In order to justify the use of the meager information in the commission's files for Porto Rico for the year 1920, a comparison is made for 1922 of the costs of production for the five mills reporting in earlier inquiries for this year with the costs of the larger number of mills secured during the present investigation. These five mills in 1922 showed an average cost of 4.4512 cents per pound of sugar, whereas the average cost for the 29 mills reporting for that region in 1922, and representing 87.8 per cent of the total production, was 4.3860 cents. It is set forth that by reason of the close agreement of the costs for the five mills reporting in the earlier inquiries with the costs of all the mills reporting during the present investigation the results of the cost data of the five mills in question were the equivalent of the results obtained for all the mills in the present investigation. It should be noted, however, that the excess of costs for the 5 mills over the 29 mills included in the commission's data for 1922 amounts to 0.0652 cent. This difference, it should be noted, even for the year 1922, is not inconsequential, and the method is open to the same criticism above mentioned for Cuba and Louisiana. It is not safe to proceed upon the assumption that data covering 36.5 per cent of the industry are as reliable as data covering 87.8 per cent of the industry.

Another test was applied to the Cuban data: For the year 1918 the commission received by correspondence cost data for seven mills in that country. During the present field investigation the commission's agents received data for 35 mills for the year 1918. It was found that the average costs for the 35 mills closely approximated the results obtained by correspondence from the 7 mills back in the year 1918. By reason of this close approximation in costs it was concluded that all the data in the commission's files secured by correspondence would prove statistically reliable. A conclusion based upon the assumption that schedules answered by correspondence furnish information which is as reliable as that gathered and checked by experts in the field is open to question.

The schedules sent out in this earlier investigation were less complete and detailed than the schedules used in the present investigation. They omitted certain important items, among others interest on investment, which were included in the later schedules. They were four pages in length, whereas those used in the present investigation covered 12 pages.

It was since the completion of the commission's field investigation that the advisability of a cost comparison over a 6-year period has been suggested. Whatever the merit of this suggestion, it is in the nature of an afterthought coming too late to serve the purpose of this investigation. Such costs of producing sugar as the commission has in its files for the years prior to 1921-22 and 1922-23 were not secured in the same way nor with the same degree of accuracy and they are not nearly so full as the cost data secured in the present investigation. The meagerness of the data in the commission's files for these previous years as compared with that obtained in the field investigation may be indicated as follows:

TABLE B.—*Proportion of production for which cost data are available*

Year	Cuba		Louisiana		Year	Cuba		Louisiana	
	Pre- vious inquiry	Present investi- gation	Pre- vious inquiry	Present investi- gation		Pre- vious inquiry	Present investi- gation	Pre- vious inquiry	Present investi- gation
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>		<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
1917-18-----	5	31	39	-----	1920-21-----	-----	39.5	12	9.2
1918-19-----	14.5	37.7	12	5.8	1921-22-----	-----	69	-----	70
1919-20-----	8	36	20.5	11.8	1922-23-----	-----	58.9	-----	84.5

If the commission had used the same method as was used in previous inquiries, it could easily have secured as much information for the years 1921-22 and 1922-23 as it had secured for the previous years of the six-year period in question. It could render no satisfying reason for its present field investigation if the data on hand were sufficiently complete and accurate for purposes of section 315.

A critical examination of the report signed by Commissioners Culbertson, Lewis, and Costigan shows that the data collected for the years other than that gathered in the present investigation are not sufficiently full and dependable to meet the requirements of section 315.

It has been claimed (pp. 49-57 of report signed by Commissioners Culbertson, Lewis, and Costigan), that it is necessary to use a six-year period due to a peculiarity in the production of sugarcane, namely, that the preparing, planting, and cultivating costs incurred in any year apply not only to that year's crop but to subsequent so-called stubble and ratoon crops. It is argued that the costs incurred in the preparation of the soil and the planting of the seed can not be charged to the crop of a single year, as is the practice, but that such charges must be apportioned to the succeeding yields year after year throughout the period of ratooning. Based upon this point of view, their report maintains the position that the commission would arrive at more accurate cost data by taking a period of six or seven years. Whatever may be the theoretical merit of this suggestion, the commission unfortunately is not in possession of the full and complete data which it would be compelled to have in order to justify such refinement. In fact, the commission's data for this six-year period are scanty and unverified.

The suggestion is open to the further criticism that, even were the six-year period used, an arbitrary adjustment would of necessity have to be made for the first and last years of the period. This method could find logical application only when applied throughout the history of the industry.

The accountants, auditors, and experts in the different sugar regions have not been unmindful of this problem but have deemed it inadvisable to alter their basis of cost accounting except in Hawaii, where, due to the peculiarities of production, this method has been accepted. Although the report signed by Commissioners Culbertson, Lewis, and Costigan advocates the advisability of this method, it presents tests, as shown on pages 56 and 57, which practically substantiate the cost accounting practice of the trade.

THE PERIOD 1917 TO 1921 ABNORMAL

Apart from the inadequacy of the data there are certain fundamental considerations which would make it unwise to base a tariff adjustment upon this six-year period. The industry as a whole has been undergoing general reorganization, having changed during and following the World War so as to bring about a large decrease in the production of beet sugar, located principally in Germany, and a large increase in the production of cane sugar, located principally in Cuba. A change so basic in both the raw material used and the geographic location of production must be attended by uncertainties and irregularities in the industry and to so affect the costs as to vitiate their use for present tariff purposes.

Perhaps no period in the history of the sugar industry, certainly no period since the Civil War, has been more subject to change or more unreliable as a basis for determining costs than the past six years. (See Chart I hereto attached.¹) The crop year 1916-17 was marked by a rise in prices; 1917-1919 was a period of Government control; 1919-20, following the release of Government control, was marked by a rise in prices unprecedented since the period of the Civil War; 1920-21 was a period of decline in prices, the most precipitous in history. Thus the past six years have witnessed reorganization in the industry, abrupt increases and precipitous declines in prices, and Government control. The abnormality of the data point to the advisability of confining the commission's investigation to the most recent years.

Apart from the abnormalities in the industry above referred to, it should not be overlooked that during this period the purchasing power of money has undergone considerable change.

The index number, according to the Bureau of Labor statistics for the year 1920, for instance, was 226, whereas for the years 1921 and 1922 the index numbers were 147 and 149, respectively; that is to say, the purchasing power of money in 1921 and 1922 was 34.5 per cent greater than in 1920. For purposes of tariff adjustment to equalize present differences in cost the calculation must be made in terms of the present purchasing power of money, unless adjustments are made for differences in price levels. It is evident that an average of cost differences over a period of years, during which the value of money has changed, will necessarily distort the facts and prove confusing rather than helpful in reaching a judgment. In that there are such marked changes in the purchasing power of the dollar during this period, the cost data, if available, would not be on a parity for the whole period.

Furthermore, it is worthy of note that while the tariff act of 1922 was in preparation Congress was in possession of, and doubtless made full use of, virtually all the data then available in the commission's files, which data must be used in case a 6-year period is selected as the period for cost comparison. The duties which Congress fixed, using these data as its source of information, were doubtless intended to remain operative unless there was some reason subsequent to the act which might necessitate an adjustment of rates to equalize changed differences in cost of production. The authority to change rates was not extended to the President for the purpose of reviewing the act of Congress or of establishing tariff rates, but it was given to him for the purpose of adjusting duties in cases where conditions of maladjustment in cost have arisen since the enactment of the law.

¹ Not printed.

SELECTION OF YEARS 1921-22 AND 1922-23

The undersigned commissioners, in view of the above considerations, favor the limitation of the cost comparisons to the two crop years 1921-22 and 1922-23. There is but one time for which cost differences may be equalized by tariff adjustments. It is obvious that the flexible provision of the tariff law does not contemplate the adjustment of long past differences in cost. It was doubtless the intent of Congress that an investigation for purposes of tariff adjustment should be limited to the conditions which such adjustments are intended to remedy.

The application which gave rise to this investigation, as previously pointed out, refers to the conditions existing in the industry at the time when that application was presented, namely, November 16, 1922. Statements in the briefs of representatives of both the domestic and Cuban sugar producers, as well as the testimony given by interested parties in the hearing, favor the restriction of the data to be used for cost comparisons to the current conditions and the current situation.¹

In determining the current differences in the industry the most recent authentic cost data for both the foreign and domestic product should be used because they present the particular differences in costs which are to be equalized.

In the report of the Committee on Finance accompanying bill H. R. 7456 (67th Cong., 2d sess., S. Rep. 595, p. 3), it was stated that section 315 was inserted in accordance with the suggestion of the President in his message of December 6 upon tariff legislation in which he expressed the hope that a way would be found "to make for flexibility and elasticity so that rates may be adjusted to meet unusual and changing conditions which can not accurately be anticipated." The report stated that the amendment authorized the President to modify tariff rates "so that the rates may at all times conform to existing conditions."

Although the representatives of the industry, foreign and domestic, are in agreement in the view that the data used for cost comparison should be limited to current conditions, they are not in accord as to the precise years to be selected for such comparisons. The sugar-beet interests, as well as the Louisiana interests, requested the limitation of cost data to the calendar year 1922; the Cuban interests request the 1922-23 crop year; the Porto Ricans and Hawaiians request the crop year 1921-22. In this report the years 1921-22 and 1922-23 are used as the basis of comparison.

THE HYPHENATED YEARS USED IN THIS REPORT REFER TO THE SUCCEEDING CUBAN CROP

As above pointed out, it was the expressed opinion of the representatives of the trade that the most recent period should serve as a basis for comparison, and that it is the opinion of the undersigned commissioners that no other period than the two crop years 1921-22 and 1922-23 is defensible as a basis for comparison in this case. Throughout this report the two hyphenated years used refer to a comparison of the United States beet and the Louisiana crops with the succeeding Cuban crop.

The Cuban crop is produced in the same period and marketed at the same time as the crops for Hawaii and Porto Rico. The use of the succeeding year compares the 1921-22 Cuban, Porto Rican, Hawaiian, United States beet, and Louisiana crops, and likewise makes comparison of the 1922-23 Cuban, Porto Rican, Hawaiian, United States beet, and Louisiana crops.

The concurrence in time of the succeeding Cuban crop with that of beet and Louisiana production is made obvious by the accompanying chart² (No. II), whereas the want of such concurrence in time is also shown by the same chart.

¹ Briefs submitted by Shattuck, Bangs & Winant, attorneys on behalf of United States Sugar Association, pp. 25-27; by Stephen H. Love and Truman G. Palmer on behalf of United States Sugar Manufacturers' Association, pp. 4-8; by McCumber & Sullivan, attorneys on behalf of the American Sugar Cane League, pp. 11-14 and p. 26; by Royal D. Mead, J. W. Waldron, and J. K. Butler, attorneys on behalf of Hawaiian Sugar Planters' Association, pp. 27-29; and by Lippitt & Berle, attorneys on behalf of the Porto Rican Sugar Producers' Association, pp. 7 and 13-16.

² Not printed.

EXHIBIT No. 17

JULY 30, 1924.

REPORT IN CONNECTION WITH INVESTIGATION OF COSTS OF PRODUCING SUGAR

[Submitted by Commissioners Thomas O. Marvin and William Burgess]

SUMMARY STATEMENT

At the time when the sugar investigation was ordered, the commission, in keeping with the purpose of section 315, was compelled to obtain a comprehensive body of reliable information on the then existing conditions in the industry. The commission's experts were sent to Cuba and to the different domestic sugar regions to gather, upon detailed cost schedules, such full and complete data. Apart from the purposes of this investigation, the commission had in previous years accumulated partial and incomplete cost data which could not serve, for reasons given in this report, for purposes of section 315. The commission in the present investigation has gathered comprehensive cost data for the crop years 1921-22 and 1922-23, the data for which years only can be used in adjusting the rate in this case.

It will be seen that practically all of the sugar imported enters as raw sugar, 96° pure, to be refined in the United States. Of all the revenue collected on sugar imported for consumption, 97 per cent is on raws. Practically all of the domestic cane sugar is first produced in a raw stage. The tariff problem, therefore, is confined to raw sugar, so that the costs of production for tariff purposes must be limited to raw sugar at the place where raw sugar is produced, namely, f. o. b. mill. Only those costs, therefore, which are incident to the production of raw sugar may be included for the purposes of this comparison. It follows that transportation costs can not be a factor in the cost comparison.

It will be shown that there are many different costs of production by reason of the unlike conditions in the different sugar regions. In keeping with the purposes of this law, however, there can be no arbitrary choice as to the costs which will serve as the proper basis for comparison. An average cost figure for the United States as a whole can not be used for comparison with Cuban costs because such a figure is a composite of unlike and dissimilar conditions. Furthermore, a rate so adjusted, in view of the marked differences in the sugar-producing regions, would distinctly fail of its purpose for certain of these regions.

For reasons set forth in the body of this report, a rate based on the differences between mill costs could not serve as a basis of comparison. Due also to the distinctive requirements in the different domestic sugar regions, the proper basis of rate adjustment to equalize the differences in costs of production is found to be a comparison between Cuba and the domestic regions. Apart from the out-of-line costs in Porto Rico in 1922-23, which resulted in an abnormal figure for the average of the two crop years 1921-22 and 1922-23, the rate required to equalize the difference in the average cost of production for the two crop years (1921-22 and 1922-23) between Cuba and the United States beet will be sufficient to equalize cost differences between Cuba and the other domestic regions. For this reason the weighted average cost of United States beet is made the basis of comparison with Cuba.

The Cuban cost is lower than that of the United States beet by 1.8525 cents per pound. Although this difference calls for a slight increase in duty, the validity of any change is questioned by reason of the fact that the commission is not in possession of a sufficient body of agricultural costs to warrant a rate adjustment to equalize the differences in costs of production in this industry which is primarily an agricultural industry.

PRELIMINARY STATEMENT

The average annual consumption of sugar in the United States for the period covered in this report (1921-22, 1922-23) is approximately 4,934,488 tons. Of this amount our average importation for the same period amounts to 2,850,299 tons, or 57.7 per cent. The remaining 2,084,189 tons, or 42.3 per cent of the whole, is produced in the United States. Two million seven hundred and sixty-nine thousand three hundred and ninety-seven tons, or 97.2 per cent of our importations, have been from Cuba, which fact clearly establishes Cuba as the

principal competing foreign country. The 1,874,929 tons produced in the United States, exclusive of the Philippine and Virgin Islands, are distributed among the different sugar-producing regions as follows:

	Tons	Per cent
Beet.....	888,778.5	47.4
Louisiana.....	224,287	13.0
Porto Rico.....	281,194	15.0
Hawaii.....	460,669.5	24.6

Thus of the total domestic production, 1,133,065.5 tons, or 60.4 per cent, are produced in the continental United States, and 741,863.5 tons, or 39.6 per cent, are produced in our insular possessions.

The importance of sugar as a source of revenue is shown in the following figures:

TABLE A.—*Sugar as source of revenue*

[Source: Foreign Commerce and Navigation of the United States]

Year	Revenue from imports for consumption	Revenue from sugar imports	
		Amount	Per cent of total revenue from imports for consumption
1922.....	\$451,356,289	\$147,443,983	32.7
1923.....	¹ 566,495,828	127,475,381	22.5
Average.....	508,926,058	137,459,682	27

¹ Furnished by the Department of Commerce, July 22, 1924.

RATES OF DUTY

The predominance of raw sugar from Cuba has led to the practice of quoting tariff rates on raw sugar, 96° pure, effective for Cuba under the preferential agreement.

Tariff acts of—	Full-duty rate	Rate on Cuban sugars ¹	Tariff acts of—	Full-duty rate	Rate on Cuban sugars ¹
	<i>Cents per pound</i>	<i>Cents per pound</i>		<i>Cents per pound</i>	<i>Cents per pound</i>
1922.....	2.206	1.7648	1913.....	1.256	1.0048
1921.....	2.000	1.6000	1909.....	1.685	1.348

¹ Under reciprocity treaty of 1903, Cuba enjoys a preference of 20 per cent from full duty.

HISTORY OF THE INVESTIGATION

THE APPLICATION

The sugar investigation was initiated following an application by the United States Sugar Association requesting an investigation looking toward a reduction in duty.

That association is composed of members who own large interests in Cuba and who are otherwise interested in the sugar industry of that country. The association is located in New York City. Some of its members are sugar

refiners who import sugar in its raw state from Cuba and convert it into refined sugar in eastern refineries in this country.

The commission received the above-mentioned application November 16, 1922. The application averred among other things, "that the duty is excessive, unwarranted, and too high and does not equalize the difference in cost of production in the United States, its insular possessions, and the Republic of Cuba, which latter country is the principal competing country with that of the United States in the matter of sugar production."

ACTION BY THE COMMISSION

On March 27, 1923, the commission voted an investigation into the costs of producing sugar for purposes of section 315 of the tariff act of 1922.

The commission, since its organization in 1917, had gathered cost data from the mills in Cuba and from the domestic regions by means of schedules mailed to sugar producers. The information in the files of the commission, however, was insufficient as a basis for cost comparison for purposes of section 315; consequently it became necessary to make an extensive field investigation, obtaining by means of comprehensive schedules cost data sufficiently full to meet the requirements of section 315. A detailed cost schedule was prepared by the commission with the assistance of competent authorities and in cooperation with those interested in the industry. Upon the completion and final revision of the schedules the field investigation was begun.

FIELD WORK

In May, 1923, the commission sent to Cuba a staff of five agents assisted by nine accountants from a recognized public accounting firm, which firm has offices in New York City and Habana and specializes in the accounts of sugar companies. The work in Cuba was limited to other than American-owned companies and extended over a period of three months. Members of the commission's staff were employed for a period of about six weeks in obtaining the cost data for the American-owned Cuban mills at their offices in the United States.

Following the initiation of the work in Cuba, the field investigations in the domestic cane and beet regions were begun. Thus, the field work in all regions was conducted almost simultaneously. The number of men engaged and the time involved in each of the domestic fields were:

	Men	Number of work days
Porto Rico ¹	5	277
Hawaii.....	5	380
Louisiana ¹	7	598
United States beet.....	7	445

¹Assisted by special sugar accountants, 1 in Porto Rico and 1 in Louisiana.

Not only were members of the staff sent into these several regions but also the commission, for the purpose of securing the benefit of firsthand knowledge of those acquainted with conditions in the several regions, employed accountants and other experts conversant with conditions in the areas where the information was gathered.

The commission's staff, in each of the sugar producing regions investigated, came into personal contact with the conditions prevailing in the industry and gave expert assistance to the producers in the endeavor so far as possible to have each schedule accurately filled out. In addition to the precautions used in securing full and accurate information, the schedules were sent to the commission's offices in Washington for still further scrutiny and review. The greater part of a year has been occupied by the sugar division of the commission's staff in analyzing, tabulating, and summarizing this body of data from which the final report has been prepared.

YEARS USED AS BASIS OF COST COMPARISON

When the commission ordered the investigation for purposes of section 315 of the tariff act of 1922, the plan in keeping with the application before the commission was to secure cost data for the then existing crop, namely, the 1921-22 crop, and the schedules were accordingly prepared to cover that crop year. A copy of this schedule is shown in Appendix I of the report to the President in connection with the sugar investigation signed by Commissioners Culbertson, Lewis, and Costigan. Prior to the completion of this work, data for the crop year 1922-23 became available and, desiring to have the most recent data, costs were obtained for 1922-23 as well as for 1921-22. It is for these two years, 1921-22 and 1922-23, and for these two years only, that sufficient and adequate data are at hand to serve as a basis for adjusting the tariff on sugar.

While the investigation was in process the commission's staff, in order to secure a more comprehensive range of view, collected data where convenient for years other than those in the schedule. The information thus collected for years other than 1921-22 and 1922-23 is wholly inadequate as a basis for cost comparisons. These data cover certain of the regions, cover only partially others of the regions, and for certain of the regions provide no data at all, with the consequence that these data for these early years can not serve as a basis for cost comparison. The only means, therefore, of obtaining cost comparisons for these early years is to resort to the old data in the commission's files. These data, in our judgment, are inadequate for cost comparisons. The manner in which they were collected afforded the commission no opportunity for verification and at best they only partially supply the information needed for such comparisons.

TESTS USED TO ESTABLISH REPRESENTATIVE CHARACTER OF DATA OBTAINED IN PREVIOUS INQUIRIES

Despite the inadequacy of this old material, however, upon the completion of the investigation the suggestion was made that it would be helpful to extend the range of comparison over years not covered in the present field investigation. Consequently, the attempt was made in the report to the President signed by Commissioners Culbertson, Lewis, and Costigan, by means of a number of tests, to establish the representative character and statistical accuracy of the partial data in the commission's files for these early years. The tests, however, when reduced to critical examination, fail of their purpose. It will be helpful at this point briefly to examine these tests for, if they are found wanting, the conclusions based upon these early data will not command confidence.

With respect to Cuba, the endeavor was made for the years 1919 and 1920 to compare for the various Provinces the proportion of mills reporting to the commission with the production in these Provinces. The conclusion reached was that the schedules were representative in that the greater number of reports were received from Provinces producing the larger quantities of sugar. This test, it should be noted, concerns itself with the quantity rather than the character of the data.

Another test applied to Cuba was to show that the cost data for the earlier years were representative in that the mills reporting were not concentrated in any particular cost group. In the comprehensive cost data collected for 1922, of the mills reporting, certain mills for which the commission has data for the earlier years were high cost, certain others medium cost, and still others low cost mills. The costs of these particular mills were found to be representative of the costs for all mills reporting in 1922. It was assumed that, because these mills were representative of the costs for 1922, they must, therefore, be representative of the costs of all mills for the earlier years for which the commission does not have full data.

The assumption upon which this conclusion is based is not borne out by the statistics in the industry. Where we have data to trace the cost history of the mills, it is found that the individual mills change positions from year to year with respect to their costs of production. The same mills which are low cost in one year are frequently found to be high cost mills for another year, and vice versa. Thus, for example, companies designated 155, 159, and 19, which occupy relative cost positions 1, 2, and 4, respectively, during 1921-22,

are in the position 2, 1, and 18 during the crop year 1920-21; 1, 3, and 37 during 1919-20; and 2, 1, and 23 during 1918-19. Again, companies designated 137, 181, and 189, which maintain respective position 14, 16, and 18 during the crop year 1921-22, are in positions 6, 27, and 46 during 1920-21; 18, 9, and 16 during the crop year 1919-20; and 12, 7, and 5 during 1918-19.

Another test in the report signed by Commissioners Culbertson, Lewis, and Costigan to establish the representative character of the data for the early years is directed to the selection of the mills whose costs they consider representative for these years. This test was made in the manner following:

For Louisiana cost data were secured for 78 companies for the crop year 1921-22, and 85 companies for the crop year 1922-23. For 1920-21 there were available in the files of the commission records of only 13 mills. Out of these 13 mills 11 were selected because the average cost of these 11 mills in 1921-22 and 1922-23, respectively, was in keeping with the average of the 78 companies reporting for 1921-22, and also in keeping with the average cost of the 85 companies for the crop year 1922-23. This information covering 13 mills represents only 21.6 per cent of the industry and this is reduced to only 18.6 per cent when the number of mills is cut down by selection from 13 to 11. Conclusions should not be hazarded on information so meager. Especially is this true when the relative costs of the few mills reporting are shifting from year to year. That the costs of these 11 mills representing 18.6 per cent of the industry correspond by chance with the fuller data of the years 1921-22 and 1922-23, for which we have 70.0 and 84.5 per cent, respectively, of the industry as a whole is in no sense proof that the costs for these same 11 mills will be representative of costs of the entire industry of the earlier years.

In order to justify the use of the limited information in the commission's files for Porto Rico another test was applied. The commission obtained costs in earlier inquiries for five mills for the year 1920. In its field investigation of 1922 it secured data for 29 mills, among which were the five mills reporting in 1920. These five mills in 1922 showed an average cost of 4.4512 cents per pound of sugar, whereas the average cost for the 29 mills reporting for that region in 1922, and representing 87.8 per cent of the total production, was 4.3860 cents. It is set forth that, by reason of the close agreement of the costs for the five mills reporting in the earlier inquiries with the costs of all the mills reporting during the present investigation, the results of the cost data of the five mills in question were the equivalent of the results obtained for all the mills in the present investigation. It should be noted, however, that the excess of costs for the five mills over the 29 mills included in the commission's data for 1922 amounts to 0.0652 cent. This difference, it should be noted, even for the year 1922, is not inconsequential. This method, furthermore, is open to the same criticism as are the tests above mentioned for Cuba and Louisiana. This method assumes that data covering 36.5 per cent of the industry are as reliable as are fuller data covering 87.8 per cent of the industry.

Another test was applied to the Cuban data: For the year 1918 the commission received by correspondence cost data for seven mills in that country. During the present field investigation the commission's agents received data for 35 mills for the year 1918. It was found that the average costs for the 35 mills closely approximated the results earlier obtained by correspondence from the seven mills back in the year 1918. By reason of this close approximation in costs it was concluded that all the data in the commission's files secured by correspondence would prove statistically reliable. A conclusion based upon the assumption that schedules answered by correspondence furnish information as reliable as that gathered and checked by experts in the field is open to question.

The schedules sent out in this earlier inquiry were less complete and detailed than the schedules used in the present investigation. They omitted certain important items, among others interest on investment, which were included in the later schedules. Whereas the earlier schedules were 4 pages in length, those used in the present investigation covered 12 pages. The marked contrast between them in their fullness of detail is apparent when they are examined together. (See Appendix I of report signed by Commissioners Culbertson, Lewis, and Costigan.)

USE OF 6-YEAR PERIOD INCONSISTENT WITH PRESENT INVESTIGATION

It was since the completion of the commission's field investigation that the advisability of a cost comparison over a 6-year period has been suggested.

Whatever the merit of this suggestion, it is in the nature of an afterthought coming too late to serve the purpose of this investigation. If the commission had used the same method as was used in the previous inquiries, it could easily have secured as much information for the years 1921-22 and 1922-23 as it had secured for the previous years of the 6-year period in question. The commission could render no satisfying reason for its present field investigation if the data on hand were sufficiently complete and accurate for purposes of section 315.

As regards these earlier returns, they were acquired through correspondence and voluntarily given. Whether they are representative is problematical for, as a rule, the high-cost concerns might be more inclined to supply cost information to the Tariff Commission. Furthermore, in using the 6-year period our cost comparisons would suffer, not only because the early data are not sufficiently full and dependable, but also because in patching up the scattered information to gain a sufficiency of data for that period it will be necessary to combine material collected in different ways, at different times, and in different degree of authenticity.

COST ACCOUNTING PERIOD AS APPLIED TO CANE PRODUCTION

It has been claimed (pp. 45-56 of report signed by Commissioners Culbertson, Lewis, and Costigan) that it is necessary to use a 6-year period due to a peculiarity in the production of sugarcane, namely, that the preparing, planting, and cultivating costs incurred in any year apply not only to that year's crop, but to subsequent so-called stubble and ratoon crops. It is argued that the costs incurred in the preparation of the soil and the planting of the seed can not be charged to the crop of a single year, but that such charges must be apportioned to the succeeding yields year after year throughout the period of ratooning. Based upon this point of view, their report maintains the position that the commission would arrive at more accurate cost data by taking a period of six or seven years. Whatever may be the theoretical merit of this suggestion, the commission, unfortunately, is not in possession of the full and complete data which it would be compelled to have in order to justify such refinement.

The suggestion is open to the further criticism that, even were the 6-year period used, an arbitrary adjustment would, of necessity, have to be made for the first and last years of the period. This method could find logical application only when applied throughout the history of the industry.

The accountants, auditors, and experts in the trade in the different sugar regions have not been unmindful of this problem. The method, in fact, has been generally accepted in Hawaii, due to the peculiarities of production in that region, and has elsewhere been accepted by individual growers where local conditions make it advisable. The cost data gathered by the commission's staff in this investigation fully covers all records kept in this way. It is not well to attempt the subjection of other cost data to this manner of accounting for the reason that such subjection would be an arbitrary method. Although the report signed by Commissioners Culbertson, Lewis, and Costigan advocates the advisability of this method, it presents tests, as shown on pages 51 and 52, which practically substantiate the cost-accounting practice of the trade.

THE PERIOD 1917 TO 1921 ABNORMAL

Apart from the inadequacy of the data there are certain fundamental considerations which would make it unwise to base a tariff adjustment upon this 6-year period. The industry as a whole has been undergoing general reorganization, having changed during and following the World War so as to bring about a large decrease in the production of beet sugar, located principally in Germany, and a large increase in the production of cane sugar, located principally in Cuba. A change so basis in both the raw material used and the geographic location of production must be attended by uncertainties and irregularities in the industry and so to effect the costs as to vitiate their use for present tariff purposes.

Perhaps no period in the history of the sugar industry, certainly no period since the Civil War, has been more subject to change or more unreliable as a basis for determining costs than the past six years. (See Charts J hereto attached.¹) The crop year 1916-17 was marked by a rise in prices; 1917-1919

¹ Not printed.

was a period of Government control; 1919-20, following the release of Government control, was marked by a rise in prices unprecedented since the period of the Civil War; 1920-21 was a period of decline in prices, the most precipitous in history. Thus the past six years have witnessed reorganization in the industry, abrupt increased and precipitous declines in prices, and Government control. The abnormality of the data points to the advisability of confining the commission's investigation to the most recent years.

Apart from the abnormalities in the industry above referred to, it should not be overlooked that during this period the purchasing power of money has undergone considerable change.

The index number according to the Bureau of Labor Statistics for the year 1920, for instance, was 226, whereas for the years 1921 and 1922 the index numbers were 147 and 149, respectively; that is to say, the purchasing power of money in 1921 and 1922 was 34.5 per cent greater than in 1920.

For purposes of tariff adjustment to equalize present differences in cost, the calculation must be made in terms of the present purchasing power of money, unless adjustments are made for differences in price levels. It is evident that an average of cost differences over a period of years, during which the value of money has changed, will necessarily distort the facts and prove confusing rather than helpful in reaching a judgment. In that there are such marked changes in the purchasing power of the dollar during this period, the cost data, if available, would not be on a parity for the whole period.

ALL DATA PREVIOUS TO 1922 IN HANDS OF CONGRESS DURING PREPARATION OF
TARIFF BILL

Furthermore, while the tariff act of 1922 was in preparation, in addition to the other information at its command, Congress was in possession of, and made full use of, virtually all the data then available in the commission's files. These costs data in the commission's files must be used in case the 6-year is selected as the period for cost comparison. The duties which Congress fixed, using those data as its source of information, were doubtless intended to remain operative unless there was some reason subsequent to the act which might necessitate an adjustment of rates to equalize changed differences in cost of production. The authority to change rates was not extended to the President for the purpose of reviewing the act of Congress or of establishing tariff rates, but it was given to him for the purpose of adjusting duties in cases where conditions of maladjustment in cost have arisen since the enactment of the law.

SELECTION OF YEARS 1921-22 AND 1922-23

In view of the above considerations and in keeping with the intent and purpose of section 315 to use current costs, the undersigned commissioners use for purpose of cost comparisons the two crop years 1921-22 and 1922-23. The language used in subdivision (c) of section 315 shows clearly that rates of duty are to be revised to equalize current differences in costs of production; it provides that tariff adjustment shall accord with changes in cost differences by directing the President to modify or terminate rates which he has proclaimed "when he determines that it is shown that the differences in cost of production have changed or no longer exist which led to such proclamation." There is but one time for which cost differences may be equalized by tariff adjustments, and it is made clear in subdivision (c) of section 315 that they are current costs of production which are to be equalized.

On August 11, 1921, the day after section 315 was taken up for consideration in the Senate, the President, in a letter to Senator McCumber, said:

"It has seemed to me that the varying conditions in the world and the unusual conditions following the World War make it extremely essential that we have this means of adapting our tariffs to meet the new conditions."

In the report of the Committee on Finance accompanying bill H. R. 7456 (67th Cong., 2d sess., S. Rept. No. 595, p. 3) it was stated that section 315 was inserted in accordance with the suggestion of the President in his message of December 6, 1921, upon tariff legislation in which he expressed the hope that a way would be found "to make for flexibility and elasticity so that rates may be adjusted to meet unusual and changing conditions which can not accurately be anticipated." The report stated that the amendment authorized the President to modify tariff rates "so that the rates may at all times conform to existing conditions."

The application of the United States Sugar Association refers to the conditions existing in the industry at the time when that application was presented, namely, November 16, 1922. Statements in the briefs of attorneys for both the

domestic and Cuban sugar producers, as well as the testimony given by interested parties in the hearing, argue for the restriction of the data for cost comparisons to the current conditions and the current situation.¹

In determining the current differences in the industry, the most recent authentic cost data for both the foreign and domestic product should be used because they present particular differences in cost which are to be equalized.

Although the representatives of the industry, foreign and domestic, are in agreement in view that the data used for cost comparison should be limited to current conditions, they are not in accord as to the precise years to be selected for such comparison. The sugar-beet interests, as well as the Louisiana interests, requested the limitation of cost data to the calendar year 1922; the Cuban interests request the 1922-23 crop year; the Porto Ricans and Hawaiians request the crop year 1921-22. In this report the years 1921-22 and 1922-23 are used as the basis of comparison.

THE HYPHENATED YEARS USED IN THIS REPORT

The hyphenated years used in this report—1921-22 and 1922-23—are made the basis of comparison of the United States beet and the Louisiana crops with the succeeding Cuban crop. The Cuban crop is produced in the same period and marketed at the same time as are the crops for Hawaii and Porto Rico.

The concurrence in time of the succeeding Cuban crops with those of beet and Louisiana is made obvious by the accompanying chart (chart K), whereas the want of such concurrence in time is also shown by the same chart.

The question has arisen as to the advisability of using the preceding Cuban crop; it will be helpful, therefore, to give reasons for using the succeeding Cuban crop in these comparisons. These reasons are:

1. The succeeding Cuban crop and the Louisiana and United States beet crops are sold more nearly at the same time and, therefore, enter into more direct competition with one another than would be the case were the preceding Cuban crop used.

2. In arriving at competitive costs which take place at the same time, the succeeding Cuban crop rather than the preceding should be used, because the costs of its production are undergone at practically the same time as are those of Louisiana and United States beet.

3. Cost curves for the years 1917-1923, inclusive, show the greater divergence in costs between the Cuban crops and the Louisiana and United States beet crops by comparing the preceding Cuban crops with these two domestic crops. A comparison of the succeeding Cuban crop with these two domestic crops, however, shows comparatively little divergence through time of the differences in costs between the Cuban and domestic crops.

The divergence in costs in the comparison between the preceding Cuban crop and these domestic crops ranges from 0.108 cent in 1920 (0.012 cent in 1921) in favor of Louisiana to 7.721 cents in 1919 in favor of Cuba. By taking the succeeding Cuban crop, however, the divergence in cost is only slight. Cuban costs are lower in every case. This divergence in 1917 was 1.190 cents and in 1920 it was 3.926 cents, which figures represent the least and the greatest cost differences shown in the comparison. The more constant and uniform variations shown in the comparison between the domestic crops and the succeeding Cuban crops indicate the continuous operation of the same economic principles. The erratic variations in costs shown in the comparison of the preceding Cuban crops with Louisiana and United States beet indicate a want of casual relationship common to the costs of production as between the Cuban and these domestic regions.

4. Sugar may be classed as a durable rather than as a perishable market product. This fact has an important bearing upon its price. In that it may be held through time when there is a promise for a higher price, its price in this country is particularly affected by forecasts respecting the supply of sugar coming from Cuba. In anticipation of a small Cuban crop in 1920 as a result of a drought the abnormally high prices of that year were brought about. The abundant supply of sugar on the market together with the anticipation of a large forthcoming crop cause the present price of sugar to be low.

¹ See briefs submitted by Shattuck, Bangs & Winant, attorneys on behalf of United States Sugar Association, pp. 25-27; by Stephen H. Love and Truman G. Palmer on behalf of United States Sugar Manufacturers' Association, pp. 4-8; by McCumber & Sullivan, attorneys on behalf of the American Sugar Cane League, pp. 11-14 and p. 26; by Royal D. Mead, J. W. Waldron, and J. K. Butler, attorneys on behalf of Hawaiian Sugar Planters' Association, pp. 27-29; and by Lippitt and Berle, attorneys on behalf of the Porto Rican Sugar Producers' Association, pp. 7 and 13-16.

Its durability and the fact that it is a necessity of life cause its price to be very sensitive and easily influenced by forecasts. Thus, since the forecast as to the Cuban crop is reflected in the present price of sugar, it influences the plans of domestic producers and determines in considerable measure the costs they will undergo in the production of sugar.

RAW SUGAR, THE BASIS OF COST COMPARISON

Almost all the imported sugar comes from Cuba, and is brought in in a raw state. For the year 1923 the duty on sugar amounted to \$127,475,381, of which \$124,137,122, or 97 per cent, was collected on raw sugar, 96° pure.

These facts leave no doubt that the effective duty on sugar is on raw sugar, or 96° sugar; consequently, the tariff problem is a raw-sugar problem. The costs of raw sugar, therefore, are the costs to be compared in adjusting the rates on sugar. Such sugar as is refined by a continuous process of production can be, and has been, reduced to the raw basis for purposes of this comparison.

COSTS F. O. B. MILL

The conclusions reached in this report are based upon comparisons f. o. b. mill. In comparing the costs of production of domestic sugars with the costs of producing sugar in Cuba it is well, for tariff purposes, to bear in mind that the sugar-producing industry is a well-ordered type of modern, large-scale production. Such a cost study for purposes of comparison should embrace all costs incident to the maintenance of such an industry. It should embrace costs of raw material, wages, overhead, taxes, rent, and interest on investment.

It is essential to include interest as a part of costs because definite capital charges are incurred. In reducing the figures for all the regions to a comparable basis, interest on investment should be included, because the costs of production of some of the regions already include items, such as rent, which in other regions are reflected in investment.

The costs here used for comparative purposes are limited to f. o. b. mill. As such they include only the transportation costs incurred in assembling all the material for manufacturing purposes at the mills. In their report to the President on wheat the undersigned commissioners pointed out the questionable legality of including transportation costs and quoted from the Congressional Record the statements made by the chairman of the Finance Committee of the Senate and other Members of Congress to the effect that it was not the purpose of Congress in passing the law to have transportation costs included. The statements made in Congress upon this point are clearly and unequivocally to the effect that transportation costs are not to be included.

In any case, it must be clear that the law made cost of production, as that term is ordinarily understood, the object of the commission's investigation and the basis of the adjustment of rates under section 315. There is no single definition of cost of production acceptable to all authorities. It is made comprehensive enough by some to embrace all cost outlays incident to the delivery of the product, in its finished form, to the final consumer. The more generally accepted definition, however, and, as we believe, the definition to which it was the purpose of Congress to give effect in this law is the definition that the cost of production, by excluding marketing and transportation costs, is limited to those cost outlays incident to the completion of the product. In modern production there are different stages of completion from the raw material to the final form ready for consumption. The tariff problem and, consequently, the costs used for comparative purposes in this case center in raw sugar, 96° pure. It follows that the term, cost of production, for the purpose of this comparison must embrace all the outlays incident to the production of raw sugar f. o. b. mill.

It must be obvious that, since the problem before us is one of cost of production comparisons in the production of raw sugar, the limit of the cost investigation ends at the place where the raw sugar is produced. Hence, the reason for basing our comparison upon f. o. b. mill costs.

AGRICULTURAL COSTS

It is among the purposes of the tariff act of 1922, as set forth in the preamble, "to encourage the industries of the United States." With respect to the maintenance and encouragement of the sugar-producing industry, it is essential that agricultural costs as well as manufacturing costs should be included. It

must be evident that the beet farms and cane fields must be kept going in order that the industry may survive.

A peculiarity of the raw materials, beets and cane, from which sugar is produced is that they must be utilized near the place of production. They are bulky and perishable and so do not lend themselves to distant shipment or international trade. Their production depends upon the existence of a near-by factory and, in turn, no factory can be located distant from the centers of the raw material. The industry as a whole is a closely integrated one, the factories being entirely dependent upon the beets and cane in ample and regular supply. The future of the domestic sugar industry rests upon the maintenance or expansion of these raw materials. Of the total cost of producing sugar from 30 to 65 per cent is due to the cost of the raw material.

In Hawaii, for the most part, the cane is grown by the manufacturing companies themselves and their costs, therefore, reflect the actual costs of growing the cane. In other cane-sugar regions a considerable portion of the cane is grown by farmers and purchased by the mills. The cost data for purchased cane in these regions cover only the price paid to the farmer. In Cuba, for example, from 80 to 85 per cent of the cane is grown on plantations or farms entirely independent of the mills. These independent growers have a lower investment cost and overhead expense in the production of cane than do the companies which grow administration cane. It is generally conceded that the independent growers in Cuba can and do produce their cane at a lower cost than do the companies producing administration cane.

Taking the regions as a whole, the prices paid the farmers by the mills are not the same as the actual costs of producing the raw material. Except for the administration cane produced by the mills themselves, very few agricultural costs were obtained.

Due to the fact that the production of sugar is primarily an agricultural industry, the importance of including agricultural costs is apparent. Of the total number of laborers employed in the domestic industry, 88 per cent are employed in the agricultural processes, and but 12 per cent in the factories. Approximately 57 per cent of the total investment in all branches of the industry is in the agricultural end of the production.

Of the sugar consumed in the United States, 56.1 per cent comes from Cuba; 80 per cent of the Cuban cane ground is purchased cane, and it is with the sugar costs of that country that domestic costs are to be compared. In that such costs constitute from 30 to 65 per cent of the cost of sugar, the importance of including agricultural costs is apparent. No thoroughly complete and satisfactory comparison of sugar costs can be made without the inclusion of the agricultural costs of producing cane and beets.

COST COMPARISONS

The following is a statement of the costs for the crop years 1921-22 and 1922-23 and the average of the cost for these two years.

TABLE B.—Comparison of weighted costs f. o. b. mill (including interest on investment), crop years 1921-22 and 1922-23

Regions	Production in pounds (000,000 omitted)			Cost of production (in cents per pound)		
	Crop years		2-year average, 1921-22 and 1922-23	Crop years		2-year weighted average cost, 1921-22 and 1922-23
	1921-22	1922-23		1921-22	1922-23	
Cuba.....	8,951.9	8,070.5	8,511.2	2,4966	3.8801	3.1525
United States:						
Hawaii.....	1,124.9	1,050.6	1,087.8	4.6572	5.2681	4.9522
Porto Rico.....	811.9	758.1	785.0	4.3860	5.8436	5.0898
Louisiana.....	648.9	590.2	619.5	4.2952	5.2921	4.7700
United States beet.....	2,041.1	1,379.7	1,710.4	4.7086	5.4573	5.0106
United States as a whole.....	4,626.8	3,778.6	4,202.7	4.5815	5.4564	4.9748

The six charts following this page present in two groups the cost data in the above Table B: Group 1 illustrates the costs of production of Cuba as compared

with the domestic sugar regions as follows: Chart A, for the crop year 1921-22; chart B, for the crop year 1922-23; chart C, for the average of the two crop years 1921-22 and 1922-23. Group 2 illustrates the costs of production of Cuba as compared with the United States as a whole as follows: Chart D, for the crop year 1921-22; chart E, for the crop year 1922-23; chart F, for the average of the two crop years 1921-22 and 1922-23.

Pounds×dollars-----	(1)	16, 165. 23534 23, 016. 75320	6, 474. 9 5, 932. 0	
		39, 181. 98854	12, 406. 9	3. 1581
	(2)	5, 238. 88428 5, 534. 66586	1, 124. 9 1, 050. 6	
		10 773. 55014	2, 175. 5	4. 9522
	(3)	3, 560. 99340 4, 430. 03316	811. 9 758. 1	
		7, 991. 02656	1, 570. 0	5. 0898
	(4)	2, 787. 15528 3, 123. 39742	648. 9 590. 2	
		5, 910. 55270	1, 239. 1	4. 7700
	(5)	9, 610. 72346 7, 529. 43681	2, 041. 1 1, 379. 7	
		17, 140. 16027	3, 420. 8	5. 0106
	(6)	21 197. 68420 20, 617. 55304	4, 626. 8 3, 778. 6	
		41, 815. 23524	8, 405. 4	4. 9748

United States	1921-22		1922-23	
	Tons	Pounds	Tons	Pounds
Hawaii.....	502, 194	1, 124, 914, 560	479, 463	1, 073, 997, 120
Porto Rico.....	362, 442	811, 870, 080	338, 456	758, 141, 440
Louisiana.....	289, 669	648, 858, 560	263, 478	590, 190, 720
Beet.....	911, 190	2, 041, 065, 600	615, 936	1, 379, 696, 640
Cuba.....	3, 996, 387	8, 951, 906, 880	3, 602, 910	8, 070, 518, 400

Comparisons are made between Cuba and each of the domestic-sugar regions and between Cuba and the United States as a whole in Table C following:

TABLE C.—Differences in f. o. b. mill costs between domestic sugar regions and Cuba showing the amount by which the Cuban costs are lower than the domestic costs, crop years 1921-22 and 1922-23

[In cents per pound]

Regions	Crop years		2-year weighted average for crop years 1921-22 and 1922-23
	1921-22	1922-23	
Hawaii.....	2. 1606	1. 3880	1. 7997
Porto Rico.....	1. 8894	1. 9635	1. 9377
Louisiana.....	1. 7986	1. 4120	1. 6175
United States beet.....	2. 2120	1. 5772	1. 8580
United States as a whole.....	2. 0849	1. 5763	1. 8223

In the body of this report paper it has been shown that the proper basis of comparison is the two crop years 1921-22 and 1922-23, but, desiring to study the costs of production from a slightly different point of view, there is presented herewith a comparison of these two crop years with the costs for the calendar year 1922:

TABLE D.—Costs of production of Cuban and domestic sugars coming into the markets of the United States during the calendar year 1922

[Costs are f. o. b. mill, including interest on investment]

Region of sugar production and various crops marketed in calendar year	Cost of pound of raw sugar f. o. b. mill, including investment (cents)	Amount of each crop meeting in competition in calendar year (pounds)	Cost of this sugar marketed during the calendar year	Average cost of sugar marketed during the calendar year (in cents per pound)
Cuba:				
1920-21 crop	4. 3105	1, 641, 409, 280	\$70, 752, 947	-----
1921-22 crop	2. 4966	5, 254, 217, 920	131, 176, 805	-----
1922-23 crop	3. 8801	32, 493, 440	1, 260, 778	-----
Total calendar year		6, 928, 120, 640	203, 190, 530	2. 9328
United States:				
Hawaii, 1922 crop	4. 657	1, 124, 914, 560	52, 387, 271	4. 657
Porto Rico, 1922 crop	4. 3860	811, 870, 080	35, 608, 622	4. 3860
Louisiana—				
1921-22 crop	4. 2952	180, 334, 463	7, 745, 726	-----
1922-23 crop	5. 2921	401, 358, 333	21, 240, 284	-----
Total calendar year		581, 692, 796	28, 986, 010	4. 9830
United States beet—				
1921-22 crop	4. 7086	1, 557, 920, 000	73, 356, 221	-----
1922-23 crop	5. 4573	436, 217, 600	23, 805, 703	-----
Total calendar year		1, 994, 137, 600	97, 161, 924	4. 8724
Total domestic calendar year, 1922		4, 512, 615, 036	214, 143, 827	4. 7454

The two charts following this page illustrate the cost data in the above Table D, as follows: Chart G illustrates for the calendar year 1922 the cost of production of Cuba as compared with domestic sugar; Chart H illustrates for the calendar year 1922 the costs of production of Cuba as compared with the United States as a whole.

Comparisons are made between Cuba and each of the domestic-sugar regions and between Cuba and the United States as a whole for the calendar-year data in Table E following:

TABLE E.—Differences in f. o. b. mill costs between Cuban and domestic sugars coming into the markets of the United States during the calendar year 1922

[Including investment, in cents per pound]

Regions	Amount by which Cuban costs are lower than domestic costs
Hawaii	1. 7242
Porto Rico	1. 4532
Louisiana	2. 0502
United States beet	1. 9396
United States as a whole	1. 8126

It will be seen that, viewing the regions as a whole, there is close agreement between the results for the calendar year 1922 and those of the two crop years

1921-22 and 1922-23. The undersigned commissioners, however, do not accept the calendar year 1922 as a basis of cost comparison, because the calendar year method does not compare costs incurred at the same time. A cost based upon the calendar year is a composite cost made up of the costs of production of the different portions of supply on the market irrespective of the time when they were produced. Thus it does not embrace concurrent costs, the costs of any particular year, but all costs, whenever they may have occurred, which were involved in the production of the supply on the market during the calendar year. If, as we believe, it is the intent of the law to compare costs which were incurrent at definite and concurrent periods of time, the calendar year method fails as a basis of cost comparison for purposes of section 315.

DETERMINATION OF BASIS FOR EQUALIZING COSTS OF PRODUCTION

It will be seen from the above tables that there is no one difference in the cost of producing sugar in the United States and Cuba. There are many cost differences, depending upon the unit selected and the time chosen for cost comparisons. Defense in a measure may be made for a number of the cost comparisons made possible by the above figures, but in keeping with the purpose of the law there is no arbitrary choice in the selection of the basis of comparison. As brought out in the body of this report, and fully substantiated by reference to the statements of the President, and by statements of the chairman of the Finance Committee in reply to inquiries during debates in Congress, by the report of the Finance Committee in question, as well as by the language of the elastic provision of the law itself, they are current conditions which are to be investigated, and the recent costs obtained through those investigations which are to be equalized.

Furthermore, in keeping with the purposes of the law "to encourage the industries of the United States," the cost basis must, to accord with the spirit of the law, measure to requirements that will maintain the body of the industry intact. The maintenance of an industry does not imply so fixing rates as to place a premium upon inefficiency by making such rates so high that out-of-line concerns will be protected.

In arriving at a proper basis of comparison the question arises as to whether such comparisons should be made (a) between domestic and Cuban sugar producing mills, or (b) between average costs for the United States as a whole and Cuba, or (c) between the different domestic sugar regions and Cuba.

As regards the comparison of costs between mills, it may be noted that there is a fair degree of standardization among the sugar mills (beet and cane) throughout the industry. The use of standardized equipment in the mills and the general acceptance of approved methods in operation mean that there can be only minor difference in any region where similar conditions prevail in the costs among mills whose volumes of production are approximately the same. It is true that one will find here and there a mill with obsolete equipment and consequent high costs, but these may be regarded as out-of-line or exception high-cost mills. In our judgment there is no warrant in the law for using the exceptional and unusual costs as a basis of comparison. On the whole, sugar mills conform to the type of mills where the principle of increasing returns prevails. Accordingly it will be found, and without exception the experience of producers confirm it, that the costs of production per unit of product diminishes as the volume of output increases. On the contrary, the cost per unit of product increases as the volume of production diminishes. Thus the experience of the industry is large production and low costs and small production and high cost.

The extension of sugar production over varying conditions of soil and climate speaks for a want of uniformity in the standard of living, in wage scales, as well as in volume of production among the widely scattered mills. Certain mills may be prosperous, while others, by accident of shortage in raw material or labor troubles or what not, may be suffering from curtailment in production. The unfortunate mills of one year may be the prosperous mills of the next year, and vice versa.

Again, the industry as a whole may be in a high state of prosperity at the same time when splendidly equipped and excellently managed mills are suffering by reason of adverse local conditions.

So rapid is the change in the cost of production in the different mills as to render it impracticable, if not impossible, to so adjust the rates as to equalize

the differences in their costs of production. A tariff adjustment based upon such comparative costs could have no more than transient worth.

In our judgment, furthermore, it would not be in keeping with the purpose of the law to use as a basis of comparison with Cuban costs the average costs of the production of sugar in the United States as a whole. The data presented in the tables above make it clear that there are marked differences in these costs of producing sugar. Were an average cost of production selected for the United States and its insular possessions, and a tariff based thereon, such an average would conform to the costs of neither the high nor the low cost producers. It would not be in keeping with the policy of this law so to adjust rates as to bring serious injury to any of the important domestic sugar-producing regions.

There remains for consideration the advisability of using a weighted average cost of the different domestic sugar regions as a basis of comparison with Cuban costs. We have seen that it would not be practicable to use either average costs for all mills or the average cost for the United States as a whole, for it is evident that such costs must be obtained by averaging the very unlike conditions which prevail throughout the entire industry. The same difficulty is not encountered in presenting the average costs within a particular sugar-producing region, because units of a more like and similar nature are used for comparison. The type of equipment, the kind of labor, and the standard of living must be more similar and comparable within the same sugar-producing region than would be found by taking the average for the United States as a whole. Rather distinct conditions prevail in each region. The methods of operation, of control, and the organization pervading the whole industry in any particular region are conditions which tend to mark off for special consideration and comparison each region from all the others. A weighted average cost, therefore, for a particular region, being an average of costs under fairly like and similar conditions, may be termed a representative cost, bearing a significance not found in a cost resulting from an average of unlike conditions and circumstances.

All of the four sugar regions of the United States, as above noted, have natural advantages and disadvantages peculiar to themselves, which call for a distinct consideration of each region.

Hawaii has climatic and other natural conditions which, together with its intensive irrigation system and the use of considerable amounts of commercial fertilizers, favor the production of a 2-year crop, and result in a high sugar yield. This region is noteworthy also because of the extent to which it grows administration cane. For Hawaii, the commission has cost data for only about 25 per cent of the industry for the year 1922-23.

Porto Rico has a soil and climate which favor the growing of numerous crops from one planting. The type of labor, the organization of the industry, and the practice of purchasing the cane which is produced by independent growers, present conditions unlike those which predominate in the domestic regions. Our data shows that the costs for this region are out of line, being exceptionally high for the crop year 1921-22. The difference in the average cost of production of 1922-23 over 1921-22 in the other three domestic regions was 0.8422 cent, whereas the costs in Porto Rico for the crop year 1922-23 were higher than those for the preceding year by 1.3566 cents. This marked difference in costs for the two crop years as compared with the cost differences for the other domestic regions shows the costs for Porto Rico to be clearly out of line for the year 1922-23. This fact makes it unsuited as a basis for cost comparison with Cuba.

Peculiar to Louisiana is its short growing season, which, as compared with other regions, calls for greater requirements for seed cane. That region also is characterized by marked differences in its annual production.

It is doubtful whether the three cane sugar producing regions above mentioned present a sufficient promise for expansion, if we take a long point of view, to keep pace with the rapidly growing volume of sugar consumption in the United States. Having regard to the growth of the industry in light of the expanding needs for sugar, our industrial policy should not neglect the necessity for expanding the domestic production.

The production of sugar beets differs from the production of sugarcane in the fact that it is not limited to a particular section. They are produced in

16 States of the Union. These States, in the order of their importance, are: Colorado, Utah, Michigan, Nebraska, California, Idaho, Ohio, Montana, Wyoming, Iowa, Wisconsin, Minnesota, Indiana, Kansas, Illinois, and Washington. Peculiar also to the production of sugar beets is the common practice of the diversification of crops. Beets are not known in a 1-crop region. The growing of beets promotes the program of diversification in farming because it fits well into the rotation of crops. It provides a dependable cash crop, is an agricultural asset by reason of the fact that the scientific care and thorough cultural methods required in its production promote good farming, and lends to the stability of land values by removing the hazard common to a 1-crop system of farming. For the two crop years 1921-22 and 1922-23, beet sugar constituted 47.4 per cent of the sugar produced in the four domestic sugar regions investigated.

By reference to Table C, on page 25, it will be seen that the difference between costs of producing sugar in Hawaii and Cuba is, for these two crop years, 1.7997 cents; between Porto Rico and Cuba, 1.9373 cents; between Louisiana and Cuba, 1.6175 cents; and between the United States beet and Cuba, 1.8580 cents.

For the purpose of adjusting tariff rates so as to equalize differences in the costs of production of sugar between Cuba and the United States, the selection of the beet-sugar region, in consequence of the above considerations, is substantiated on economic grounds. The selection of the beet-sugar industry is not the selection of a decadent industry to protect which would fix an unwarranted burden upon the consumer; rather, it is the selection of our largest domestic source of supply, and its selection, furthermore, by reason of its being the high cost region and its promise for expansion, is in keeping with the purpose of the tariff act of 1922 "to encourage the industries of the United States."

Comparisons for the crop years 1921-22 and 1922-23: A tariff adjustment on the basis of costs in Hawaii would fall 0.0583 cent short of equalizing the difference in cost between Cuba and the United States beet.

A tariff adjustment on the basis of costs in Louisiana would fall 0.2405 cent short of equalizing the cost between Cuba and the United States beet.

The rate based upon the sugar-beet costs would fall 0.0793 cent short of equalizing differences in costs between Cuba and Porto Rico, but this apparent disadvantage for Porto Rico is due to the exceptionally high and out-of-line costs in that region in the year 1922-23.

Thus it will be seen from the above considerations of the different regions as bases for comparing the costs of production between Cuba and the United States that it is necessary, in keeping with the purpose by section 315 of the tariff act intended, that costs of producing beet sugar for the crop years 1921-22 and 1922-23 be used as a basis of comparison.

For the crop year 1921-22 the cost of producing raw sugar in Cuba is lower than that of producing beet sugar by 2.2120 cents per pound; for the crop year 1922-23 the Cuban cost is lower by 1.5772 cents. An average of these two crop years, for which we have data secured in the present investigation, most complete and authentic, shows the Cuban cost to be lower than that of United States beet by 1.8580 cents per pound. The conclusion reached by making a comparison of costs upon the basis of the two crop years 1921-22 and 1922-23, namely, the cost difference between sugar beet and Cuba of 1.8580 cents, does not materially differ from the result which would be obtained by comparing an average cost of the United States as a whole with that of Cuba, or by the method of comparing costs for the calendar year 1922. The difference between the present rate on Cuban raw sugar of 1.7648 cents and 1.8580 cents, the rate required to equalize the difference in cost of production between Cuba and the United States beet, is 0.0932 cent per pound. This difference of 0.0932 cent is 5.28 per cent of the present rate of Cuban sugar of 1.7648 cents per pound.

Although this difference calls for a slight increase in the rate of duty, the validity of any change is questioned by reason of the fact that the commission is not in possession of a sufficient body of agricultural costs to warrant a rate adjustment to equalize the differences in costs of production in this industry which is primarily an agricultural industry.

EXHIBIT No. 18

INVESTIGATION OF THE COST OF PRODUCTION OF SUGAR

[Report to the President by Commissioners Marvin and Burgess]

DIFFERENCES IN COSTS OF PRODUCTION OF SUGAR IN THE UNITED STATES AND IN CUBA, AS ASCERTAINED PURSUANT TO THE PROVISIONS OF SECTION 315 OF TITLE III OF THE TARIFF ACT OF 1922

REPORT IN RESPECT TO DATA SECURED BY THE TARIFF COMMISSION IN THE INVESTIGATION OF THE COSTS OF PRODUCTION OF SUGAR, SUBMITTED BY COMMISSIONERS THOMAS O. MARVIN AND WILLIAM BURGESS

THE PRESIDENT:

The undersigned commissioners find themselves unable to sign the report in connection with the investigation of the costs of production of sugar transmitted to the President by Commissioners Culbertson, Lewis, and Costigan, constituting one-half of the membership of the United States Tariff Commission, for the following reasons:

1. Because we can not accept or approve the arguments presented or the conclusions drawn, being based, as they are in large part, upon cost statements not secured by the commission in the prosecution of the present investigation. Some of the statistical matter presented was not gathered by the Tariff Commission; much of it was secured before the institution of this investigation and for purposes not connected with or related to the provisions of section 315 of the tariff act of 1922.

2. Because the provisions of section 315, authorizing investigations by the Tariff Commission to assist the President in ascertaining differences in costs of production, require the ascertainment of current costs and any increases or decreases in the rates of duty provided in the tariff act of 1922 should be such as are necessary to equalize said ascertained differences in such costs of production.

3. Because the provisions of section 315 of the tariff act of 1922, under which this investigation was instituted, have not been adhered to or complied with in said report.

4. Because the incompleteness of data in possession of the commission in relation to the agricultural costs of producing cane and beets makes it difficult, if not impossible, to determine accurately the differences in the costs of producing sugar in the United States and in the principal competing country.

Therefore, the undersigned commissioners present, for the assistance of the President, the following report based upon information and data in possession of the commission in connectin with the present investigation.

PRELIMINARY STATEMENT

The canesugar industry is the oldest of the two established methods of sugar production. India, where the industry originated, is still a large producer of sugar. The leading canesugar-producing countries, in the order of their importance, are: Cuba, India, Java, United States and insular possessions, Brazil, Formosa and Japan, Peru, Australia, Argentina, West Indies, Mexico, and Egypt.

The beet-sugar industry is of more recent origin. Its importance was first recognized by Frederick the Great and by Napoleon. It was the decree of Napoleon in 1811, appropriating 1,000,000 francs for the establishment of schools for beet-sugar instruction; requiring farmers to plant 79,000 acres of land to sugar beets, and prohibiting, after 1813, the imporation of sugar into France, that established the industry in that country and led to its establishment in other European countries, so that beet-sugar production is now a part of the agricultural and industrial life of Czechoslovakia, Belgium, Holland, Poland, Italy, Russia, Spain, Denmark, Hungary, Sweden, Rumania, Bulgaria, Austria, and Switzerland, as well as of Germany and France.

It is recognized that sugar-beet production has important beneficial effects from an agricultural viewpoint, requiring careful preparation of the soil, deep plowing, and intensive methods of cultivation. Sugar beets are a valuable rotation crop, contributing to diversified farming and often resulting in increased yields of other crops.

The production of sugar is a combination of agricultural and factory processes and various phases of sugar production may be outlined, as follows:

1. Production of cane or beets—the agricultural phase.
2. Conversion of cane into raw sugar—a factory phase.
3. Conversion of raw sugar into refined sugar—a factory phase.
4. Conversion of sugar beets into beet sugar—a factory phase.
5. The distribution of refined sugar, cane or beet—a marketing process.

It is recognized by sugar authorities and experts that "the agricultural phase is of predominant importance with respect to costs." (P. 15, "Sugar in Relation to the Tariff," by Philip G. Wright.)

In sugar consumption the United States ranks first. In cane-sugar production it ranks fourth; in beet-sugar production, second, being exceeded only by Germany. The main source of United States imports of sugar is Cuba.

SUMMARY OF REPORT

At the time when the sugar investigation was ordered the commission, in keeping with the purposes of section 315, was compelled to obtain a comprehensive body of reliable information on the then existing conditions in the industry. The commission's experts were sent to Cuba and to the different domestic-sugar regions to gather, upon detailed-cost schedules, such full and complete data. Apart from the purposes of this investigation, the commission had, in previous years, accumulated partial and incomplete cost data which can not, for reasons given in this report, fulfill the requirements of section 315. The commission in the present investigation has gathered comprehensive cost data for the crop years 1921-22 and 1922-23, the data for which years only can be used for the purposes of this investigation.

It will be seen that practically all of the sugar imported enters as raw sugar, 96° pure, to be refined in the United States. Of all the revenue collected on sugar imported for consumption, 97 per cent is on raw sugar. Practically all of the domestic cane sugar is first produced in a raw stage. The tariff problem, therefore, is confined to raw sugar, thus the costs of production for tariff purposes must be limited to raw sugar at the place where raw sugar is produced, namely, f. o. b. mill. Only those costs, therefore, which are incident to the production of raw sugar may be included for the purposes of this comparison. It follows that transportation costs can not be a factor in the cost comparison.

It will be shown that there are many different costs of production by reason of dissimilar conditions in the different sugar regions. In keeping with the purposes of this law, however, there can be no arbitrary choice as to the costs which will serve as the proper basis for comparison. An average cost figure for the United States as a whole can not be used for comparison with Cuban costs because such a figure is a composite of unlike and dissimilar conditions. Furthermore, a rate so adjusted, in view of the marked differences in the sugar-producing regions, would distinctly fail of its purpose for certain of these regions.

For reasons set forth in this report, a rate based on the differences between individual mill costs could not serve as a basis of comparison. Due also to the distinctive requirements in the different domestic sugar regions, the proper basis of rate adjustment to equalize the differences in costs of production is found to be a comparison between Cuba and the domestic regions. Apart from the out-of-line costs in Porto Rico in 1922-23, which resulted in an unusually high figure for the average of the two crop years 1921-22 and 1922-23, the rate required to equalize the difference in the average cost of production of Cuban sugar and United States beet sugar for the two crop years (1921-22 and 1922-23) will be sufficient to equalize cost differences between Cuba and the other domestic regions. For this reason the weighted average cost of United States beet sugar is made the basis of comparison with Cuba.

The cost of Cuban sugar is lower than that of the United States beet sugar by 1.8525 cents per pound. Although this difference apparently warrants a slight increase in duty, the incompleteness of the commission's data in respect to agricultural costs of producing cane and beets render the cost data herein presented inadequate to determine what increase, if any, is necessary to equalize the differences in the costs of producing sugar in the United States and in the principal competing country.

CUBA THE PRINCIPAL COMPETING COUNTRY

The average annual consumption of sugar in the United States for the period covered in this report (1921-22, 1922-23) is approximately 4,934,488 tons. Of this amount our average importation for the same period amounts to 2,850,299 tons, or 57.7 per cent. The remaining 2,084,189 tons, or 42.3 per cent of the whole, is produced in the United States. The 2,769,397 tons, or 97.2 per cent, of our importations have come from Cuba, which fact establishes Cuba as the principal competing foreign country.

DOMESTIC PRODUCTION

The 1,874,929 tons produced in the United States, exclusive of the Philippines and Virgin Island, are distributed among the different sugar-producing regions as follows:

Beet, 888,778.5 tons, or 47.4 per cent; Louisiana, 244,287 tons, or 13 per cent; Porto Rico, 281,194 tons, or 15 per cent; Hawaii, 460,669.5 tons, or 24.6 per cent. (Source: Willett and Gray, Weekly Sugar Trade Journal, January 10, 1924.)

Thus, of the total domestic production 1,133,065.5 tons, or 60.4 per cent, are produced in the continental United States and 741,863.5 tons, or 39.6 per cent, are produced in our insular possessions.

The importance of sugar as a source of revenue is shown in the following figures:

TABLE A.—*Sugar as source of revenue*

[Source: Foreign Commerce and Navigation of the United States]

Year	Revenue from imports for consumption	Revenue from sugar imports	
		Amount	Per cent of total revenue from imports for consumption
1922.....	\$451,356,289	\$147,443,983	32.7
1923.....	1 566,495,828	127,475,381	22.5
Average.....	508,926,058	137,459,682	27.0

¹ Furnished by the Department of Commerce, July 22, 1924.

Rates of duty.—The predominance of importations of raw sugar from Cuba has led to the practice of quoting tariff rates on raw sugar, 96° pure, effective for Cuba under the preferential agreement.

Tariff acts of—	Full duty rate	Rate on Cuban sugars ¹
	Cts. per lb.	Cts. per lb.
1922.....	2,206	1.7648
1921.....	2,000	1.6000
1913.....	1.256	1.0048
1909.....	1.685	1.348

¹ Commercial convention, concluded Dec. 11, 1902, Art. II: "During the term of this convention, all articles of merchandise * * * being the product of the soil or industry of the Republic of Cuba imported into the United States shall be admitted at a reduction of 20 per cent of the rates of duty thereon as provided by the tariff act of the United States approved July 24, 1897, or as may be provided by any tariff law of the United States subsequently enacted."

HISTORY OF THE INVESTIGATION

THE APPLICATION

On November 16, 1922, an application was received for a reduction in the rate of duty on sugar from the United States Sugar Association, a voluntary

association composed of cane-sugar refiners situated on the Atlantic coast of the United States, and also corporations organized under the laws of the various States in the United States and Cuban corporations, the stock of which is owned by citizens of the United States producing raw sugar in Cuba. The application was made pursuant to the provisions of section 315 of the tariff act of 1922. The application averred that the present rate of duty "does not equalize the differences in cost of production in the United States, its insular possessions, and the Republic of Cuba," and "that there is no such difference in the cost production as requires the duty called for by said tariff act."

The commission considered the application in accordance with its rules and regulations, and in accordance with the Executive order of October 7, 1922, as follows:

"It is ordered that all requests, applications or petitions for action or relief under the provisions of section 315, 316, and 317 of Title III of the tariff act approved September 21, 1922, shall be filed with or referred to the United States Tariff Commission for consideration and for such investigation as shall be in accordance with law and the public interest, under rules and regulations to be prescribed by such commission."

ACTION BY THE COMMISSION

On March 17, 1923, the commission instituted an investigation of the costs of producing sugar for purposes of section 315 of the tariff act of 1922.

The commission, since its organization in 1917, had gathered cost data from the mills in Cuba and from the domestic regions by means of schedules mailed to sugar producers. The information in the files of the commission, however, was insufficient as a basis for cost comparisons for purposes of section 315; consequently, it became necessary to make an extensive field investigation obtaining by means of comprehensive schedules cost data sufficiently full to meet the requirements of the statute. A detailed cost schedule was prepared by the commission with the assistance of competent authorities and in cooperation with those interested in the industry. Upon the completion and final revision of the schedules the field investigation was begun.

FIELD WORK

In May, 1923, the commission sent to Cuba a staff of five agents assisted by nine accountants from a recognized public accounting firm, which firm has offices in New York City and Habana and specializes in the accounts of sugar companies. The work in Cuba was limited to other than American owned companies and extended over a period of three months. Members of the commission's staff were employed for a period of about six weeks in obtaining the cost data for the American-owned Cuban mills at their offices in the United States.

Following the initiation of the work in Cuba, the field investigations in the domestic cane and beet regions were begun. Thus the field work in all regions was conducted almost simultaneously. The number of men engaged and the time involved in each of the domestic fields were:

	Men	Number of work-days
Porto Rico ¹	5	277
Hawaii.....	5	380
Louisiana ¹	7	598
United States beet.....	7	445

¹ Assisted by special sugar accountants—1 in Porto Rico and 1 in Louisiana.

Not only were members of the staff sent into these several regions, but also the commission, for the purpose of securing the benefit of first-hand knowledge of those acquainted with conditions in the several regions, employed accountants and other experts conversant with conditions in the areas where the information was gathered.

The commission's staff, in each of the sugar producing regions investigated, came into personal contact with the conditions prevailing in the industry and

gave expert assistance to the producers in the endeavor so far as possible to have such schedule accurately filled out. In addition to the precautions used in securing full and accurate information, the schedules were sent to the commission's offices in Washington, where they were checked by the accountants of the commission's staff. The greater part of a year has been occupied by the sugar division of the commission's staff in collecting, tabulating, and summarizing this body of data.

YEARS USED AS BASIS OF COST COMPARISON

When the commission ordered this investigation for purposes of section 315 of the tariff act of 1922, the plan, in keeping with the application before the commission, was to secure cost data for the then existing crop, namely, the 1921-22 crop, and the schedules were accordingly prepared to cover that crop year. A copy of this schedule is shown in the appendix to this report. (Exhibit I.) Prior to the completion of this work, data for the crop year 1922-23 became available and, desiring to have the most recent data, costs were obtained for 1922-23 as well as for 1921-22. It is for these two years, 1921-22 and 1922-23, and for these two years only, that sufficient and adequate data are at hand for the purposes of this investigation.

While the investigation was in process the commission's staff, in order to secure a more comprehensive range of view, collected data where convenient for years other than those in the schedule. The information thus collected for years other than 1921-22 and 1922-23 is wholly inadequate as a basis for cost comparisons. These data cover certain of the regions, cover only partially others of the regions, and for certain of the regions provide no data at all, with the consequence that these data for these early years can not serve as a basis for cost comparison. The only means, therefore, of obtaining cost comparisons for these early years is to resort to the old data in the commission's files.

The manner in which they were collected afforded the commission no opportunity for verification and at best they only partially supply the information needed for such comparisons, and these data are, in our judgment, inadequate for cost comparisons.

TESTS USED TO ESTABLISH REPRESENTATIVE CHARACTER OF DATA IN PREVIOUS INQUIRIES

Despite the inadequacy of this material, however, upon the completion of the investigation the suggestion was made that it would be helpful to extend the range of comparison over years not covered in the present field investigation. Consequently the attempt was made in the report to the President transmitted by Commissioners Culbertson, Lewis, and Costigan, by means of a number of tests, to establish the representative character and statistical accuracy of the partial data in the commission's files for these early years. The tests, however, when subjected to critical examination, fail of their purpose. It will be helpful at this point briefly to examine these tests, for, if they are found wanting, the conclusions based upon these early data become invalid.

With respect to Cuba, for the years 1919 and 1920, the endeavor was made to compare for the various provinces the proportion of mills reporting to the commission with the production in these Provinces. The conclusion reached was that the schedules were representative because the greater number of reports were received from Provinces producing the larger quantities of sugar. This test, it should be noted, concerns itself with the quantity rather than with the character of the data.

Another test applied to Cuba was to show that the cost data for the earlier years were representative because of the fact that the mills reporting were not concentrated in any particular cost group. In the comprehensive cost data collected for 1922, of the mills reporting, certain mills for which the commission has data for the earlier years, some were high cost, others were medium cost, and still others were low cost mills. The cost of these particular mills were found to be representative of the costs for all mills reporting in 1922. It was assumed that, because these mills were representative of the costs for 1922 they must, therefore, be representative of the costs of all mills for the earlier years for which the commission does not have full data.

The assumption upon which this conclusion is based is not borne out by the statistics in the industry. Where we have data to trace the cost history of the mills it is found that the individual mills change positions from year to year

with respect to their costs of production. The same mills which are low cost in one year are frequently found to be high cost mills for another year, and vice versa. Thus, for example, companies designated 155, 159, and 19, which occupy relative cost positions 1, 2, and 4, respectively, during 1921-22, are in the positions 2, 1, and 18 during the crop year 1920-21; 1, 3, and 37 during 1919-20; and 2, 1, and 23 during 1918-19. Again companies designated 137, 181, and 189, which maintain respective positions 14, 16, and 18 during the crop year 1921-22, are in positions 6, 27, and 46 during 1920-21; 18, 9, and 16 during the crop year 1919-20; and 12, 7, and 5 during 1918-19.

Another test in the report, transmitted by Commissioners Culbertson, Lewis, and Costigan, to establish the representative character of the data for the early years is directed to the selection of the mills whose costs they consider representative for these years. This test was made in the manner following:

For Louisiana cost data were secured for 78 companies for the crop year 1921-22 and 85 companies for the crop year 1922-23. For 1920-21 there were available in the files of the commission records of only 13 mills. Out of these 13 mills 11 were selected because the average cost of these 11 mills in 1921-22 and 1922-23, respectively, was in keeping with the average of the 78 companies reporting for 1921-22, and also in keeping with the average cost of the 85 companies for the crop year 1922-23. This information covering 13 mills represents only 21.6 per cent of the industry, and this is reduced to only 18.6 per cent when the number of mills is cut down by selection from 13 to 11. Conclusions should not be hazarded on information so meager. Especially is this true when the relative costs of the few mills reporting are shifting from year to year. That the costs of these 11 mills representing 18.6 per cent of the industry correspond by chance with the fuller data of the years 1921-22 and 1922-23, for which we have 70 and 84.5 per cent, respectively, of the industry as a whole, is in no sense proof that the costs for these same 11 mills will be representative of costs of the entire industry of the earlier years.

In order to justify the use of the limited information in the commission's files for Porto Rico another test was applied. The commission obtained costs in earlier inquiries for five mills for the year 1920. In its field investigation of 1922 it secured data for 29 mills, among which were the five mills reporting in 1920. These five mills, which reported in 1922 as well as in 1920, showed an average cost in 1922 of 4.4512 cents per pound of sugar; whereas the average cost for the 29 mills reporting for that region in 1922, and representing 87.8 per cent of the total production, was 4.3860 cents. It should be noted, however, that the excess cost, in 1922, of the five mills over the 29 mills included in the commission's data for that year amounts to 0.0652 cent, not an inconsequential difference, even for the year 1922. This method, furthermore, is open to the same criticism as are the tests above mentioned for Cuba and Louisiana. This method assumes that data covering 36.5 per cent of the industry are as reliable as are fuller data covering 87.8 per cent of the industry.

Another test was applied to the Cuban data: For the year 1918 the commission received by correspondence cost data for seven mills in that country. During the present field investigation the commission's agents obtained data for 35 mills for the year 1918. It was found that the average costs for the 35 mills closely approximated the results earlier obtained by correspondence from the seven mills back in the year 1918. By reason of this close approximation in costs it was concluded that all the data in the commission's files secured by correspondence would prove statistically reliable. A conclusion based upon the assumption that schedules answered by correspondence furnish information as reliable as that gathered and checked by experts in the field is certainly open to question.

The schedules sent out in this earlier inquiry were less complete and detailed than the schedules used in the present investigation. They omitted certain important items, among others, interest on investments, which were included in the later schedules. Whereas, the earlier schedules were four pages in length, those used in the present investigation covered 12 pages. The marked contrast between them in their fullness of detail is apparent when they are examined together. (See appendix to this report, Exhibits I and II.)

USE OF 6-YEAR PERIOD INCONSISTENT WITH PRESENT INVESTIGATION

Since the completion of the commission's field investigation the advisability of a cost comparison over a 6-year period has been suggested. Such a method

of cost comparison is not in accord with the provisions of section 315. If, in the present investigation, the commission had been satisfied to use data of the character secured in the earlier investigation, it could render no satisfactory reason for its present extensive field investigation.

As regards these earlier returns, they were acquired through correspondence and voluntarily given. Whether they are representative is problematical for, as a rule, the high cost concerns might be more inclined to supply cost information to the Tariff Commission. Furthermore, cost comparisons based upon a 6-year period would be inadequate and undependable, not only because the early data are not sufficiently complete, but also because in readjusting the scattered information to gain sufficient data for that period it is necessary to combine material collected in different ways, at different times, and with different degrees of authenticity.

COST ACCOUNTING PERIOD AS APPLIED TO CANE PRODUCTION

It is claimed in the report transmitted by Commissioners Culbertson, Lewis, and Costigan that it is necessary to use a 6-year period because of a peculiarity in the production of sugarcane, namely, that the preparing, planting, and cultivating costs incurred in any year apply not only to that year's crop but to subsequent so-called stubble and ratoon crops. It is argued that the costs incurred in the preparation of the soil and the planting of the seed can not be charged to the crop of a single year but that such charges must be apportioned to the succeeding yields year after year throughout the period of ratooning. Based upon this point of view, their report asserts that the commission would arrive at more accurate cost data by taking a period of six or seven years. Whatever may be the theoretical merit of this suggestion, the commission unfortunately is not in possession of the full and complete data which it would be compelled to have in order to justify such a method of comparing costs.

The suggestion is open to the further criticism that, even were the 6-year period used, an arbitrary adjustment would of necessity have to be made for the first and last years of the period. This method could find logical application only when applied throughout the history of the industry.

The accountants, auditors, and experts, in the trade in different sugar regions have not been unmindful of this problem, but continue to employ an accounting method which shows the costs incurred to each fiscal year. In Hawaii, however, this method has not been adopted because of the peculiarities of production in that region. The sugar producers of Hawaii use an accounting method which shows the costs of the crop harvested instead of the expenses incurred during a fiscal year. The cost data gathered in Hawaii by the commission's staff in this investigation fully covers all records kept in this way. It is not well to attempt the adjustment of other cost data to this manner of accounting for the reason that such adjustment could be made only by an arbitrary method. Although the report transmitted by Commissioners Culbertson, Lewis, and Costigan advocates the advisability of this method, it presents tests which practically substantiate the cost accounting practice of the trade.

THE PERIOD 1917 TO 1921 ABNORMAL

Apart from the inadequacy of the data, there are certain fundamental considerations which make it unwise to base a cost comparison upon this 6-year period. The industry as a whole has been undergoing general reorganization, having changed during and following the World War so as to bring about a large decrease in the production of beet sugar, principally in Germany, and a large increase in the production of cane sugar.

It is evident that an average of cost differences over a period of years, during which the value of money has changed, will necessarily distort the facts and prove confusing rather than helpful in reaching a judgment. In that there are such marked changes in the purchasing power of the dollar during this period, the cost data, if available, would not be on a parity for the whole period.

ALL DATA PREVIOUS TO 1922 IN HANDS OF CONGRESS DURING PREPARATION OF TARIFF BILL

Furthermore, while the tariff act of 1922 was in preparation, in addition to the other information at its command, Congress was in possession of, and made full use of, virtually all the data then available in the commission's files. These cost data in the commission's files must be used in case the 6-year period is selected as the period for cost comparison. The rates of duty which Congress adopted, using these data as its source of information, were doubtless intended to remain operative unless conditions arise subsequent to the act which might necessitate an adjustment of rates to equalize differences in current costs of production. The authority conferred upon the President to modify existing rates of duty was so conferred for the purpose of adjusting duties in cases where conditions of maladjustment in costs have arisen since the enactment of the tariff law, but was not conferred for the purpose of reviewing the act of Congress or of establishing new tariff rates.

SELECTION OF YEARS 1921-22 AND 1922-23

In view of the above considerations, and in keeping with the intent and purpose of section 315 to ascertain and equalize current costs, the undersigned commissioners use for purposes of cost comparisons the two crop years 1921-22 and 1922-23, data for which was secured in the present investigation. The language used in subdivision (c) of section 315 shows clearly that rates of duty are to be revised to equalize current differences in costs of production; it provides that tariff adjustments shall accord with changes in cost differences by authorizing the President to modify or terminate rates which he has proclaimed "when he determines that it is shown that the differences in costs of production have changed or no longer exist which led to such proclamation." There is but one time for which cost differences may be equalized by tariff adjustments under the statute, and it is made clear in subdivision (c) of section 315 that they are current costs of production which are to be equalized.

On August 11, 1922, the day after section 315 was taken up for consideration in the Senate, the President, in a letter to Senator McCumber, stated:

"It has seemed to me that the varying conditions in the world and the unusual conditions following the World War make it extremely essential that we have this means of adapting our tariffs to meet the new conditions." (67th Cong., 2d sess., vol. 62, pt. 11, p. 11211.)

In the report of the Committee on Finance accompanying bill H. R. 7456 (67th Cong., 2d sess., S. Rept. No. 595, p. 3) it was stated that section 315 was inserted in accordance with the suggestion of the President in his message of December 6, 1921, in which he expressed the hope that a way would be found "to make for flexibility and elasticity so that rates may be adjusted to meet unusual and changing conditions which can not accurately be anticipated." The report stated that the amendment authorized the President to modify tariff rates "so that the rates may at all times conform to existing conditions."

The application of the United States Sugar Association refers to the conditions existing in the industry at the time when that application was presented, namely, November 16, 1922. Statements in the briefs of attorneys for both the domestic and Cuban sugar producers, as well as the testimony given by interested parties in the hearing, argue for the restriction of the data for cost comparisons to the current conditions and the current situation.¹

In determining the current differences in costs of production, the most recent authentic cost data for both the foreign and domestic product should be used because they present the particular differences in cost which are to be equalized.

Although the representatives of the industry, foreign and domestic, are in agreement in the view that the data used for cost comparison should be limited to current conditions, they are not in accord as to the precise years to be selected for such comparisons. The beet-sugar interests, as well as the

¹ See briefs submitted by Shattuck, Bangs & Winant, attorneys on behalf of United States Sugar Association, pp. 25-27; by Stephen H. Love and Truman G. Palmer, on behalf of United States Sugar Manufacturers' Association, pp. 4-8; by McCumber & Sullivan, attorneys on behalf of the American Sugar Cane League, pp. 11-14 and p. 26; by Royal D. Mead, J. W. Waldron, and J. K. Butler, attorneys on behalf of Hawaiian Sugar Planters' Association, pp. 27-29; and by Lippitt and Berle, attorneys on behalf of the Porto Rican Sugar Producers' Association, pp. 7 and 13-16.

Louisiana interests, requested the limitation of cost data to the calendar year 1922; the Cuban interests requested 1922-23 crop year; the Porto Ricans and Hawaiians requested the crop year 1921-22. In this report the years 1921-22 and 1922-23 are used as the basis of comparison.

The Cuban crop and these domestic crops range from 0.108 cent in 1920 (0.012 cent in 1921) in favor of Louisiana to 7.721 cents in 1919 in favor of Cuba. By taking the succeeding Cuban crop, however, the divergence in cost is only slight. Cuban costs are lower in every case. This difference in 1917 was 1.190 cents and in 1920 it was 3.926 cents, which figures represent the least and the greatest crop differences shown in the comparison. The more constant and uniform variations shown in the comparison between the domestic crops and the succeeding Cuban crops indicate the continuous operation of the same economic forces. The erratic variations in costs shown in the comparison of the preceding Cuban crops with Louisiana and United States beet-sugar crops indicate a want of casual relationship common to the costs of production as between the Cuban and these domestic regions.

Sugar may be classed as a durable rather than as a perishable market product. This fact has an important bearing upon its price. In that it may be held until there is a promise for a higher price, its price in this country is particularly affected by forecasts respecting the supply of sugar coming from Cuba. In anticipation of a small Cuba crop in 1920 as a result of a drought the abnormally high prices of that year were brought about. The abundant supply of sugar on the market and the anticipation of a large forthcoming crop cause the present price of sugar to be low.

Its durability and the fact that it is a necessity of life cause sugar prices to be very sensitive and easily influenced by forecasts. Thus, since the forecast as to the Cuban crop is reflected in the price of sugar, it influences the plans of domestic producers and determines in considerable measure the costs they will undergo in the production of sugar.

RAW SUGAR, THE BASIS OF COST COMPARISON

Almost all of the imported sugar comes from Cuba, and it enters in a raw state. For the year 1923 the duty on sugar amounted to \$127,475,381, of which \$124,137,122, or 97 per cent, was collected on raw sugar 96° pure.

These facts leave no doubt that the effective duty on sugar is on raw sugar, on 96° sugar; consequently, the tariff problem is a raw-sugar problem. The costs of raw sugar, therefore, are the costs to be compared in adjusting the rates on sugar. Such sugar as is refined by a continuous process of production can be, and has been, reduced to the raw basis for purposes of this comparison.

COSTS F. O. B. MILL

The data presented in this report are based upon comparisons of costs f. o. b. mill. In comparing the costs of production of domestic sugars with the costs of producing sugar in Cuba it is well, for tariff purposes, to bear in mind that the sugar-producing industry is a well-ordered type of modern, large-scale production. Therefore, a cost study for purposes of comparison should embrace all costs incident to the maintenance of such an industry. It should embrace costs of raw material, wages, overhead, taxes, rent, and interest on investment.

It is essential to include interest as an item of cost because definite capital charges are incurred. In reducing the figures for all the regions to a comparable basis interest on investment should be included because the costs of production in some of the regions already include items, such as rent, which in other regions are reflected in investment.

The costs here used for comparative purposes are limited to f. o. b. mill. As such they include only the transportation costs incurred in assembling all the material for manufacturing purposes at the mills. In their report to the President on wheat the undersigned commissioners pointed out the questionable legality of including transportation costs, and quoted from the Congressional Record the statements made by the chairman of the Committee on Finance of the Senate and other Members of the Senate to the effect that it was not the purpose of the Congress in passing the law to have transportation costs included. The statements made in the Senate upon this point are clearly and unequivocally to the effect that transportation costs are not to be included

In any case it must be clear that the law made cost of production, as that term is ordinarily understood, the object of the commission's investigation and the basis of the adjustment of rates under section 315. There is no single definition of cost of production acceptable to all authorities. It is made comprehensive enough by some to embrace all cost outlays incident to the delivery of the product in its finished form to the final consumer. The more generally accepted definition, however, and, as we believe, the definition to which it was the purpose of the Congress to give effect in this law, is the definition that the cost of production, by excluding marketing and transportation costs, is limited to those cost outlays incident to the production of the product. In modern production there are different stages of completion from the raw material to the final form ready for consumption. The tariff problem and, consequently, the costs used for comparative purposes in this case relate to raw sugar 96° pure. It follows that the term, "cost of production," for the purposes of this comparison must embrace all the outlays incident to the production of raw sugar f. o. b. mill.

It must be obvious that, since the problem before us is one of cost comparisons in the production of raw sugar, the cost investigation ends at the place where the raw sugar is produced. Hence the reason for basing our comparison upon f. o. b. mill costs.

AGRICULTURAL COSTS

It is among the purposes of the tariff act of 1922, as set forth in the preamble, "to encourage the industries of the United States." With respect to the maintenance and encouragement of the sugar-producing industry, it is essential that agricultural costs, as well as manufacturing costs, should be included. It must be evident that the beet farms and cane fields must be kept going in order that the industry may survive.

A peculiarity of the raw materials, beets and cane, from which sugar is produced, is that they must be utilized near the place of production. They are bulky and perishable and so do not lend themselves to distant shipment or international trade. Their production depends upon the existence of a near-by factory, and, in turn, no factory can be located distant from the sources of the raw material. The industry as a whole is a closely integrated one, the factories being entirely dependent upon the beets and cane in ample and regular supply. The future of the domestic sugar industry rests upon the maintenance or expansion of the production of these raw materials. Of the total cost of producing sugar from 30 to 65 per cent is due to the cost of the raw material.

In Hawaii, for the most part, the cane is grown by the manufacturing companies themselves, and their costs, therefore, reflect the actual costs of growing the cane. In other cane-sugar regions a considerable portion of the cane is grown by farmers and purchased by the mills. The cost data for purchased cane in these regions cover only the price paid to the farmer. In Cuba, for example, from 80 to 85 per cent of the cane is grown on plantations or farms entirely independent of the mills. These independent growers have a lower investment cost and overhead expense in the production of cane than do the companies which grow administration cane. It is generally conceded that the independent growers in Cuba can and do produce their cane at a lower cost than do the companies producing administration cane.

Taking the regions as a whole, the prices paid the farmers by the mills are not the same as the actual costs of producing the raw material. Except for the administration cane produced by the mills themselves, very few agricultural costs were obtained in the course of this investigation.

Due to the fact that the production of sugar is primarily an agricultural industry, the importance of including agricultural costs is apparent. Of the total number of laborers employed in the domestic industry, 88 per cent are employed in the agricultural processes and but 12 per cent in the factories. Approximately 57 per cent of the total investment in all branches of the industry is in the agricultural end of the production.

Of the sugar consumed in the United States, 56 1 per cent comes from Cuba ; 80 per cent of the Cuban cane ground is purchased cane, and it is with the sugar costs of that country that domestic costs are to be compared.

Comparisons are made between the costs of producing sugar in Cuba and in each of the domestic sugar regions and between Cuba and the United States as a whole in Table C following :

TABLE C.—Differences in f. o. b. mill costs between domestic sugar regions and Cuba showing the amount by which the Cuban costs are lower than the domestic costs, crop years 1921-22 and 1922-23

[In cents per pound]

Regions	Crop years		Two-year weighted average for crop years 1921-22 and 1922-23
	1921-22	1922-23	
Hawaii.....	2.1606	1.8880	1.7942
Porto Rico.....	1.8894	1.9635	1.9318
Louisiana.....	1.7986	1.4120	1.6120
United States beet.....	2.2120	1.5772	1.8525
United States as a whole.....	2.0849	1.5763	1.8168

In this report it has been shown that the proper basis of comparison is the two crop years 1921-22 and 1922-23; but in order to present the costs of production from a slightly different point of view, a comparison is made of the costs for these two crop years with the costs for the calendar year 1922.

Comparisons are made between the costs of producing sugar in Cuba and in each of the domestic sugar regions, and between Cuba and the United States as a whole, for the calendar year 1922 in Table E following:

TABLE E.—Differences in f. o. b. mill costs between Cuban and domestic sugars coming into the markets of the United States during the calendar year 1922 (including investment)

[In cents per pound]

Regions	Amount by which weighted average Cuban costs are lower than weighted average domestic costs
Hawaii.....	1.7242
Porto Rico.....	1.4532
Louisiana.....	2.0502
United States beet.....	1.9396
United States as a whole.....	1.8126

CALENDAR YEAR AS BASIS OF COST COMPARISON

It will be seen from Tables C and D that there is close agreement between the results for the calendar year 1922 and those of the two crop years 1921-22 and 1922-23. The undersigned commissioners, however, do not accept the calendar year 1922 as a basis of cost comparison, because the calendar-year method does not compare costs incurred at the same time. A cost calculation based upon the calendar year is a composite cost made up of the costs of production of the different portions of supply on the market irrespective of the time when they were produced. Thus such a cost does not embrace concurrent costs, the costs of any particular year, but all costs, whenever they may have occurred, which were involved in the production of the supply on the market during the calendar year.

If, as we believe, it is the intent of the law to compare costs which were incurred at definite and concurrent period of time, the calendar-year method fails as a basis of cost comparison for purposes of section 315.

DETERMINATION OF BASIS FOR EQUALIZING COSTS OF PRODUCTION

It will be seen from the above tables that there is no one difference in the cost of producing sugar in the United States and Cuba. There are many cost differences, depending upon the unit selected and the time chosen for cost comparisons. Defense, in a measure, may be made for a number of the cost comparisons made possible by the above figures, but in keeping with the purpose of the law there is no arbitrary choice in the selection of the basis of comparison. As brought out in this report, and fully substantiated by reference to the statements of the President, and by statements of the chairman of the Committee on Finance in reply to inquiries during debates in Congress, by the report of the Committee on Finance upon the question, as well as by the language of section 315 itself, it is current conditions which are to be investigated and the recent costs obtained through those investigations which are to be equalized.

Furthermore, in establishing a basis of cost comparison for the purpose of determining the differences in costs of production between the United States and the principal competing country, to carry out the purpose of the tariff act of 1922 "to encourage the industries of the United States," and to fulfill the provisions of section 315 of that act, to equalize differences in costs of production in the United States and in the principal competing country, it will accord both with the intent of the law and the provisions of the statute to compare costs on such a basis of ascertained facts as will maintain the industry. This does not imply the establishment of a basis of cost comparison which would result in a rate so high as to cover the costs of clearly out-of-line high-cost concerns, or concerns which are now in the process of elimination.

In arriving at a proper basis of comparison, the question arises as to whether such comparisons should be made between domestic and Cuban sugar-producing mills, or between average costs for the United States as a whole and Cuba, or between the different domestic-sugar regions and Cuba.

(a) *Comparison of mill costs.*—Relative to the comparison of costs between mills, it may be noted that there is a fair degree of standardization among the sugar mills (beet and cane) throughout the industry. The use of standardized equipment in the mills and the general acceptance of approved methods in operation mean that there can be only minor differences in any region, where similar conditions prevail, in the costs among mills whose volumes of production are approximately the same. It is true that one will find here and there a mill with obsolete equipment and consequent high costs, but these may be regarded as out-of-line or exceptionally high-cost mills. In our judgment there is no warrant for using the exceptional and unusual costs as a basis of comparison.

On the whole, sugar mills conform to the type of mills where the principle of increasing returns prevails. Accordingly, it will be found, and without exception the experience of producers confirm it, that the cost of production per unit of product diminishes as the volume of output increases. On the contrary, the cost per unit of product increases as the volume of production diminishes. The results in the sugar industry are similar to the results in industry in general—large production and low cost; small production and high cost.

The extension of sugar production over regions of varying conditions of soil and climate results in differences in standards of living, in wage scales, as well as in volume of production among the widely scattered mills. Certain mills may be prosperous while others, by accident of shortage in raw material or labor troubles or what not, may be suffering from curtailment in production. The unfortunate mills of one year may be the prosperous mills of the next year, and vice versa.

Again, the industry as a whole may be in a high state of prosperity at the same time when splendidly equipped and excellently managed mills are suffering by reason of adverse local conditions.

So rapid is the change in the cost of production in individual mills as to render it impracticable, if not impossible, to so adjust rates as to equalize the differences in their costs of production. A tariff adjustment based upon such comparative costs could have no more than transient worth.

(b) *Average costs of United States as a whole as basis of comparison.*—In our judgment, furthermore, it would not be in keeping with the purpose of the law to use as a basis of comparison with Cuban costs the average costs of the production of sugar in the United States as a whole. The data presented in the tables above make it clear that there are marked differences in these costs of

producing sugar. Were an average cost of production selected for the United States and its insular possessions, and a tariff based thereon, such an average would conform to the costs of neither the high nor the low cost producers. It would not be in keeping with the policy of the tariff act of 1922 so to adjust rates as to bring serious injury to any of the important domestic-sugar producing regions.

(c) *Costs of domestic regions as basis of comparison with Cuba.*—There remains for consideration the advisability of using a weighted average cost of the different domestic-sugar regions as a basis of comparison with Cuban costs. We have indicated that it would not be practicable to use either the costs of individual mills or the average cost for the United States as a whole, for it is evident that such costs must be obtained by averaging the dissimilar conditions which prevail throughout the entire industry. The same difficulty is not encountered in using the average costs within a particular sugar-producing region, because units of a more like and similar nature are used for comparison. The type of equipment, the kind of labor, and the standard of living must be more similar and comparable within the same sugar-producing region than would be found by taking the average for the United States as a whole. Distinct conditions prevail in each region. The methods of operation, of control, and the organization pervading the whole industry in any particular region are conditions which tend to mark off for special consideration and comparison each region from all the others. A weighted average cost, therefore, for a particular region, being an average of costs under fairly like and similar conditions, may be termed a representative cost, bearing a significance not found in a cost resulting from an average of unlike conditions and circumstances.

PECULIARITIES OF SUGAR REGIONS OF THE UNITED STATES

All of the four sugar regions of the United States, as above noted, have natural advantages and disadvantages peculiar to themselves, which call for a distinct consideration of each region.

Hawaii has climatic and other natural conditions which, together with its intensive irrigation system and the use of considerable amounts of commercial fertilizers, result in the production of a 2-year crop and in a high sugar yield. This region is noteworthy also because of the extent to which it grows administration cane. For Hawaii, the commission has cost data for only about 25 per cent of the industry for the year 1922-23.

Porto Rico has a soil and climate which favor the growing of numerous crops from one planting. The type of labor, the organization of the industry, and the practice of purchasing the cane which is produced by independent growers present conditions unlike those which prevail in other domestic regions. Our data show that the costs for this region are out of line, being exceptionally high, for the crop year 1922-23. The difference in the average cost of production of 1922-23 over 1921-22 in the other three domestic regions was 0.8422 cent, whereas the costs in Porto Rico for the crop year 1922-23 were higher than those for the preceding year by 1.3566 cents. This marked difference in costs for these two crop years in Porto Rico as compared with the cost differences for these two years in the other domestic regions shows the costs for Porto Rico to be clearly out of line for the year 1922-23. This fact makes the average costs in Porto Rico for these 2-crop years unsuitable as a basis for cost comparison with Cuba.

Peculiar to Louisiana is its short-growing season, which, as compared with other regions, calls for greater requirements for seed cane. That region also is characterized by marked differences in its annual production.

It is doubtful whether the three cane sugar producing regions above mentioned present a sufficient promise for expansion, if we take a long point of view, to keep pace with the rapidly growing volume of sugar consumption in the United States. Having regard to the growth of the industry in view of the expanding needs for sugar and to the expressed purpose of the Congress "to encourage the industries of the United States," it would seem to be necessary to consider the possibilities of expansion of domestic production.

The production of sugar beets differs from the production of sugarcane in the fact that it is not limited to a particular section. Sugar beets are produced in 16 States of the Union. These States, in the order of their importance, are Colorado, Utah, Michigan, Nebraska, California, Idaho, Ohio, Montana, Wyoming, Iowa, Wisconsin, Minnesota, Indiana, Kansas, Illinois, and Washington. Peculiar also to the production of sugar beets is the common practice of the

diversification of crops. Beets are not grown in a 1-crop region. The growing of sugar beets promotes the program of diversification in farming, because it fits well into the rotation of crops. It provides a dependable cash crop, is an agricultural advantage by reason of the fact that the scientific care and thorough cultural methods required in beet production promote good farming, and lend stability to land values by removing the hazard common to a 1-crop system of farming. For the 2-crop years 1921-22 and 1922-23 beet sugar constituted 47.4 per cent of the sugar produced in the four domestic sugar regions investigated.

By reference to Table C, on page 1154, it will be seen that the difference between costs of producing sugar in Hawaii and Cuba is for these 2-crop years 1.7942 cents; between Porto Rico and Cuba, 1.9318 cents; between Louisiana and Cuba, 1.6120 cents; and between United States beet sugar and Cuba, 1.8525 cents.

REASONS FOR COMPARING CUBAN COSTS WITH BEET-SUGAR COSTS

For the purpose of adjusting tariff rates so as to equalize differences in the costs of production of sugar in Cuba and the United States, the selection of the beet-sugar region, in consequence of the above considerations, is substantiated on economic grounds. The selection of the beet-sugar industry is not the selection of a decadent industry to encourage which would fix an unwarranted burden upon the consumer; rather it is the selection of our largest domestic source of supply, and its selection, furthermore, by reason of its being the high-cost region and its promise for expansion, is in keeping with the purpose of the tariff act of 1922, "to encourage the industries of the United States."

On the basis of a comparison for the crop years 1921-22 and 1922-23, a tariff adjustment based on the costs in Hawaii would fall 0.0583 cent short of equalizing the difference in costs of producing Cuban sugar and the costs of producing United States beet sugar.

A tariff adjustment on the basis of costs in Louisiana would fall 0.2405 cent short of equalizing the difference in the costs of producing Cuban sugar and the costs of producing the United States beet sugar.

A rate based upon the beet-sugar costs would fall 0.0793 cent short of equalizing differences in costs between Cuba and Porto Rico, but this apparent disadvantage for Porto Rico is due to the exceptionally high and out-of-line costs in that region in the year 1922-23.

Thus it will be seen, from the above considerations of the different regions as bases for comparing the costs of production in Cuba and the United States, that it is necessary, in keeping with the purpose of section 315 of the tariff act, that costs of producing beet sugar for the crop years 1921-22 and 1922-23 be used as a basis of comparison.

EXHIBIT No. 19

[Prepared by Doctor Brossard]

THE CALENDAR YEAR COMPARISON

DESCRIPTION OF METHOD.

To illustrate the method of arriving at the cost of the sugar meeting in competition in the calendar year, let us take the case of Cuba for the calendar year of 1922.

On January 1, 1922, it was found that Cuba had a carry-over of 1920-21 sugar of 1,641,409,280 pounds of Cuban raw sugar. This sugar was sold in the calendar year 1922. In 1920-21 it was produced at a cost of 4.3105 cents per pound, therefore \$70,752,947 was the cost of that part of the 1920-21 Cuban sugar marketed in the calendar year 1922. There was 5,254,217,920 pounds of Cuban sugar sold in the calendar year 1922 that was manufactured in 1921-22

at an average cost of 2.4966 cents per pound, therefore at a total cost of \$131,176,805.

In addition there was 32,493,440 pounds of the 1922-23 Cuban crop marketed in 1922. The cost of production of that sugar was 3.8801 cents per pound, or \$1,260,778.

In all, then, a total of 6,928,120,640 pounds of Cuban sugar was marketed in the United States in 1922. The total cost of producing this sugar was \$203,190,503, or an average of 2.9328 cents per pound.

CRITICISM

There are two criticisms of these data as presented in Table XIII, page 42, of Doctor Bernhardt's report to the President, submitted July 31, 1924, which should be made at the start.

1. The report does not give the sources of the information about the amount of each crop that was marketed in each calendar year. Was the information taken from the books of the companies? Was it obtained from trade journals? What trade journals were used? What shape was the material in when used? How reliable are the trade journals' reports? Was the summary table on page 42 of Doctor Bernhardt's report to the President supposed to represent the total production of sugar or only the sugar for which the commission has cost data? Was the amount of sugar of each crop that was sold in each calendar year taken from actual data or was it allocated on the basis of percentage of the total of each of the crops marketed as reported in trade journals? This matter should be explained in detail, so that anyone can understand the method, because it is an important point in the report.

2. That this method averages these parts of at least two and sometimes three crops together at two or three separate costs per pound of sugar. That in the case of Cuba, as cited above, for the calendar year 1922 most of the sugar marketed in 1922 is from the 1921-22 crop, a low-cost crop, but a considerable amount of sugar of the high-cost crops of 1920-21 and of 1922-23 was included. The 1922-23 Cuban costs were higher largely because of the higher prices of sugar in the early part of 1923, an investigation of which by the commission was requested by President Harding early in 1923.

There is something unusual about the combination of the Cuban crops as marketed. In only two of the six different years were three different crops included in one calendar year, and both of these times the unusual feature was the inclusion of a part of a high-cost Cuban crop, which high cost was due largely to high prices of sugar. The calendar-year costs for 1922 include a part of the high-cost crop of 1922-23, while for 1919, the other calendar year, made up of costs of three crops, include some of the high-cost crop of 1919-20. Another striking thing is that for the calendar year of 1920 only the unusually high-cost crop of 1919-20 is included, one year only.

Because of these observations the whole method and detail of arriving at the amount of sugar marketed in the calendar year should be carefully analyzed.

OTHER OBSERVATIONS

Costs for 1917 calendar year and 1916-17 crop year as shown in Table XIII, page 42, do not include investment. All other years investment cost is included. Therefore this year is not comparable with the others.

Cuban costs for 1916-17 and Cuban calendar year 1917 include 30,208,640 pounds of 1915-16 Cuban crop. A part of the 1916-17 Cuban crop, for which the commission has no investment cost data, is included in the 1918 calendar year costs. The investment costs for 1917-18 being added to the 1916-17 costs to make them comparable. These facts show the incompleteness of the Cuban data for the 1917 and 1918 calendar years.

TABLE —.—*Comparison of weighted¹ average costs of production of sugar f. o. b. mill, including investment. Cents per pound, raw basis*

[Prepared by Doctor Brossard in answer to President's request for additional data, Oct. 7, 1924]

Regions	Three-year average, 1920-21, 1921-22, and 1922-23	Two-year average, 1920-21 and 1921-22	Two-year 1921-22 and 1922-23	1920-21	1921-22	1922-23
United States, all regions.....	<i>Cents</i> 5.5105	<i>Cents</i> 5.5325	<i>Cents</i> 4.9748	<i>Cents</i> 6.4847	<i>Cents</i> 4.5815	<i>Cents</i> 5.4564
Cuba.....	3.5476	3.3967	3.1525	4.3105	2.4966	3.8801
Differences.....	1.9629	2.1358	1.8223	2.1742	2.0849	1.5763
United States, beet.....	5.9577	6.1216	5.0106	7.4497	4.7086	5.4573
Cuba.....	3.5476	3.3967	3.1525	4.3105	2.4966	3.8801
Differences.....	2.4101	2.7249	1.8581	3.1392	2.2120	1.5772
Louisiana.....	5.5083	5.8376	4.7700	8.2127	4.2952	5.2921
Cuba.....	3.5476	3.3967	3.1525	4.3105	2.4966	3.8801
Differences.....	1.9607	2.4409	1.6175	3.9022	1.7986	1.4120
Hawaii.....	4.9743	4.8374	4.9522	5.0169	4.6572	5.2681
Cuba.....	3.5476	3.3967	3.1525	4.3105	2.4966	3.8801
Differences.....	1.4267	1.4407	1.7997	0.7064	2.1606	1.3880
Porto Rico.....	5.2260	4.9650	5.0899	5.4436	4.3860	5.8436
Cuba.....	3.5476	3.3967	3.1525	4.3105	2.4966	3.8801
Differences.....	1.6784	1.5683	1.9374	1.1331	1.8894	1.9635

¹ Weighted on basis of pounds of sugar produced in each region each year, respectively.

TABLE —.—*Comparison of weighted¹ average costs of United States beet sugar with Cuban cane sugar, f. o. b. mill, including investment. Cents per pound, raw basis*

[Prepared by Doctor Brossard in answer to President's request for additional data, October 7, 1924]

Crop year	Cost of Cuban sugar	Costs of United States beet sugar	Amount Cuban costs are lower than United States beet costs
1917-18.....	<i>Cents</i> 3.8764	<i>Cents</i> 4.8877	<i>Cents</i> 1.0113
1918-19.....	4.3872	6.4932	2.1060
1919-20.....	8.0446	7.2300	-.8146
1920-21.....	4.3105	7.4497	3.1392
1921-22.....	2.4966	4.7086	2.2120
1922-23.....	3.8801	5.4573	1.5772
6-year average, 1917-18 to 1922-23 ²	4.4841	6.0601	1.5760
3-year average, 1917-18 to 1919-20.....	5.4531	6.1872	.7341
3-year average, 1920-21 to 1922-23.....	3.5476	5.9577	2.4101
2-year average, 1920-21 and 1921-22.....	3.3967	6.1216	2.7249
2-year average, 1921-22 and 1922-23.....	3.1525	5.0106	1.8581

¹ Weighted on basis of pounds of sugar produced in each region each year respectively.

² The hyphenated year indicates the crop year rather than the calendar year.

EXHIBIT No. 21

SUGAR

ADVANTAGES AND DISADVANTAGES

No iron-clad definition of costs can serve the purposes of section 315. Consequently the Congress very wisely in the enactment of this law authorized the President, in subparagraph (c) of section 315, to consider in so far as practicable the advantages and disadvantages of competition. No practical application of this provision in subparagraph (c) can be made to embrace transportation costs in this case because the comparative disadvantages in this regard so vary among the different regions as to be indeterminate. No one rule can be laid down as applicable to all fields for comparative purposes. The distribution of refineries which are the markets for the raw sugar are so located with respect to the sources of the raw material as to render any method for the equalization of transportation costs wholly arbitrary.

Transportation from where to where presents the difficulty in a situation as complicated as this. Transportation costs for Cuba are not indeterminable, and likewise they are fairly determinable for the insular regions of Porto Rico and Hawaii, but as for the United States beet, wholly different conditions prevail. As regards Louisiana the item of transportation costs does not appear at all in the figures collected, but such costs are in reality borne by the Louisiana producers, where they are reflected in the form of a lower price received for sugar. Legal considerations aside, it is clear from the reasons given that transportation costs are in this case an indeterminate factor and can not, therefore, be used for the purposes of cost comparison.

In the report signed by Commissioners Culbertson, Lewis, and Costigan considerable space is given to the advantages and disadvantages in competition. Among the other items there discussed under this caption are transportation costs. We have pointed out the necessity elsewhere (p. —) of limiting cost comparisons to f. o. b. mill and have stated that the tariff problem must determine the costs to be compared, and the tariff problem is confined to raw sugar, 96° pure. The very nature of the problem excludes transportation costs incurred in bringing these raw materials from the mill to the refineries, as well as transportation charges incurred, after the sugar is refined, in transporting it to the many and scattered markets from where it is finally distributed to the consumers.

EXHIBIT No. 22

UNITED STATES TARIFF COMMISSION—INTEROFFICE MEMORANDUM

MARCH 6, 1924.

To: Chief Investigator, Doctor Bernhardt.
From: Chief economist.
Subject: Report to the President on sugar.

In order to avoid congestion of work in the advisory board such as existed in the consideration of the wheat report for the President, it is respectfully requested that a tentative draft of the report to the President on the subject of sugar be submitted to the advisory board as soon as practicable, probably between March 20 and 25.

In making this request it is recognized that the commission has not formally adopted rules with respect to the routing of tentative reports to the President, but in practice the commission has referred all reports to the advisory board at some stage in their preparation. It is believed that confusion may be avoided if the board is able to examine the report before it is transmitted to the commission.

It is requested that two copies of the report be prepared for the chief economist's office and one for the chief of the legal division, in addition to copies for the chief investigator and for the chief of the sugar division.

JOHN R. TURNER,
Chairman Advisory Board.

EXHIBIT No. 23

INTERVIEW WITH DR. PHILIP G. WRIGHT, FORMERLY CHIEF OF SUGAR DIVISION,
UNITED STATES TARIFF COMMISSION, IN PRESENCE OF DR. JOHN R. TURNER

JUNE 20, 1924.

1. The schedules for the early years are not as detailed or the material as accurate as those secured during the present investigation by the commission's staff in the field.

However, Doctor Wright believes that, although the old schedules contain errors, the errors are, in the main, compensatory and not cumulative. The results over a period of years are, therefore, considered fairly accurate.

2. Because some of the old schedules were incomplete, they were rejected by Doctor Wright in his tabulations. But unless schedules clearly fail to measure up to reasonable standards and requirements, they should not be rejected. In fact, Doctor Wright stated that he knows of no way of establishing which of these are really representative. Doctor Wright further stated that the Louisiana schedules were especially unsatisfactory because of the meager accounting records kept by Louisiana cane growers. Difficulty was also encountered with the Cuban schedules, the commission receiving many complaints that even the old schedules were too complicated. It was a matter of volition with Cubans to fill out the schedules. Consequently in some years very few schedules were returned.

3. Professor Taussig, who was chairman at the time the old schedules were prepared, was not in favor of including interest on the schedule. Doctor Wright is of the opinion that the trade was generally aware of the fact that interest was not to be included. A few companies, believing that interest also should be included, inserted a charge for same, clearly interlining the item on the schedule. Doctor Wright states that he considers only such companies as definitely showed interest charges to have included same on their schedules. In all other cases it is safe to assume that interests has not been included.

4. Doctor Wright states that he would settle which Cuban crops to compare with the Louisiana and beet crops by comparing the costs of those crops the prices of whose products correspond. In the long run, the proper procedure seems to be to compare the Louisiana and beet crops with the succeeding Cuban crops. The Louisiana and beet sugar producers often hold their sugars for a high price until the summer. In point of fact, Doctor Wright states that very often schedules from the Louisiana and beet regions were not returned until the middle of the year, their return being held up pending the disposal of the sugars and the closing of the books. If it depended on the recording of the costs, the books could be closed earlier in the year.

5. Doctor Wright suggested a difficulty in including too many years in averaging costs. Changes in price levels over a period of years might unevenly affect costs in the various sugar regions, thus interfering with the equalization of costs between Cuba and the United States sugar regions. Doctor Wright felt that this would certainly be the case if the commission intended to go as far back as 1913 or 1914, but questioned whether this influence would be a significant factor if the commission only went back to 1917.

A. M. Fox.

 EXHIBIT No. 24

REPORT ON SUGAR INVESTMENT

[Mr. A. M. Fox and Dr. Kemper Simpson]

JUNE 16, 1924.

The COMMISSION:

The committee appointed to review the investment data on sugar has examined the material as carefully as the limited time would permit. Obviously it could not study any considerable portion of the larger amount of data available. The members of the committee have reviewed a sufficient number of the sched-

ules, however, to satisfy themselves that sound principles have been applied in tabulating the material and to grasp the treatment of contentious problems. They were forced, however, to assume the accuracy of all arithmetical calculations, for to check these in the time allotted was entirely out of the question and probably unnecessary.

We shall present the information for each of the sugar centers separately. Before proceeding, however, with the detailed discussion, we wish to state that we are of the opinion that the attempt to normalize the investment data is unsound and respectfully recommend that Tables XXI and XXII, pages 92 and 93, be eliminated from the report. In order to supply the commission with the trend of the investment data, we present below for the various sugar centers the investment per pound of sugar produced and its relation for the different years to the data for 1918, which are taken as a base of 100. These facts are shown separately for the total investment and the proprietors' net equity. No adjustment has been made in any of the original material compiled by the commission's experts. The committee has not attempted to carry through any of the changes in the tabulations even though the facts presented in this report may warrant such changes being made.

The investment per pound of sugar in the report was calculated as follows: The interest on borrowed capital and dividends on preferred stock actually paid were accepted and in addition thereto 6 per cent was allowed on the proprietors' net equity. Wherever, therefore, interest on investment appears in the report it includes actual interest paid on borrowed capital, dividends on preferred cumulated stock, actually paid, if any, and a computed charge of 6 per cent on the proprietors' net equity. Tables I and II which follow show the total investment and the proprietors' net equity for the various sugar centers in cents per pound of sugar produced.

TABLE I.—Investment in cents per pound of sugar produced in the various regions of sugar production and the ratios of the investment in the different years to the 1918 investment

[The total sugar investment included in the proprietors' net equity and borrowed capital is here divided by the sugar produced during the year. Production in all the regions except the beet is reduced to a raw-sugar basis. Inasmuch as the beet sugar is refined, the investment cost per pound of sugar shown below is somewhat larger than it would be if the production were reduced to raw-sugar basis]

[Cents per pound]

Year	Cuba		United States							
	Amount	Per cent of 1918 investment	Hawaii		Porto Rico		Louisiana		United States beet	
			Amount	Per cent of 1918 investment	Amount	Per cent of 1918 investment	Amount	Per cent of 1918 investment	Amount	Per cent of 1918 investment
1917-18.....	7.083	100.0	9.588	100.0	5.937	100.0	10.237	100.0	12.567	100.0
1918-19.....	6.529	92.2	9.454	98.6	8.044	135.5	13.031	127.3	14.666	118.6
1919-20.....	8.508	120.1	13.260	138.3	8.867	149.4	17.333	169.3	13.398	109.3
1920-21.....	8.580	121.1	11.172	116.5	-----	-----	12.078	118.0	14.393	116.4
1921-22.....	8.212	115.9	11.413	119.0	8.077	136.0	7.607	74.3	11.346	91.7
1922-23.....	9.255	130.2	-----	-----	10.738	180.9	8.000	78.1	15.315	123.8

TABLE II.—Proprietors' net equity per pound of sugar produced in the various regions of sugar production and index numbers made therefrom on the 1918 figure as a base

[The proprietors' net equity is here divided by the sugar produced during the year. The production in all the centers but the beet is reduced to a raw-sugar basis. Inasmuch as the beet sugar is in the refined stage, the proprietors' net equity in this field is larger than it would be if the production were reduced to a raw-sugar basis]

[Cents per pound]

Year	Cuba		United States							
	Amount	Per cent of 1918 investment	Hawaii		Porto Rico		Louisiana		United States beet	
			Amount	Per cent of 1918 investment	Amount	Per cent of 1918 investment	Amount	Per cent of 1918 investment	Amount	Per cent of 1918 investment
1917-18.....	5.217	100.0	8.770	100.0	5.263	100.0	8.890	100.0	11.331	100.0
1918-19.....	4.679	89.7	8.899	101.5	5.893	112.0	12.075	135.8	11.586	102.3
1919-20.....	6.499	124.6	12.771	145.6	7.836	148.9	14.580	164.0	12.445	109.8
1920-21.....	4.911	94.1	10.243	116.8	-----	-----	9.311	104.7	8.324	73.5
1921-22.....	5.130	98.4	10.153	115.8	7.450	141.6	4.628	52.1	8.055	71.1
1922-23.....	6.073	116.4	-----	-----	8.699	165.3	5.284	59.4	12.846	113.4

The permanent assets, on the whole, do not vary greatly from year to year. The current assets, borrowed capital, and the surplus, however, fluctuate considerably from year to year, accounting in the main for the marked changes. Furthermore, the marked variations in investment from one year to another may be explained by changes in the crop of sugar produced. Thus, a low crop will be responsible for a comparatively large unit investment. The particularly low production in Porto Rico and Louisiana in 1920 explains the high net investment figures to be found in these regions for this year. On the other hand, a large crop gives producers an advantage of low unit costs, which they endeavor to maintain by continuing to enjoy the same large crop.

We will now present for each of the different sugar centers considered the pertinent facts as to the investment:

HAWAII

There appears to be accurate production figures available for all years and the data on polarization makes possible a reduction of this material to a 96° basis. Voluminous notes were obtained while the commission's experts were in Hawaii relative to the various items appearing upon the balance sheet. The experts were not satisfied to take the balance sheets for the different years without question but endeavored to trace the more important items to their origin in order to discover whether or not any of these items were valued at cost. Many expenses requiring careful interpretation were unearthed—for example, the — Company, which secured its land, some — acres, for an amount not exceeding —. This was later (in 1912(?)) written up to about — and still later to —, as it appears upon the balance sheet at the present time. The question naturally arises at what figure to include this land. Other similar instances might be found. For the 1922 data the notes obtained in Hawaii relative to investment were employed in establishing the total investment figure. They were not, however, used to any considerable extent during the other years. Mr. Ballif, who tabulated the 1922 investment data, states that, in his opinion, there would be no material change in these investment figures for these earlier years were the notes employed.

A considerable increase in the permanent assets seems to have taken place during the years 1920 and 1921, accompanied by a marked increase in the cur-

rent assets during 1920 and a decrease in 1921. These have been traced to several of the larger companies. The increase in permanent assets is a result of additions and betterments (land, buildings, mill, and mill equipment) during these years, whereas changes in cash and accounts receivable during 1920 and 1921 account for the variations in the current assets of these years.

PORTO RICO

One of the large companies produces some finished sugars in addition to the raws usually manufactured. To convert these other sugars to a raw basis it was assumed that 100 pounds of sugar in the final finished stage correspond to 107 pounds of raw and 100 pounds of semifinished to 104 pounds of raw.

We have not been able to satisfy ourselves as to the investment data in Porto Rico. Because of the absence of Mr. Mervyn Braun, who tabulated the material, it becomes necessary to attempt a somewhat more detailed examination of the schedules and the tabulations. This has not been undertaken as yet.

There was no way of ascertaining definitely from the schedules for the early years whether or not interest paid had been included. It was assumed, however, that this charge is not covered in the items shown on the schedules. Six per cent interest, therefore, was allowed on the total invested capital for these years by a method similar to that adopted for the beet-sugar industry.

LOUISIANA

The investment data for Louisiana are substantially correct. During the early years there is some question whether or not interest paid is included in the data upon the schedules. Under general expenses, however, some companies have indicated that they have included interest paid. Thus, for the different periods a few of the total number of companies for which investment data are available showed interest as a general expense item, as follows: 1917-18, 4 out of 27 companies; 1918-19, 2 out of 9 companies; 1919-20, 1 out of 16 companies; 1920-21, 2 out of 11 companies. The accountant tabulating the Louisiana data is inclined to conclude from the above evidence that all of the companies during these early years have included interest in their general expense items and, therefore, favors the inclusion of an interest charge during these early years based on 6 per cent of the proprietors' net equity.

PRODUCTION

There are two questions with regard to the production in the Louisiana field—one which concerns the determination of the different grades produced and the other the conversion of the different grades to a raw-sugar basis.

(1) Determination of the different grades produced: In Louisiana a number of different grades is produced. Distribution is shown accurately for the years 1921 and 1922 only. During all other years not all of the companies have reported the amount of production of the different grades. Other companies have shown only a total figure. The expert distributed such totals on the basis of the average experience of the particular company during the years 1921 and 1922. To check this assumption the production of the companies which specified the grades were totaled and the per cent distribution calculated. Immediately below is shown the distribution of the companies which failed to specify the grades produced and the productions of which were distributed among the various grades on the basis of the 1921 and 1922 production. It will be seen that the distribution of the companies upon the basis of the 1921 and 1922 experience does not correspond to that of the companies the productions of the different grades of which were known.

TABLE III.—Comparison of distribution of production by grades for companies specifically showing grades produced with those failing to specify grades and whose production on the basis of the 1921 and 1922 experience of such companies

[This table is designed to test the adequacy of judging the distribution by grades during any year by the experience of such companies during 1921-22 and 1922-23]

Number of companies	Total production	Grades					
		Fine granulated	Plantation granulated	Clarified	Raws	Seconds	Thirds
1917-18							
Companies specifying grades:							
16	15,527,570		18,782,918	22,270,339	71,142,114	2,802,201	530,000
Per cent.	100		16.26	19.28	61.58	2.42	0.46
Companies not specifying grades:							
17	63,628,569	3,282,327	16,877,480	8,349,220	29,604,117	5,027,311	488,114
Per cent.	100	5.16	26.52	13.10	46.53	7.90	0.79
1918-19							
Companies specifying grades:							
7	35,739,842	144,492	6,839,630	2,695,899	23,698,417	102,306	2,259,098
Per cent.	100	0.40	19.14	7.54	66.31	0.29	6.32
Companies not specifying grades:							
2	7,239,444	480,078	2,589,098	2,711,762	503,052	933,175	22,279
Per cent.	100	6.63	35.77	37.46	6.95	12.89	0.30
1919-20							
Companies specifying grades:							
9	34,446,008	4,667,913	13,891,101	6,301,751	7,200,104	1,653,683	731,456
Per cent.	100	13	40	18	22	5	2
Companies not specifying grades:							
7	20,499,249	674,412	3,580,285	6,118,298	7,597,116	2,162,679	366,459
Per cent.	100	3	18	30	37	10	2

¹ Distributed on basis of 1921 and 1922 experience.

A comparison of the per cent distribution of the various grades for the companies specifying the quantity of the different grades produced on the schedules with those which failed to do so and the distribution of which are, therefore, based on the 1921-22 experience for these companies, clearly shows that there is no exact correlation between the two sets of distribution. There seems to be no warrant for distributing the production for any year on the basis of the 1921 and 1922 experience.

To test further the assumption that the production for any year can be distributed on the basis of the 1921 and 1922 experience, the 10 companies specifying on the 1917-18 schedules the grades produced were selected. Their production (by grades) for 1917-18 is compared with that for the years 1921-22 and 1922-23 and also with the average of these two years. A similar comparison is made for the seven companies which specified their production during 1918-19 by grades with the known proportions of different grades of sugar produced during 1921-22 and 1922-23 of these seven companies.

TABLE IV.—Comparison of distribution of production by grades for companies specifically showing grades produced during 1917-18 and 1918-19 with the distribution of these same companies during 1921-22 and 1922

[This table is designed as a test to establish the correctness of using the 1921 and 1922 experience as a measure of the distribution of production by grades during other years]

	Total	Grades					
		Fine granulated	Plantation granulated	Clarified	Raws	Seconds	Thirds.
1917-18							
10 companies:							
Production.....	70,476,757	18,782,916	7,010,331	41,351,309	2,802,201	530,000	
Per cent.....	100.00	26.65	9.95	58.67	3.98	0.75	
1921-22							
10 companies:							
Production.....	89,432,243	25,919,814	30,159,986	2,661,838	23,144,321	3,860,232	3,686,052
Per cent.....	100.00	28.98	33.72	2.98	25.88	4.32	4.12
1922-23							
10 companies:							
Production.....	102,763,697	19,795,198	21,755,428	688,592	54,025,106	3,422,332	3,077,041
Per cent.....	100.00	19.26	21.17	0.67	52.57	3.33	3.00
Weighted average of 1921 and 1922:							
Production.....	192,195,940	45,715,012	51,915,414	3,350,430	77,189,427	7,282,564	6,763,093
Per cent.....	100.00	23.79	27.01	1.74	40.15	3.79	3.52
1918-19							
7 companies:							
Production.....	35,739,842	144,492	6,839,630	2,695,899	23,698,417	102,306	2,259,098
Per cent.....	100.00	0.40	19.14	7.54	66.31	0.29	6.32
1921-22							
7 companies:							
Production.....	49,828,112	11,025,708	11,392,626	10,465,028	11,307,681	2,641,005	2,996,064
Per cent.....	100.00	22.13	22.86	21.00	22.69	5.30	6.02
1922-23							
7 companies:							
Production.....	55,645,911	12,376,005	6,553,751	31,479,684	4,265,030	971,441	
Per cent.....	100.00	22.24	11.78	56.57	7.66	1.75	
Weighted average of 1921 and 1922:							
Production.....	105,474,023	11,025,708	2,768,631	17,018,779	42,787,365	6,906,035	3,987,605
Per cent.....	100.00	10.45	2.58	16.14	40.57	6.55	3.76

The 1921 and 1922 distributions for the above groups do not correspond to the actual distribution during 1917-18 and 1918-19. The 1921 and 1922 experience would, therefore, not seem to constitute a proper basis for distributing the production during other years.

A further check was instituted. The distribution by grades was accurately known for five companies over a period of five years. These were tabulated and the percentages of production of different grades were obtained. These follow:

TABLE V.—*Production by grades for five companies for which accurate data were obtained for a 5-year period*

[Per cent of production]

Company number	Year	Fine granulated	Plantation granulated	Clarified	Raws	Seconds	Thirds
49	1918	3.22	3.75		88.37		4.66
	1919		59.91		40.09		
	1920	42.17	26.12	0.98	15.15		15.58
	1921	15.69	.38	2.41	74.84		6.68
	1922		.06	5.21	89.68		5.05
25	1918	30.36		5.71	56.70	7.23	
	1919	60.79	39.08			4.37	5.76
	1920	9.64		1.43	79.72	2.55	6.66
	1921	90.72		.02		4.39	4.87
	1922	71.10			20.09	2.05	6.76
11	1919		75.77			15.55	3.60
	1920		85.82		8.08		6.10
	1921		62.25		8.05	29.70	
	1922		57.94	5.31	27.45	9.30	
	1918			96.34		3.66	
15	1919			84.10		15.90	
	1920			82.61		17.39	
	1921			71.73		28.27	
	1922			68.96		31.04	
	1918		70.76		7.76		21.68
12	1919		81.12			18.88	
	1920		74.45				25.60
	1921		78.14				21.86
	1922		53.59	9.70	27.60	9.11	

The above table fails to bear out a uniform practice for each of the companies. There seems no justification in maintaining that each company produces approximately the same kind of sugar year after year. Doctor Townsend and Mr. Geraci state that the grades produced in any year depend upon the prices commanded by the different grades. This is clearly supported in each of the preceding tables. There seems, therefore, no warrant in assuming that the 1921 and 1922 distribution is a fair measure of the distribution during other years.

Some of the data in the summery tables of the sugar report are calculated upon the basis of the total sugar produced in Louisiana, irrespective of grades, and also on the raw-sugar basis. The latter calculations involve conversion of the different grades to a raw basis as explained above.

In the table which follows is shown the effect of using the experience of the companies which have definitely reported by grades as a basis of estimating the various proportion of the different kinds of sugar produced for companies failing to specify grades, in place of the 1921-22 and 2 1921-1923 experience of these same companies.

TABLE VI.—Comparison of costs on basis of different methods of determining quantity of various grades of sugar produced

	Years				
	1916-17	1917-18	1918-19	1919-20	1920-21
Total f. o. b. mill costs (including investment).....	\$10,811,525.41	\$11,330,811.21	\$3,625,357.36	\$7,971,446.18	\$4,959,048.60
Production in pounds, reduced to raw basis:					
1. On assumption that percentages of 1921-22 and 1922-23 distribution are employed for companies failing to specify definite grades.....	<i>Pounds</i> 252,665,490	<i>Pounds</i> 192,112,740	<i>Pounds</i> 45,929,992	<i>Pounds</i> 65,821,743	<i>Pounds</i> 63,155,182
2. On basis that percentages of distribution of companies definitely reporting by grades are employed for companies failing to definitely specify kinds of sugar produced.....	247,987,044	190,471,042	45,112,187	67,510,160	63,366,351
F. o. b. mill cost per pound (including investment):					
1. Using the 1921-22 and 1922-23 experience as basis for establishing grades of companies failing to report the grades.....	<i>Cents</i> 4.279	<i>Cents</i> 5.898	<i>Cents</i> 7.893	<i>Cents</i> 12.111	<i>Cents</i> 7.853
2. Using experience of companies reporting by grades for particular year.....	4.360	5.948	8.036	11.808	7.826
3. Cost difference between two methods.....	¹ 0.081	¹ 0.050	¹ 0.143	¹ 0.303	¹ 0.027

¹ Italic figures show amounts by which results using second method exceed those by the first method, whereas the figures in last 2 columns show the extent by which the first method gives higher results.

CONVERSION OF THE DIFFERENT GRADES TO A RAW-SUGAR BASIS

Another problem arises relative to the Louisiana sugar production, namely, the basis of converting these different grades to a raw-sugar basis.

In the report the different grades, except thirds, were converted to raws on the basis of the relations of the prices of these different grades to the price of raws. Thirds were converted on the basis of polarization test. There is some question as to whether price constitutes a fair basis for conversion, for through its use unit costs and unit investment are affected by any unusual relations between the different prices arising from a special demand for a particular grade. Should it be considered necessary to resort to the use of prices as a basis of converting the different grades to the raws, in the absence of a better measure it would appear desirable to eliminate the unusual relations between the prices of the different grades, which might exist for any one period and to use a long-time average. For this purpose average wholesale prices prevailing in the New Orleans market during November, December, and January of each year are listed below for the different grades.

TABLE VII.—Average wholesale price quotations in the New Orleans market during the months of November, December, and January¹

[Cents per pound]

Year	Fine granulated	Plantation granulated	Clarified	Raws	Seconds	Thirds
1922-23.....	6.96	6.50	5.84	5.37	4.57	-----
1921-22.....	5.13	4.60	3.95	3.62	3.17	-----
1920-21.....	8.41	8.10	6.74	5.77	5.50	-----
1919-20.....	19.31	18.60	17.52	14.00	13.56	-----
1918-19.....	9.00	8.96	8.60	7.28	7.09	-----
1917-18.....	7.90	7.86	7.21	6.35	6.06	-----
1916-17.....	7.15	6.32	6.83	5.35	4.80	-----
1915-16.....	5.97	5.15	4.77	4.64	3.86	-----
1914-15.....	5.06	-----	4.11	3.82	3.10	-----
1913-14.....	4.21	3.95	3.46	3.23	3.13	-----
Total.....	79.10	70.04	68.03	59.43	54.84	-----
Average price.....	7.91	7.78	6.80	5.94	5.48	-----

CONVERSION FACTORS

[The conversion factor is computed for each grade on its price relative to raws]

1922-23.....	\$1. 2952	\$1. 2094	\$1. 0868	\$1. 00	\$0 8509	² \$0 8542
1921-22.....	1. 4189	1. 2709	1. 0908	1. 00	. 8754	² 8542
1920-21.....	1. 457	1. 404	1. 167	1. 00	. 954	² 8542
1919-20.....	1. 379	1. 329	1. 252	1. 00	. 969	² 8542
1918-19.....	1. 237	1. 231	1. 182	1. 00	. 974	² 8542
1917-18.....	1. 245	1. 238	1. 136	1. 00	. 955	² 8542
1916-17.....	1. 337	1. 182	1. 090	1 00	. 899	² 8542
1915-16.....	1. 287	1. 110	1. 029	1 00	. 832	² 8542
1914-15.....	1 325	-----	1. 076	1. 00	. 812	² 8542
1913-14.....	1. 304	1. 223	1. 072	1 00	. 969	² 8542
Average, 10 years, 1913-1923.....	1. 33	1. 31	1. 14	1. 00	. 92	² 8542
Average, 6 years, 1917-1923.....	1. 34	1. 28	1. 15	1. 00	. 93	² 8542

² Based on polarization rather than price.

To study the effect of the use of these different bases the production for the years 1922-23, 1921-22, and 1920-21 were converted to the raws, using as a conversion factor an average of prices over a 10-year period, and also for a 6-year period. The average cost per pound of sugar is shown for the productions resulting from the use of these different assumptions. It is obvious that costs are affected through the use of conversion factors which are based on current prices alone.

TABLE VIII.—The total production on the basis of different conversion factors and the resulting per unit cost per pound of sugar

Year and grade	Production by grades	Converted to raw on basis of—		
		Current prices	Average price over 10-year period (1913-1923)	Average price over 6-year period (1917-1923)
1922-23:	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Fine granulated.....	43, 978, 074	56, 908, 593	58, 437, 638	58, 877, 019
Plantation granulated.....	108, 869, 588	131, 666, 879	142, 619, 160	139, 353, 072
Clarified.....	44, 392, 252	48, 245, 994	50, 607, 167	51, 051, 089
Raw.....	262, 701, 023	262, 701, 023	262, 701, 023	262, 701, 023
Seconds.....	21, 937, 556	18, 666, 666	20, 182, 551	30, 401, 927
Thirds.....	15, 923, 133	13, 601, 540	13, 601, 540	13, 601, 540
Total.....	497, 761, 626	531, 790, 277	548, 149, 079	545, 985, 670
F. o. b. cost in cents per pound.....	-----	5. 212	5. 057	5. 077
1921-22:				
Fine granulated.....	69, 371, 389	98, 431, 063	92, 263, 947	92, 957, 661
Plantation granulated.....	151, 844, 430	192, 979, 086	192, 916, 203	192, 360, 870
Clarified.....	48, 377, 342	52, 770, 004	55, 150, 169	55, 633, 943
Raw.....	131, 340, 243	131, 340, 243	131, 340, 243	131, 340, 243
Seconds.....	34, 481, 407	30, 185, 023	31, 722, 894	32, 067, 708
Thirds.....	13, 398, 581	11, 445, 071	11, 445, 071	11, 445, 071
Total.....	448, 813, 392	517, 150, 490	520, 838, 527	517, 805, 496
F. o. b. cost in cents per pound.....	-----	4. 213	4. 183	4. 207
1920-21:				
Fine granulated.....	4, 679, 517	6, 818, 056	6, 223, 757	6, 270, 552
Plantation granulated.....	17, 797, 612	24, 987, 845	23, 314, 871	22, 780, 943
Clarified.....	4, 727, 961	5, 507, 529	5, 389, 875	5, 437, 155
Raw.....	21, 126, 631	21, 126, 631	21, 126, 631	21, 126, 631
Seconds.....	1, 961, 979	1, 871, 726	1, 871, 726	1, 824, 640
Thirds.....	3, 317, 017	2, 833, 395	2, 833, 395	2, 833, 385
Total.....	53, 610, 717	63, 155, 182	60, 693, 549	60, 273, 316
F. o. b. cost in cents per pound.....	-----	7. 853	8. 171	8. 228

BEET SUGAR

There is no problem relative to the beet-sugar production aside from the fact that the production data represent refined sugar rather than the raw sugar as in other fields, necessitating an adjustment to bring the sugar of this center to a comparable basis with those of other producing regions.

The information contained upon the schedules for the years 1916-1921 was not sufficiently explicit to make possible a definite judgment as to the inclusion or exclusion of interest paid. Because of this fact the experts allowed 6 per cent on the total invested capital during these years.

During the years 1921-1923, on the other hand, the schedules definitely showed the extent of interest paid, and for these 2 years allowed merely 6 per cent on the net proprietors' equity.

In the case of one of the largest companies, the experts in obtaining the material in the field for the years 1921-22 and 1922-23 found an account called "General office account," the items of which they had to segregate among the various factories of this company in order to obtain the total cost for each of these units. One of these items was "interest paid."

Assuming that the practice of this company for previous years was similar to that for the latter two years, the costs contained upon the schedules for the units of this group would be incomplete in that the items resulting from the allocation of the general office account among the various units are not listed under the heading of general office account. On the other hand, if this company proportioned its general office account to its various units before submitting the schedules to the commission, the figures contained upon these schedules would include interest paid, although it would not be shown as a separate item, and to that extent the allowance made by the expert of 6 per cent on the total invested capital for these early years would be in duplication and therefore excessive.

Inasmuch as definite information was not available as to the identity of these items, it was thought advisable to omit these items from the total cost figures. These figures represent excess expenses over earnings, but inasmuch as it was not definitely known of what they consisted it was thought advisable not to include them as they would have increased the investment charge in this amount.

The expert was led to this conclusion because of the fact that some receipts and expenses here involved concerned other than sugar producing property. All outside investments have consistently been eliminated for all years. But it was impossible, of course, to know just how much of the net expenses and receipts involved in these figures represented outside properties. It may be interesting to point out, however, that the allowance of these net losses in the investment figures for the early years and the elimination of 6 per cent interest on borrowed capital which has been imputed, tend to increase the investment per pound of sugar above the figures as shown at present. In view of the uncertainty as to the composition of these expenses and earnings, it is questioned whether such inclusion would be a proper procedure under any consideration.

A few of the larger beet-sugar companies have been engaged in farming operations on a large scale. In some cases large losses have resulted from these operations. One company has suffered especially large losses, losses of such magnitude as to influence the entire farming operations of the company. It appears to be the practice among all companies growing their own beets to charge the beets raised upon their own lands at the prevailing market price paid to outside growers. The difference between this and the actual costs incurred by them is charged as a secondary cost of beets. In addition to the losses incurred in raising beets on their own lands, a number of companies suffered other losses from the operation of these farm lands. Such other losses have been added to the investment charges for the years 1921 and 1922. The effect of this procedure can be seen from the following table:

TABLE IX.—Investment charge per pound of sugar

Year	On the basis of 6 per cent on total investment for all years	On the basis of 6 per cent on total investment during the years 1916-1920 and for the years 1921 and 1922 of interest actually paid on borrowed capital and 6 per cent on proprietors' net equity	Same as previous column except losses on farming operations have been added to the investment charge for the years 1921 and 1922 ¹
1916.....	\$0 0036	\$0 8036	\$0. 8036
1917.....	. 7420	. 7420	. 7420
1918.....	. 8799	. 8799	. 8799
1919.....	. 8039	. 8039	. 8039
1920.....	. 8636	. 8636	. 8636
1921.....	. 6808	. 7526	. 8911
1922.....	. 9189	. 9612	. 9720

¹ It is assumed no similar farming losses have been suffered during the previous years and such minor losses as there were are already reflected in the investment charges for these years

During the last two years the agricultural losses sustained in the beet-sugar field have been added to the investment cost. During the earlier years it is assumed that no similar losses have occurred and that such small losses as have actually taken place are reflected in the investment costs. There has, therefore, been no adjustments made for agricultural losses during the early years.

CUBA

The schedules reporting production apparently state the amounts as 96° raw sugar. The only problem relative to production in the Cuban field arises because some of the companies use Spanish pounds and others English pounds and there is some question about the correct conversion factor. One of the larger companies clearly specifies its production on both bases. In some of the smaller companies there is some doubt but it is a question whether the amount involved would be significant.

Although no extensive review has been made of the Cuban investment data, we believe them to be substantially correct. There appears, however, to be an error in the 1922 data because of the failure to distinguish between valuation reserves, which should constitute a deduction from assets, and appropriated reserves, which should have been considered as part of the proprietors' net equity. During this year the items which might be considered appropriated surplus and should, therefore, become part of the total proprietors' net equity, amount to — out of a total reserves of —. The approximate — of appropriated surplus instead of being deducted from the assets should be added to the proprietors' net equity, thereby increasing the investment in Cuba about —.

The number of companies for which investment data are available varies considerably from year to year, as does also the percentage of total production in the various centers covered by these investment data. This information is shown in the following tabulation:

TABLE X.—Number of companies for which investment data are available and per cent of total production covered by these data

	Years					
	1917-18	1918-19	1919-20	1920-21	1921-22	1922-23
Hawaii:						
Number of companies.....	39	40	40	38	44	-----
Per cent of total production.....	92.11	93.45	94.27	91.14	96.76	-----
Porto Rico:						
Number of companies.....	11	9	5	16	26	17
Per cent of total production.....	51.98	46.10	36.50	39.90	83.12	39.42
Louisiana:						
Number of companies.....	22	9	16	11	69	74
Per cent of total production.....	28.99	8.18	22.70	15.85	62.98	71.96
Beet:						
Number of companies.....	33	16	16	14	28	28
Per cent of total production.....	97.02	67.79	79.00	62.16	91.42	89.27
Cuba:						
Number of companies.....	25	30	32	33	64	31
Per cent of total production.....	24.66	30.18	29.79	28.55	45.40	30.87

It is obvious from the above tabulation that the data for only a very small proportion of the total production are available for some years. In view of this the advisability of excluding, on the basis of tests as to the representative character of different companies' data, the material of any other companies is questioned, especially as these tests may not be entirely convincing.

In discussing the material with the various experts, it became evident that the material secured during the present investigation gives the facts in such detail as to make clear the exact nature of the information contained upon each schedule. The schedules of previous inquiries, on the other hand, do not show their data sufficiently itemized as to make possible accurate decisions. It is often not apparent whether or not certain items are included. In using the schedules of these early inquiries, therefore, the experts of the commission are forced to make assumptions, which may or may not be true. As a result of this necessity, the experts who have worked upon the sugar material affirm their confidence in their results for the years for which they have available detailed data, but are hesitant about the results obtained from the schedules of the earlier years, containing less definite and scantier material.

Respectfully submitted.

A. M. FOX.
KEMPER SIMPSON.

EXHIBIT No. 25

JUNE 20, 1924.

MEMORANDUM OF STATEMENTS MADE BY DOCTOR WRIGHT

Dr. Phillip G. Wright came into the office of the chief economist with Mr. A. M. Fox for a discussion of certain details relative to the previous schedules obtained and previous studies made by Doctor Wright on sugar. He said—

(1) That at the time the schedules were being sent out by him, Prof. F. W. Taussig was with the commission, and he did not believe that interest should be included in our cost schedules for sugar. Consequently the schedules sent out made no inquiry about interest, and interest was not reported by the companies except in a few cases where the item was written in by the accountant of the corporation answering the schedule.

(2) The previous data collected by the commission was not obtained with the completeness of the present data. The schedules were sent out and answered by correspondence. Doctor Wright said that doubtless there were errors in the figures and that he thought these errors would be compensatory rather than cumulative.

(3) Doctor Wright advised against selecting 15 of the schedules as representative. He said this might look as though the commission was doing some

doctoring, and that they might be selecting companies to fit a case. He thought the commission should use all the schedules obtained except those which were obviously incomplete and erroneous.

(4) Relative to the use of a number of years, the doctor called attention to the fact that over this period of time the value of the dollar had changed. He was asked whether this would make a material difference, if the value of the money in Cuba and Louisiana changed at about the same rate. He said, "Yes; it would make a material difference," and illustrated it thus:

"Suppose the difference between the cost of producing sugar in Louisiana and Cuba was $4\frac{1}{2}$ cents six years ago, and that the difference at the present time is $2\frac{1}{4}$ cents. If we should suppose that the value of money had increased until \$1 to-day was worth twice what it was then, the real purchasing power of the difference would not be altered, but an arithmetic average of the difference would show a higher figure than is accurate."

(5) He called attention to the fact that the costs of producing sugar are materially influenced by the price it brings, and pointed out that Louisiana and beet sugar as a rule are held over until well in the summer before being marketed, and that the sugars therefore compete with the following rather than the preceding Cuban crop.

EXHIBIT No. 26

I wish to set forth a few observations concerning the sugar investigation in Cuba.

I. DATA FOR CROP YEARS OTHER THAN 1921-22

When the commission formally approved the sugar investigation I was immediately sent to New York to do the opening work with the American concerns operating in Cuba. My instructions were to distribute our cost schedules among all of the companies and to request that they fill out the schedules for the crop year 1921-22 and send said schedules to the commission at Washington. I visited all of the companies having offices in New York and carried out my directions. However, I found them unanimously opposed to submitting 1921-22 figures without assurance that an average of several years' data would be used in determining the tariff. I reported this condition to Doctor Bernhardt, but was not notified of any change in policy. Until April 26, 1923, I remained in New York, keeping in constant touch with the various companies, but received only two or three schedules. In fact, there seemed but little disposition on the part of the majority of the concerns to display any interest in our investigation, and it was only after the earnest solicitations of Doctor Fox, along in September, that the New York companies finally bestirred themselves and sent in their data. However, at this time these companies were made to clearly understand that data for years other than 1921-22 were merely to be used as background.

On May 2, 1923, Mr. Fisher and I arrived in Cuba and proceeded with the investigation, working upon the assumption that 1921-22 figures only were desired. A week later Doctor Bernhardt arrived with Mr. Nye, divided the island into sections, and organized three crews, with a commission man in charge of each, to cover each of the three sections. Before the crews went out into their respective sections several conferences were held in Habana, and Doctor Bernhardt repeatedly specified that we were to concentrate on gathering cost data for the crop-year 1921-22. He clearly stated several times that we were to take cost figures for years prior to 1921-22 only when such figures were easily obtainable, and that there would be no necessity for expending effort in gathering detailed statements for such prior years, as they were to be used only as "background figures." The work in my section was carried out upon that basis, and I am certain that the other crews were similarly handled. Clearly, then, it is unfair and unreasonable to use the data for those back years in this report.

II. CUBAN UNWILLINGNESS TO SUBMIT DATA

The Cuban producers displayed no willingness to cooperate with us in our work and for the most part gave the impression that we were unwelcome. At a meeting of the Sociedad de Hacendados y Colonos, which Doctor Bernhardt and the other commission men attended, speeches were made to the effect that, while

it could do no harm for the producers in the high-cost areas to submit figures, it would be unwise for the low-cost producers to present their data. Since the speeches were delivered in Spanish, Doctor Bernhardt did not understand, but was none the less generous in his applause. I was somewhat concerned, however, as I speak the language, and the low-cost areas referred to were in my section. The attitude of the association toward the investigation was shown clearly enough when M. Rousseau, president of the association in Oriente Province, repeatedly refused to even grant me an interview and would not submit data for his mill, Union.

Several Cuban mill owners declared to me that they didn't care what the tariff rate might be. Jose Bosch, owner of Central Esperanza, in refusing to give his costs, said that he didn't see why the Cuban should worry over our tariff, adding that he produced at such a low cost that he had made an excellent profit in 1921-22 when sugar sold at its lowest point.

Whenever a Cuban mill owner in my territory did submit costs, those costs were almost invariably produced in typewritten form, and in most cases I was not allowed access to the books to check the accuracy of the typed reports.

III. USE OF OLD MATERIAL

No matter how many so-called "tests" may be applied to the old material in an endeavor to prove it representative and accurate, the fact still remains that schedules prepared several years ago, differing in form, and without the supervision of representatives of the commission, can not safely be used with the data obtained in the recent investigation. For example, several days ago I discovered a \$2,000,000 discrepancy in the Porto Rican final-cost tabulations for 1919-20. The error proved to be in Doctor Wright's schedule for———. Data for this same mill had been obtained by Mr. Nye in the present investigation, but for some reason was not used in the final tabulation, although it was more complete than Doctor Wright's. Since only five mills were embodied in this tabulation, the error of \$2,000,000 changed the production cost per pound of sugar for Porto Rico in 1919-20 approximately two-thirds of a cent. This is only one example of the ridiculously unbalanced data for back years.

IV. AGRICULTURAL COSTS

We should have investigated agricultural costs. The theory that cane should be regarded as raw material, and taken at its cost delivered to the factory, is unsound. The cost of producing raw sugar starts when the cane seedling is put in the ground, and from that point on there is one continuous operation which can not be halted at any time until after the sugar has been ground. The farmer can not buy his raw material on a good market and hold it for later manufacture. The cane must be ground as soon as it is cut. Moreover, we know that the "cost of cane" is over 50 per cent of the cost of raw sugar, and that is too large an item to disregard in an industry of this kind.

Louisiana cane producers were given commission "B" schedules and were promised that these schedules would be collected for use in the present investigation. For some reason the commission's staff in Louisiana was ordered to ignore these "B" schedules, although two or three weeks would have been sufficient to have gathered three or four hundred of said schedules. The men were recalled, and I believe all of them went on annual leave upon their return, thus showing that the commission did not ignore the "B" schedules because of pressure for time and men.

In closing I feel constrained to state that the entire investigation has, in my opinion, suffered from lack of coordination and also from lack of competent supervision of the accounting and tabulating operations. This has resulted in much loss of time and has made it difficult for the staff to get the work well in hand.

EXHIBIT No. 27

JULY 16, 1924.

Memorandum: For Mr. Burgess.

Subject: Period for comparing cost of production data on sugar.

It would be difficult to defend the method of taking the costs of sugar brought upon the market for the calendar year 1922 as a basis of arriving at

the comparative costs of producing sugar in the domestic regions and in Cuba. The following considerations are in point:

(a) The statistics to give effect to this method would embrace sugar in Cuba for three crops, namely, 1920-21, 1921-22, 1922-23; with one crop in Hawaii, namely, 1922; one crop in Porto Rico, namely, 1922; two crops in Louisiana, namely, 1921-22, 1922-23; and two crops in United States beet, namely, 1921-22, 1922-23. This would mean a comparison of costs of production which took place at different times.

(b) This method, furthermore, would mean an acceptance of the cost figures for 1920 in Cuba, whereas a major point in this report should be the ruling out of all years except those for which we have made a first-hand investigation, namely, 1921-22, 1922-23.

(c) This method would involve a compromise in the use of data which we are unwarranted in accepting as a basis for cost comparisons. Perhaps during the 6-year period seized up in the majority report no one year is more abnormal than that of 1920, and perhaps the data secured for that year are as unsatisfactory as that for any other one year. A most substantial reason for refusing to accept the 6-year period as a basis for comparison is the striking movements in price during 1920. Everything is wrong with that year—it was prior to the emergency measure; it witnessed unprecedented movements in price; it is a year regarding which our information is most meager. It stands condemned by the trinity of obsolescence, misinformation, and speculation.

(d) We could not at one and the same time adhere to the principle that the purpose of the elastic provision is to attend to maladjustments arising after the act of 1922 and accept as a basis for a proper adjustment cost data for the year 1920.

(e) It would conform to statistical accuracy and be in keeping with the results obtained in the present investigation to limit cost comparisons in Cuba and in the domestic regions to the same kind of data and for the same period of time, namely, the crop years 1921-22 and 1922-23.

JOHN R. TURNER.
A. M. FOX.

EXHIBIT No. 28

JUNE 12, 1924.

PORTO RICO

INVESTMENT

There was no means of ascertaining whether or not the schedule for the early years contained interest paid. It was assumed, however, by the experts that no such item was included. Six per cent was, therefore, allowed on the total invested capital, as was done in the beet-sugar field and unlike the procedure in the Louisiana field, where 6 per cent was only allowed on the proprietor's net equity.

The number of companies for which data were obtained during the different years is indicated below:

1917-18	9
1918-19	11
1919-20	5
1920-21	26
1921-22	17

A. M. FOX.

EXHIBIT No. 29

JUNE 12, 1924.

LOUISIANA SUGAR INDUSTRY

Mr. Geraci states that it is necessary to produce seconds and thirds if the better grades of sugar are to be produced. The data for five companies over

a period of five years show that for all but one of these years all of these companies produced seconds and thirds where the better grades of sugar were also produced. This fact reflects upon those schedules of the previous years which show distribution of total production by grades but fail to show any seconds and thirds. It is Mr. Geraci's contention that all such production data are inaccurate. If this contention is correct, it would mean that the schedules on which this situation occurs should be thrown out.

A. M. Fox.

EXHIBIT No. 30

JUNE 10, 1924.

COMMENTS ON LOUISIANA SUGAR INVESTIGATION

A review of this material would seem to indicate that the investment data are substantially correct. There is some doubt, however, about the production data. The schedules for 1921 and 1922 contain definite information in regard to the various grades of sugar produced in the Louisiana territory. The schedules for the previous years do not all contain specific information relative to production. Some of the schedules show the actual distribution of the sugar into the various grades produced, while others merely show the total amount of sugar manufactured. It appears that the distribution for the schedules which do not contain definite information was based upon the assumption that the same grades of sugar were produced by these companies during these early years as was manufactured during the years 1921 and 1922, for which information was available. There also appears some doubt as to the basis of converting the different grades of sugar into raw. The method employed gives considerable recognition to price variations. The scheme employed was to use the ratio of the price obtained for the different grades to the price of raw. There is some question as to the fairness of using this method.

A. M. Fox.

EXHIBIT No. 31

JUNE 11, 1924.

BEEF-SUGAR INDUSTRY

1. PRODUCTION

There is no particular problem relative to the beet-sugar production aside from the fact that the production data represent refined sugar rather than raw sugar as in other fields, necessitating an adjustment to bring the sugars of this center to a comparable basis with that of the other producing centers.

2. INVESTMENT DATA

It appears that the investment data for this field were compiled using the liability side of the balance sheet as a basis, in contrast to the method pursued relative to the Louisiana data, where the asset side of the balance sheet served as the base from which the final investment material was calculated. Theoretically there is no essential difference between the two procedures except that uniform procedure was not followed in the different centers.

3. OTHER CONSIDERATIONS

For the years 1921-22 and 1922-23 the commission's experts secured definite data on costs and investment upon the schedules for 28 companies, constituting each year approximately 91 per cent of the total beet-sugar production. For the previous years the old records in possession of the Tariff Commission were employed. There is considerable variation in the number of companies included in the different years taken, as is seen from the following table:

	1916-17	1917-18	1918-19	1919-20	1920-21
Number of companies.					
Cost data.....	9	33	16	16	14
Investment data.....	31	39	18	16	17

It is important to observe that only for four companies data appear for all these years; for the other years different companies appear in the different years' material. It certainly appears that the data for the years 1916-1921 are not of the same caliber as that for the years 1921-1923. The experts themselves and the men who worked in the field do not feel as confident of the early data as they do of the material obtained by them and checked against the companies' books. The schedules for the years 1916-1921 serving as the basis for the material for these years were those submitted to the trade and returned to the commission, which data neither the commission nor its experts have at any time had opportunity to check. On the contrary, the material for the years 1921-22 and 1922-23 have been carefully checked against the books by our experts. The schedules for the other years were submitted by individual companies and have to be taken for what they are worth and, if accepted, will be accepted without verification of the companies' books.

A. M. Fox.

(The above was dictated by Mr. Fox, in the presence of Mr. Newton, and met with his complete approval.)

EXHIBIT No. 32

JUNE 27, 1924.

THE COMMISSION.
A. M. Fox.

BULK-LINE COSTS

The application of the bulk-line principle does not lend itself to exact mathematical calculations which would definitely and exactly establish the bulk-line point for each situation. In time exact mathematical processes may be applied to the bulk-line method, but as yet there is no scheme that would seem to meet the conditions imposed by the bulk-line principle.

This statement does not destroy the usefulness of the bulk-line method for tariff purposes. It is essential, however, to grasp the principle of the bulk-line method and its application to tariff work. It is especially important that its use for tariff purposes be distinguished from the employment of the method for price-fixing purposes.

The bulk-line principle found considerable application during the war for price-fixing purposes, where the aim was to encourage production and at the same time prevent prices from rising to unprecedented levels. The problem confronting the Fuel Administration and other governmental agencies charged with the task of securing maximum production was that of stimulating production without imposing undue burdens upon the public. To accomplish this end it was thought desirable to fix prices that would be satisfactory for the bulk of the production in the different fields. Had they limited their efforts merely to the stimulation of the production, they might have succeeded in accomplishing their end, but unless precaution was taken, some of the production would be that of the high-cost producers whose products would necessarily have to come at a high price, but unless precaution was taken, some of the production would be compelled to fix prices that would encourage production by the bulk of the producers in their respective fields, rather than attempt to secure the production of the high cost, unfavorably situated producers who could only produce when assured of relatively high prices. It was deemed advisable to encourage production of the favorably situated producers rather than that of the comparatively small number of uneconomical producers who, due to their disadvantages, could only produce if subsidized by the public through price concessions. Clothed with considerable discretion and power, under provisions of war-time measures, these various agencies undertook to establish, for their respective fields, the proportion of the total production that could be considered normal for price-fixing purposes. It has been suggested that these war-time experi-

ences point to the fact that 80 to 90 per cent generally constitutes a fair measure of the bulk of production. However, this measure is a crude one and does not reflect the actual economic conditions existing in any field.

The Tariff Commission in employing the bulk-line principle can not proceed along the lines of these war-time agencies. The Tariff Commission, under section 315 of the tariff act of 1922, is charged with the responsibility, not of price fixing, but rather of the equalization of costs of domestic producers with those of the principal competing country. The commission can not arbitrarily assume that any particular per cent uniformly constitutes the bulk of the production in all regions. The facts in each case must be carefully studied and the bulk-line point established in the light of the economic conditions actually prevailing in the field.

The lowest producers need not be given special consideration for tariff purposes inasmuch as such domestic producers as can be so classified generally are not in need of tariff relief, while foreign producers so fortunately situated will surmount the usual tariff barriers imposed. Likewise, comparisons of the highest cost producers would be indefensible, in that equalization of costs would be effected between producers subject to freak and unusual conditions. In its use of bulk line principle the Tariff Commission should, therefore, attempt to eliminate the unrepresentative, unusual high cost producers and to equalize the costs of the last producer of the group of "representative firms."

To equalize costs of domestic and foreign producers on the basis of average costs involves an objectionable situation in that a rate so fixed fails in its usefulness to all producers whose costs are higher than the average and gives a decided cost advantage to all producers whose costs are below the average, which advantage does not in any way assist the high cost producers. Unless the economic and other conditions influencing the costs of companies are subsequently altered, the firms producing at figures above the average cost will continue to be handicapped by a tariff which has been established by equalizing the average costs of domestic and foreign producers. The tariff, as an instrument of relief for American producers, would fail of its object. Likewise, it might be considered unfair to attempt to equalize costs of the highest cost domestic and foreign producers. This objection can be met only by eliminating from consideration in each field those producers as are obviously high cost, unusual producers, leaving those who are operating under fairly normal conditions. The bulk-line method endeavors to accomplish this result by eliminating that proportion of each field which is clearly producing under freak and unusual conditions. This difficulty, of course, is that at times it is not a simple matter to select the point which separates the unusual high cost producers from the others. This difficulty is not insurmountable. An intelligent use of the method would require that the conditions surrounding each producer situated beyond the bulk-line point should be examined and the facts established whether or not each of such producers is a freak, unusual producer. In the main, it is unusually possible to find explanation for the position of the companies and factories appearing above the bulk-line point. They are so situated so often because of bad management, unfavorable geographic conditions, unfavorable operating and producing conditions, etc. Thus in 1923 in Hawaii, the highest cost producer is a company which in previous years had produced at fairly normal costs. Its unusual position in 1923 is due primarily to the fact that its crop during that year was rather small, resulting in a high unit cost. The application of the bulk-line principle would eliminate this company from consideration during 1923. Similarly, other companies which are found to be permanently unfavorably situated as producers would be eliminated from consideration for purposes of cost comparison. The bulk-line principle thus makes possible comparison of cost for actual producers in the respective countries and results in the establishment of a tariff rate that equalizes the costs of all producers who may be considered properly located, who are operating under fairly normal conditions, and who are subject to the usual economic forces.

To establish the bulk-line point in each region, the unit cost data were studied and the point selected which appeared to separate the scattered, unusual high-cost producers from the others. In the table which follows is shown the per cent of production which seemed to constitute the bulk of production and the unit cost corresponding to the bulk-line point. It is interesting to note that the per cent of production, representing the bulk of production in any region, varies from one year to another, resulting undoubtedly from the shifting of representative firms to positions beyond the marginal point.

Besides cumulative charts for the 1921 and 1922 crops, there were available tables showing the rate of change of production for each unit of cost interval. Even with the use of these aids, the selection of the bulk-line point involved essentially an inspection process. Dissatisfaction with this crude inspection method led to the use of distribution charts explained on pages 7, 8, 9, and 10. Thus far distribution charts have been constructed only for the 1923 data. The 1923 bulk-line points alone were selected by the use of distribution charts; those for all previous years were established by the inspection method.

	Years	Bulk-line point occurs at point corresponding to—	
		Production	Unit cost per pound of sugar
		<i>Per cent</i>	<i>Cents</i>
Cuba.....	1917-18	90.6	4.595
	1918-19	88.6	4.919
	1919-20	84.6	9.483
	1920-21	91.0	5.209
	1921-22	97.9	3.645
	1922-23	94.78	4.8028
United States: Hawaii.....	1917-18	94.14	6.3530
	1918-19	98.32	6.3932
	1919-20	95.29	11.2073
	1920-21	92.06	6.3229
	1921-22	84.05	5.3288
	1922-23	94.97	6.0163
Louisiana.....	1916-17	91.88	4.861
	1917-18	93.56	6.849
	1918-19	67.46	7.7524
	1919-20	85.66	15.213
	1920-21	77.04	8.209
	1921-22	97.83	6.119
	1922-23	92.45	6.3410
Porto Rico.....	1916-17	87.64	4.3183
	1917-18	95.37	5.328
	1918-19	85.17	6.085
	1919-20	68.91	¹ 8.5826
	1920-21	93.12	6.4323
	1921-22	100.00	5.3175
	1922-23		
Beets.....	1916-17	95.01	5.7334
	1917-18	97.59	8.5635
	1918-19	98.62	9.9714
	1919-20	98.48	10.9696
	1920-21	93.67	10.4464
	1921-22	96.55	7.5171
	1922-23	78.19	7.8066

¹ Or 93.18—10.5485 cents.

THE USE OF DISTRIBUTION CURVES IN ESTABLISHING THE BULK-LINE POINT

For each region the factories were arranged according to the ascending order of their costs. Charts were then plotted to show the production and costs of each factory. Costs were plotted along the horizontal and production along the vertical axes. Curves connecting the various points thus showed the distribution of the production in the particular region. The up-and-down lines in the curves resulting from variation in production huddle pretty close together up to a certain point. From that point on the curve spreads out rapidly, the factories beyond this point being scattered and not bunched as they are before this point is reached. The bulk-line point may, therefore, definitely be taken at the point where this change takes place. Thus, upon the chart depicting production for the 1922-23 Louisiana crop the break occurs at the point depicting the producer of 1,177,295 pounds, whose cost of production is 6.3410 cents. From that point on the cost intervals are considerably larger than for the factories preceding this point and the production relatively smaller. The producer of the 1,177,295 pounds may, therefore, be considered to be the last of the representative firms. All others occurring beyond it may be taken as unrepresentative firms and eliminated on that score from consideration for the purpose of cost comparison.

A similar curve for the 1922-23 Cuban crop shows a decided break to occur at the point representing the producer whose cost of production is 4.8028 cents and whose production approximately 19,000,000 pounds. Beyond that point the producers are scattered.

A similar distribution for the 1922-23 Hawaiian crop clearly shows the break to occur at the point depicting the producer whose cost is 6.0163 cents per pound and whose production approximately 12,400,000 pounds.

The use of these distribution curves for establishing the bulk-line point shows that for 1922-23 94.78 per cent may be considered to constitute the bulk of production in Cuba. This eliminates from consideration the costs of 5.22 per cent of the production. The cost difference between the lowest and highest producer for the representative producers—that is, for the 94.78 per cent of the producers—is 2.3386 cents (the low being 2.4642 and the high 4.8028). The cost difference for the companies eliminated by this method is 1.1148 cents (the cost of the "low" producer in this group being 4.8028 cents and the high 5.9176 cents). The average cost interval for each 1 per cent of production for the representative companies (i. e., preceding the bulk-line point) is 0.0246 cent, in contrast to 0.2136 cent for each 1 per cent of production for the companies eliminated by the application of the bulk-line principle.

Similarly in Louisiana, the bulk-line point occurs at a point corresponding to 92.45 per cent of the total production. This would cause 7.55 per cent of the production to be eliminated. The difference in cost between the lowest and highest cost producer in the first group is 2.2814 (the lowest 4.0596 and the highest 6.0163). For the companies beyond the bulk-line point the cost eliminated is 4.3740 cents (the lowest 6.3410 cents and the highest 10.7150 cents). The average cost interval for each 1 per cent of production for the companies constituting the bulk of production is 0.0247 cent, whereas the cost interval for the companies eliminated from consideration is 0.5793 cent for each per cent of production.

For Hawaii the bulk-line point occurs at 94.97 per cent of the total production, thus eliminating 5.03 per cent of the production. The cost difference for the representative companies, whose production constitutes the bulk of the production, is 1.7118 cents (the lowest cost is 4.3045 cents and the highest 6.0163). For the companies beyond the bulk-line point the cost difference is 4.7485 cents (the lowest being 6.0163 and the highest 10.7648 cents) the cost interval for the companies constituting the bulk of production.

In all three cases cited above the companies whose production constitutes the bulk of the production in their respective fields are fairly well "bunched" together and the average cost interval for these companies for each per cent of production is relatively small. In contrast, the companies which are eliminated by this method are scattered and the cost interval for each 1 per cent of production for such unrepresentative companies relatively large. The contrast is shown in the following table:

	Cost intervals for each 1 per cent of production	
	For representative companies whose products constitute the bulk of production	For companies whose position occurs beyond the bulk-line point and where are therefore considered unrepresentative firms
	<i>Per pound</i>	<i>Per pound</i>
Cuba.....	\$0. 0246	\$0. 2136
United States.....	. 0227	. 1954
Beet.....	. 0227	. 1954
Louisiana.....	. 0247	. 5793
Hawaii.....	. 0180	. 944

The companies whose cost intervals are shown in the first column above may be considered to constitute representative companies, while the few companies which are scattered and whose costs, for various reasons, are relatively high and in distinct contrast to that of the bulk of the production in their field may be taken as unrepresentative firms whose costs can not be considered when making cost comparisons. Careful study should be made of the conditions surrounding the production of the companies found beyond the bulk-line point. Obviously, if the position of such companies results from an abnormal production for a particular year, a temporary condition, it may be well to eliminate such companies from consideration for that particular year. Furthermore, if such a study should reveal that certain companies are permanently unfavorably and uneconomically situated, or producing under permanent handicaps, there is a serious question whether the costs of such companies should be considered in the equalization of costs for tariff purposes.

Respectfully submitted.

A. M. Fox.

EXHIBIT No. 34

JUNE 12, 1924.

LOUISIANA AND BEET SUGAR

It appears that the expert working upon the Louisiana data assumed that the interest was included in the general expenses during the early years, and therefore, only allowed 6 per cent on the net proprietor's equity.

The expert working on the beet-sugar industry, on the other hand, assumed that no interest charges were included in the early years, and therefore, allowed 6 per cent on the total invested capital.

A. M. F.

EXHIBIT No. 35

JUNE 12, 1924.

LOUISIANA SUGAR INDUSTRY

1917-18: Total number of companies, 27. Four show definitely interest by including in its general expense item. These four are the only four to break down the general expense into its constituent parts.

1918-19: I have only tabulated costs for nine representative companies. Interest paid is not shown separately on any one of the schedules, but in the tabulation of the "not representative" companies I find two companies that break up the general expense and these two companies include interest paid in that break-up.

1919-20: I have tabulated 16 representative companies. One company shows details of its general expense item, and in this detail is included interest paid.

1920-21: I have tabulated 11 representative companies. Two of these companies detail their general expense, and in this detail is included interest paid.

A. T. GERACI.

EXHIBIT No. 36

FOR COMPARATIVE PURPOSES SHOULD THE COST OF PRODUCTION IN LOUISIANA AND THE BEET AREAS BE COMPARED WITH THE PRECEDING OR THE SUCCEEDING CUBAN CROP?

In this investigation there has been question as to whether the cost of the preceding or succeeding Cuban crop should be compared with the cost of producing sugar in Louisiana and the beet areas.

Finding and reasons in the case point to the necessity of comparing the costs of the succeeding Cuban crop with those of Louisiana and the beet areas.

The following reasons are offered on this point:

1. Louisiana and the beet producers have been accustomed to holding their sugar for a time and marketing it in the summer with the consequence that in the market it is sold at virtually the same time and therefore competes directly with the product of the succeeding Cuban crop marketed in this country.

2. From the standpoint of competitive costs of production the costs undergone in the production of the succeeding crop correspond more nearly in time with that of Louisiana beet production.

3. In making a comparison of the cost data over a period of six years the greatest separations in costs between Louisiana and beet and the Cuban crops took place when comparing the preceding Cuban crop with the American crops. It ranges over a difference in favor of Louisiana of 0.108 cent in 1920 (0.012 cent in 1921) to 7.721 cents in favor of Cuba in 1919.

Compared with the succeeding Cuban crop it is noteworthy that Cuba is lower in every case and that there are slight variations in differences through time. These differences range from 1.190 cents in 1917, the lowest, to 3.926 cents, the highest, in 1920. It is apparent that the more constant variations which attend the succeeding Cuban crop are due to the continuous operation of the same economic principles, whereas the erratic variations as shown by comparing the preceding Cuban costs with those of Louisiana and beet do not indicate any casual relationship common to the cost of production in these different sugar regions.

4. Sugar may be classed as a durable rather than a perishable market product, with the consequence that it may be held through time when there is promise for a higher future market price. As above noted, the Louisiana and beet crops are held over, and doubtless the reason for this is a possible advantage in price. Because of its durability the price of sugar is particularly affected by the forecast of the supply of sugar coming from Cuba. In anticipation of a small Cuban crop in 1920 the Louisiana and beet sugar were held for an unprecedented high price, whereas for some time the price of sugar has been low in anticipation of a large forthcoming Cuban crop. Sugar may be regarded as a necessity of life and this together with its durability for purposes of marketing causes its price to be very sensitive and easily influenced by forecasts and even rumors as to the forthcoming supply.

EXHIBIT No. 37

MEMORANDUM RECITING INSTRUCTIONS REGARDING SERVICES OF THE MEMBERS OF THE ADVISORY BOARD IN THE CASE OF SUGAR AT THE MEETING OF MAY 28, 1924

Mr. Costigan expressed the view and referred to it as a vote of the commission that during the consideration of the sugar report the advisory board should prepare no formal report upon the subject.

The chairman took the point of view that he wanted to make full use of the staff during the consideration of the report, and would feel at liberty to call upon the members of the staff for any prepared statements which would be helpful to the commission in arriving at a decision.

Mr. Lewis stated, to put it bluntly, that he wanted no written statement prepared by any of the commission's experts, because such statement might express a point of view contrary to the decision which he would reach upon the subject. He wanted nothing in writing which would go contrary to the decision which he would arrive at in the investigation. He did state that he would welcome the opinions of members of the staff upon the investigation; that if they would be in there with the commission and go over and thrash it out with the commission, that they would get into the problem better than if they, the staff, would hold advisory board meetings.

Mr. Culbertson stated that the report had already been submitted to the commission and that since it had been submitted all that was wanted of the experts on the commission's staff now would be to sit in with the commission in the rewriting of the report, for the meetings at this time might be considered simply a rewriting of the report.

Mr. Lewis stated that by sitting with the commission the members of the advisory board could more thoroughly arrive at a decision than if they considered it apart from the commission.

The chairman of the advisory board assured Mr. Lewis that the staff could give more thorough consideration to the matter if the investigation was conducted along the lines of other investigations. Mr. Lewis retorted that he knew from experience that this was not true.

EXHIBIT No. 38

JULY 26, 1924.

HEARINGS AND BRIEFS IN SUGAR INVESTIGATION WITH REFERENCE TO COST PERIOD

The consensus of opinion as expressed both at the hearings and in the briefs is against going back of the enactment of the act of 1922 for the cost period.

The matter was most fully discussed by Mr. Shattuck, who stressed current costs of production for comparison, and cited subdivision (c), third paragraph, first sentence, of section 315, to show that current conditions should be investigated and current costs equalized.

Señor Perez, of the Cuban Embassy, furthermore stated that the tariff act contemplates competition not of the past but of the present and future.

Of the other representatives, Mr. Butler for the Hawaiian interests, opposed consideration of costs over any period of years and gave as a reason that section 315 is meant not to establish normalcy but to make duty changes in accordance with changed conditions from time to time. And Mr. McCumber argued that the petition calls for an investigation of conditions existing at the time of the filing of the petition in November, 1922.

Other reasons against taking pre-enactment costs are as follows: (1) That production costs before September, 1922, were not obtained by sworn agents of the commission as were costs for the crop year 1921-22. (2) That costs for Louisiana or Cuba for no year preceding enactment of the act of 1922 are for 50 per cent of the production. (3) That pre-enactment conditions were different from post-enactment conditions.

(It might be pointed out that hearings before the two committees of Congress show that cost data (including Doctor Wright's prior to enactment) were before the Congress, and the debates show that they were considered in fixing the rates in the act of 1922.)

The crop period 1921-22 or the calendar year 1922 was favored by representatives of the American interests because the data were obtained by sworn agents of the commission expressly for the purposes of section 315 and more fully and fairly indicate the costs than the data for any other crop period.

Representatives of Cuban producers and of American refiners of Cuban sugar oppose the 1921-22 year as subnormal and not the latest data obtained by the commission. They urge the use of the 1922-23 period. Objection thereto was not rested upon disinclination to accept later data but because the costs for 1922-23 are incomplete. The opinion was expressed that had costs for 1922-23 been obtained in the manner and to the extent that costs for 1921-22 were obtained there would be no objection to taking the later period.

EXHIBIT No. 39

On November 16, 1922, an application was received for a reduction in the rate of duty on sugar from the United States Sugar Association, a voluntary association composed of cane-sugar refiners situated on the Atlantic coast of the United States, and also corporations organized under the laws of the various States in the United States, and Cuban corporations, the stock of which is owned by citizens of the United States producing raw sugar in Cuba. The application was made pursuant to the provisions of section 315 of the tariff act of 1922. The application averred that the present rate of duty "does not equalize the differences in cost of production in the United States, its insular possessions, and the Republic of Cuba," and "that there is no such difference in the cost of production as requires the duty called for by said tariff act."

The commission considered the application in accordance with its rules and regulations, and in accordance with the Executive order of October 7, 1922, as follows:

"It is ordered that all requests, applications, or petitions for action or relief under the provisions of sections 315, 316, and 317 of Title III of the tariff act approved September 21, 1922, shall be filed with or referred to the United States Tariff Commission for consideration and for such investigation as shall be in accordance with law and the public interest under rules and regulations to be prescribed by such commission."

An investigation under the provisions of section 315 was ordered on March 20, 1923, and following the field investigation in Cuba, Porto Rico, Hawai,

Louisiana, and in the principal beet-sugar-producing sections of the United States, public hearings, as provided by law, were held at which interested parties were given an opportunity to be present, to produce evidence, and be heard.

Prior to the inauguration of the field investigations, cost schedules for use in the investigation were drawn up and approved by the commission. These cost schedules covered all items of the cost of producing sugar that were deemed essential in the prosecution of the investigation, including agricultural costs of producing cane; and, contemporaneously with the sugar investigation, a study of the cost of producing sugar beets was conducted.

The data secured in regard to the agricultural costs of producing sugar are inadequate and incomplete. The production of sugar is a combination of agricultural and factory processes. The various phases of sugar production may be outlined as follows:

1. Production of cane or beets—the agricultural phase.
2. Conversion of cane into raw sugar—a factory phase.
3. Conversion of raw sugar into refined sugar—a factory phase.
4. Conversion of sugar beets into beet sugar—a factory phase.
5. Distribution of refined sugar—cane or beet—a marketing process.

It is recognized by sugar authorities and experts that "the agricultural phase is of predominant importance with respect to costs." (P. 15, *Sugar in Relation to the Tariff*, by Philip G. Wright.) In *Sugar in Relation to the Tariff*, page 17, Doctor Wright states:

"Data secured by the United States Tariff Commission shows that about two-thirds of the total cost of producing sugar is incurred at the agricultural end of the business, though the proportion differs greatly in different regions. Manufacturing costs account for from one-fifth to one-third of the total cost, the remainder being absorbed by depreciation and marketing expenses. The industry is thus shown to be predominantly agricultural."

The cane-sugar industry is the oldest of the two established methods of sugar production. India, where the industry originated, is still a large producer of sugar. The leading cane-sugar-producing countries, in the order of their importance, are: Cuba, India, Java, United States and insular possessions, Brazil, Formosa and Japan, Peru, Australia, Argentina, West Indies, Mexico, and Egypt.

The beet-sugar industry is of more recent origin. Its importance was first recognized by Frederick the Great and by Napoleon. It was the decree of Napoleon in 1811, appropriating 1,000,000 francs for the establishment of schools for beet-sugar instruction; requiring farmers to plant 79,000 acres of land to sugar beets, and prohibiting, after 1813, the importation of sugar into France; that established the industry in that country and led to its establishment in other European countries, so that beet-sugar production is now a part of the agricultural and industrial life of Czechoslovakia, Belgium, Holland, Poland, Italy, Russia, Spain, Denmark, Hungary, Sweden, Rumania, Bulgaria, Austria, and Switzerland, as well as of Germany and France.

It is recognized that sugar-beet production has important benefits from an agricultural viewpoint, requiring careful preparation of the soil, deep plowing, and intensive methods of cultivation. It is recognized that sugar-beet production is beneficial to the soil, leaving it in good condition for other crops. Sugar beets are a valuable rotation crop, because of the benefit to the soil, resulting in larger yields of other crops.

In sugar consumption the United States ranks first. In cane-sugar production it ranks fourth; in beet-sugar production, second, being exceeded by Germany. In 1922, 42.5 per cent of the United States consumption of sugar was of domestic origin and 57.5 per cent was imported. The main source of the United States imports of sugar is Cuba. Of the domestic production the cane sugar comes from Louisiana, Texas, Porto Rico, Hawaii, Virgin Islands, and the Philippines, and the beet sugar is produced in California, Colorado, Idaho, Michigan, Nevada, Ohio, Utah, and Wisconsin.

EXHIBIT No. 40

This investigation of the comparative costs of producing sugar was conducted under the provisions of sections 315 of the tariff act of 1922. It is evident, therefore, that the processes of the investigation should conform with the provisions of the statute and the purpose of the law.

THE PROVISIONS OF THE STATUTE

Following are the provisions of section 315 of the tariff act of 1922:

SEC. 315. (a) That in order to regulate the foreign commerce of the United States and to put into force and effect the policy of the Congress by this act intended, whenever the President, upon investigation of the differences in costs of production of articles wholly or in part the growth or product of the United States and of like or similar articles wholly or in part the growth or product of competing foreign countries, shall find it thereby shown that the duties fixed in this act do not equalize the said differences in costs of production in the United States and the principal competing country he shall, by such investigation, ascertain said differences and determine and proclaim the changes in classifications or increases in any rate of duty provided in this act shown by said ascertained differences in such costs of production necessary to equalize the same. Thirty days after the date of such proclamation or proclamations such changes in classification shall take effect, and such increased or decreased duties shall be levied, collected, and paid on such articles when imported from any foreign country into the United States or into any of its possessions (except the Philippine Islands, the Virgin Islands, and the islands of Guam and Tutuila): *Provided*, That the total increase or decrease of such rates of duty shall not exceed 50 per cent of the rates specified in Title I of this act, or in any amendatory act.

(b) That in order to regulate the foreign commerce of the United States and to put into force and effect the policy of the Congress by this act intended, whenever the President, upon investigation of the differences in costs of production of articles provided for in Title I of this act, wholly or in part the growth or product of the United States and of like or similar articles wholly or in part the growth or product of competing foreign countries, shall find it thereby shown that the duties prescribed in this act do not equalize said differences, and shall further find it thereby shown that the said differences in costs of production in the United States and the principal competing country can not be equalized by proceeding under the provisions of subdivision (a) of this section, he shall make such findings public, together with a description of the articles to which they apply, in such detail as may be necessary for the guidance of appraising officers. In such cases and upon the proclamation by the President becoming effective the ad valorem duty or duty based in whole or in part upon the value of the imported article in the country or exportation shall thereafter be based upon the American selling price, as defined in subdivision (f) of section 402 of this act, of any similar competitive article manufactured or produced in the United States embraced within the class or kind of imported articles upon which the President has made a proclamation under subdivision (b) of this section.

The ad valorem rate or rates of duty based upon such American selling price shall be the rate found, upon said investigation by the President, to be shown by the said differences in costs of production necessary to equalize such differences, but no such rate shall be decreased more than 50 per centum of the rate specified in Title I of this act upon such articles, nor shall any such rate be increased. Such rate or rates of duty shall become effective 15 days after the date of the said proclamation of the President, whereupon the duties so estimated and provided shall be levied, collected, and paid on such articles when imported from any foreign country into the United States or into any of its possessions (except the Philippine Islands, the Virgin Islands, and the islands of Guam and Tutuila). If there is any imported article within the class or kind of articles, upon which the President has made public a finding, for which there is no similar competitive article manufactured or produced in the United States, the value of such imported article shall be determined under the provisions of paragraphs (1), (2), and (3) of subdivision (a) of section 402 of this act.

(c) That in ascertaining the differences in costs of production, under the provisions of subdivisions (a) and (b) of this section, the President, in so far as he finds it practicable, shall take into consideration (1) the differences in conditions in production, including wages, costs of material, and other items in costs of production of such or similar articles in the United States and in competing foreign countries; (2) the differences in the wholesale selling prices of domestic and foreign articles in the principal markets of the United States; (3) advantages granted to a foreign producer by a foreign government, or

by a person, partnership, corporation, or association in a foreign country; and (4) any other advantages or disadvantages in competition.

Investigations to assist the President in ascertaining differences in costs of production under this section shall be made by the United States Tariff Commission, and no proclamation shall be issued under this section until such investigation shall have been made. The commission shall give reasonable public notice of its hearings and shall give reasonable opportunity to parties interested to be present, to produce evidence, and to be heard. The commission is authorized to adopt such reasonable procedure, rules, and regulations as it may deem necessary.

The President, proceeding as hereinbefore provided for in proclaiming rates of duty, shall, when he determines that it is shown that the difference in costs of production have changed or no longer exist which led to such proclamation, accordingly as so shown, modify or terminate the same. Nothing in this section shall be construed to authorize a transfer of an article from the dutiable list to the free list or from the free list to the dutiable list, nor a change in form of duty. Whenever it is provided in any paragraph of Title I of this act that the duty or duties shall not exceed a specified ad valorem rate upon the articles provided for in such paragraph, no rate determined under the provision of this section upon such articles shall exceed the maximum ad valorem rate so specified.

(d) For the purposes of this section any coal-tar product provided for in paragraphs 27 or 28 of Title I of this act shall be considered similar to or competitive with any imported coal-tar product which accomplishes results substantially equally to those accomplished by the domestic product when used in substantially the same manner.

(e) The President is authorized to make all needful rules and regulations for carrying out the provisions of this section.

(f) The Secretary of the Treasury is authorized to make such rules and regulations as he may deem necessary for the entry and declaration of imported articles of the class or kind of articles upon which the President has made a proclamation under the provisions of subdivision (b) of this section and for the form of invoice required at time of entry.

RULES OF PROCEDURE OF THE COMMISSION

As a guide to the commission and for the information of the public, rules of procedure for the conduct of investigations under section 315 were adopted by the commission and are published in full in the seventh annual report (p. 53). It is the opinion of the commission that these rules provide a system for the due examination of the subjects under consideration. As stated in the commission's sixth annual report (p. 3) it is the commission's purpose and practice to have the work of the commission's staff "coordinated in an advisory board." In this report by the undersigned commissioners, efforts have been made to have the evidence and data secured in the course of this investigation so coordinated, in order that the information in the possession of the commission should have the fullest economic and expert review and scrutiny, and also that the final report to the President of the results of the investigation may conform to the purpose and provisions of the statute.

THE PURPOSE AND PROVISIONS OF SECTION 315

The declaration of the purpose of the tariff act of 1922 is found in the preamble of the act in the following words:

"An act to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes."

The purpose of section 315 is "to put into force and effect the policy of the Congress by this act intended." The provisions of the statute for putting into force and effect "the policy of the Congress by this act intended" were summarized in the seventh annual report (p. 32) as follows:

"The President shall have power, upon investigation, to ascertain the differences in costs of production of domestic articles and of like or similar imported articles and to proclaim the changes in classification or increases or decreases in rates of duty which may be necessary to equalize the differences in cost thus ascertained.

"So far, it may be observed, the equalization contemplated by the statute may be accomplished in either of two modes—(1) changes in classification; (2) increases or decreases in the rate of duty. The statute proceeds, however,

to provide another method if these prove unavailing. When the President, upon investigation, publishes a finding, first, that the duties do not equalize such differences, and further, that the differences in the costs of production in the United States and the principal competing country can not be equalized by changes in classification or changes in duty, then the ad valorem rate of duty based upon the value of the imported article in the country of exportation shall thereafter be based upon the American selling price, as defined in subdivision (f) of section 402 of the act, of any similar or competitive article produced in the United States, if based upon the class or kind upon which the President has issued his proclamation.

"The power of tariff readjustment conferred upon the President by section 315 is subject to certain limitations. No proclamation changing a classification or rate may be issued until an investigation shall have been made by the Tariff Commission. The total increase or decrease in rates of duty shall not exceed 50 per cent of the rates specified in the existing tariff act or in any amendatory act. No article may be transferred from the free list to the dutiable list or vice versa. No duty may be changed from a specific to an ad valorem form, or from an ad valorem to a specific form; nor may it be changed from the compound to the simple form or vice versa. Whenever any paragraph of the tariff act provides that the duty shall not exceed a specified ad valorem rate, no rate shall be so changed as to exceed the maximum ad valorem rate so specified. It seems hardly necessary to add that where the adjustment is effected by changing the basis of assessment from foreign to American valuation, no increase may be made in the ad valorem rate.

"The statute makes certain provisions with respect to the application of the measure or basis of differences between foreign and domestic costs of production. In subdivision (e) of section 315 it is provided that 'in ascertaining the difference in costs of production, under the provisions of subdivisions (a) and (b) of this section, the President, in so far as he finds it practicable, shall take into consideration (1) the differences in conditions in production, including wages, costs of material, and other items in costs of production of such or similar articles in the United States and in competing foreign countries; (2) the differences in the wholesale selling prices of domestic and foreign articles in the principal markets of the United States; (3) advantages granted to a foreign producer by a foreign government, or by a person, partnership, corporation, or association in a foreign country; and (4) any other advantages or disadvantages in competition.'

"As understood by the commission, the matters stated in subdivision (c) are in no sense a substitute for inquiry into the differences in costs of production required by the preceding sections. They are merely supplementary. The statutory issue remains the same, namely, the differences between foreign and domestic production costs. Any changes in duty, whether increases or decreases, must be such as are found 'necessary to equalize the differences in such costs of production.'"

(Whereupon, at 4.10 p. m., the committee adjourned.)